

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

GLOBAL OFFERING



Sole Global Coordinator and Sole Sponsor



Joint Bookrunners and Joint Lead Managers



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



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GLOBAL OFFERING

| | |
|--------------------------------------|---|
| Number of Offer Shares | : 650,000,000 Shares (subject to the Over-Allotment Option) |
| Number of Hong Kong Offer Shares | : 65,000,000 Shares (subject to adjustment) |
| Number of International Offer Shares | : 585,000,000 Shares (subject to adjustment and the Over-Allotment Option) |
| Maximum Offer Price | : HK\$6.28 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund on final pricing) |
| Nominal value | : HK\$0.10 per Share |
| Stock code | : 1308 |

Sole Global Coordinator and Sole Sponsor



Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the "Documents Delivered to the Registrar of Companies and Available for Inspection" attached as Appendix IX to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement among the Joint Bookrunners (on behalf of the Underwriters), our Company and the Selling Shareholders on the Price Determination Date, which is expected to be on or around Saturday, September 25, 2010 and, in any event, not later than Sunday, October 3, 2010.

The Offer Price will be not more than HK\$6.28 and is currently expected to be not less than HK\$4.78, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$6.28 per Offer Share, unless otherwise announced, together with 1% brokerage, the Hong Kong Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%, subject to refund if the Offer Price should be lower than HK\$6.28.

The Sole Global Coordinator (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered in the Global Offering and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, a notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offer, such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced. For further information, see the "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" sections in this prospectus.

If, for any reason, the Offer Price is not agreed among the Joint Bookrunners (on behalf of the Underwriters) and us on or before Sunday, October 3, 2010, the Global Offering will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information in this prospectus including the risk factors set out in the "Risk Factors" section in this prospectus.

If certain circumstances arise, the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (on behalf of the Underwriters) prior to 8:00 a.m. on the Listing Date. Such circumstances are described in the section headed "Underwriting — Grounds for Termination."

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered, in the United States, only to Qualified Institutional Buyers in reliance on Rule 144A or other exemption under the U.S. Securities Act and, outside the United States, to certain persons in offshore transactions in accordance with Regulation S.

September 20, 2010

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EXPECTED TIMETABLE¹

| | |
|---|--|
| Application lists open ² | 11:45 a.m. on Friday, September 24, 2010 |
| Latest time to lodge WHITE and YELLOW Application Forms | 12:00 noon on Friday, September 24, 2010 |
| Latest time to give electronic application instructions to HKSCC ³ | 12:00 noon on Friday, September 24, 2010 |
| Latest time to complete electronic applications under White Form eIPO service through the designated website www.eipo.com.hk ⁴ | 11:30 a.m. on Friday, September 24, 2010 |
| Latest time to complete payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s) | 12:00 noon on Friday, September 24, 2010 |
| Application lists close | 12:00 noon on Friday, September 24, 2010 |
| Expected Price Determination Date | Saturday, September 25, 2010 |
| Announcement of the Offer Price | Monday, October 4, 2010 |
| (1) Announcement of: | |
| • the level of applications in the Hong Kong Public Offering; | |
| • the level of indications of interest in the International Offering; and | |
| • the basis of allotment of the Hong Kong Offer Shares expected to be published in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before | Monday, October 4, 2010 |
| (2) Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see paragraph headed "Results of Allocations" in the section headed "How to Apply for Hong Kong Offer Shares") from | Monday, October 4, 2010 |
| (3) A full Announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk ⁵ and the Company's website at www.sitc.com ⁶ from | Monday, October 4, 2010 |
| Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk with a "search by ID" function | Monday, October 4, 2010 |
| Share certificates in respect of wholly or partially successful applications to be dispatched on or before ⁷ | Monday, October 4, 2010 |
| White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications to be dispatched on or before ^{7,8,9} | Monday, October 4, 2010 |
| Dealings in Shares on the Hong Kong Stock Exchange expected to commence on | Wednesday, October 6, 2010 |

¹ All times refer to Hong Kong local time, except otherwise stated. Details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, are set forth in the section headed "Structure of the Global Offering" in this prospectus.

EXPECTED TIMETABLE¹

- ² If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on September 24, 2010, the application lists will not open on that day. See the paragraph headed “Effect of bad weather conditions on the opening of the application lists” in the section headed “How to apply for Hong Kong Offer Shares” in this prospectus.
- ³ Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares — How to Apply by Giving Electronic Application Instructions to HKSCC” in this prospectus.
- ⁴ You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- ⁵ The announcement will be available for viewing on the “New Listings — Main Board — Allotment Results” page on the Hong Kong Stock Exchange’s website at www.hkexnews.hk.
- ⁶ None of the website or any of the information contained on the website forms part of this prospectus.
- ⁷ Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have indicated in their Application Forms their wish to collect refund cheques (where applicable) and Share certificates (where applicable) in person may do so from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on October 4, 2010. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation’s chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. Uncollected refund cheques and Share certificates will be dispatched promptly by ordinary post to the addresses as specified in the applicants’ Application Forms at the applicants’ own risk. Details of the arrangements are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.
- ⁸ Applicants who apply through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to their application payment bank account, in the form of e-Refund payment instructions. Applicants who apply through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions to the **White Form eIPO** Service Provider, in the form of refund cheques, by ordinary post at their own risk.
- ⁹ White Form e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

Share certificates will become valid certificates of title only if the Hong Kong Public Offering has become unconditional in all respects and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement has been terminated in accordance with their respective terms before 8:00 a.m. on the Listing Date, which is expected to be October 6, 2010. Investors who trade the Shares on the basis of publicly available allocation details prior to the receipt of Share certificates to prior to the Shares certificates becoming valid certificates of title do so entirely at their own risk.

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You should rely on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Controlling Shareholders, the Selling Shareholders, the Sole Global Coordinator, the Underwriters, any of their respective directors, or any other persons or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in our Shares.

There are risks associated with any investment. Some of the particular risks in investing in our Shares are set forth in the section headed "Risk Factors" of this prospectus. You should read that section carefully before you decide to invest in our Shares.

OVERVIEW

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 2009 shipping capacity, according to the Drewry Report. 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 the Drewry Report. Reflecting this focus, we have become the fourth largest container shipping company (and the largest among PRC-based 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.

Our predecessor, SITC Corp, was established in 1991. Initially a freight forwarding company, SITC Corp began providing container shipping services between the PRC and Japan in 1992. Today, we are the leading container shipping service provider on PRC-Japan routes in terms of shipping volume, according to the Drewry Report. Expanding into the emerging ASEAN countries in 2004, we have also become the market leader in terms of shipping volume on a number of key routes servicing between the PRC and the Philippines and Vietnam. We have continued to grow in terms of shipping volume despite the challenging industry conditions since the onset of the 2008 global financial crisis. Our aggregate shipping volume grew from 845,404 TEU in 2007 to 1,079,779 TEU in 2008, and to 1,186,842 TEU in 2009, or a CAGR of 18.5%, representing 3.6%, 4.4% and 5.1% of the total shipping volume within the intra-Asia market in the same years, respectively, based on the Drewry Report. Our aggregate shipping volume was 540,962 TEU and 645,954 TEU in the six months ended June 30, 2009 and 2010, respectively, representing an increase of 19.4%.

Our business model distinguishes us from many of our competitors and has contributed significantly to our operating efficiency and profitability. In contrast to the hub-spoke shipping model adopted by many long-haul carriers, we seek to provide high-frequency services on our high-density intra-Asia route network. Our high-frequency container shipping services called 226, 228, 233 and 242 ports per week as of December 31, 2007, 2008, 2009 and June 30, 2010, respectively, on our high-density route network, which comprised 46, 49, 49 and 48 trade lanes as of the same dates, respectively. 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.

We build our business on a customer-oriented culture, and have established relationships with numerous blue-chip companies of the world. Our high-frequency, high-density container shipping route network is designed to provide higher efficiency in our customers' logistics management through greater flexibility in scheduling and faster inventory turnover. In addition, capitalizing on this network model, we work closely with a number of customers, such as Itochu, Tsingtao Beer and Toyota, by providing them with customized services that meet their industry-specific requirements. These relationships are further solidified through our joint ventures

SUMMARY

with a number of these companies, which provide the joint venture partners and third parties with warehousing and other logistics services. Our multi-faceted relationships with these blue-chip customers have provided stable sources of revenue and helped us manage through industry cycles successfully.

Although our recent operating results were affected by the global industry downturn that unfolded in 2008, we continued to be profitable. In 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, our revenue was US\$576.4 million, US\$771.9 million, US\$694.2 million, US\$286.6 million and US\$400.7 million, respectively, and our profit for the year from continuing operations was US\$34.3 million, US\$35.4 million, US\$32.5 million, US\$8.7 million and US\$51.3 million in the same periods, respectively. Our net profit in 2009 was also impacted by share-based compensation. Excluding the impact of share-based compensation expenses incurred in 2009, our profit from the continuing operations would have been US\$34.3 million, US\$35.4 million, US\$37.1 million, US\$8.7 million and US\$51.3 million in the same periods, respectively.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths enable us to compete effectively in the fast-growing intra-Asia market:

- leading market positions with a history of successful expansion;
- well-positioned to capture the growth of Intra-Asia trade;
- distinctive business model combining efficient network and integrated services;
- single-type fleet enhancing efficiency;
- multi-faceted relationships with blue-chip customers; and
- stable and experienced management team with proven track record.

OUR STRATEGY

Our long-term objective is to become a world-class integrated logistics service provider. To this end, we have developed a business strategy with the following key elements:

- expand fleet and optimize composition;
- strengthen and expand our intra-Asia service network;
- strengthen service capabilities and replicate integrated service model within network;
- enhance our information technology systems; and
- seek opportunities for complementary acquisitions and partnerships.

RISK FACTORS

There are certain risks relating to an investment in our Shares. These risks can be categorized into (i) risks relating to our business and industry; (ii) risks relating to the PRC; and (iii) risks relating to the Global Offering. These risks are further described in the section headed "Risk Factors" and are listed below:

Risks Relating to Our Business and Industry

- The cyclical nature of the shipping logistics industry could have a material and adverse effect on our business and results of operations.

SUMMARY

- We rely heavily on one type of vessel for our sea freight logistics business, and factors that adversely affect the competitiveness of this type of vessel vis-à-vis other vessel types will likely materially and adversely affect our shipping volume, market position, results of operations and growth prospects.
- The global financial crisis that unfolded in 2008 is likely to continue to have detrimental impacts on our business.
- If intra-Asia trade volumes do not increase as expected or decrease, our business, results of operations and prospects may be materially and adversely affected.
- Our business is significantly affected by changes in the economic, financial and political conditions of Asia as a whole as well as countries within our intra-Asia shipping logistics service network.
- Future movements in exchange rates may adversely affect our results of operations.
- Increases in interest rates may adversely affect our results of operations.
- We have historically suffered significant losses on derivative financial instruments, and we face continuing exposure.
- We operate in highly competitive industries. If we fail to compete effectively, our market position, growth prospects and results of operations may be adversely affected, and the price of the Shares may decline significantly.
- Fluctuations in the main components of our cost structure could adversely affect our profitability and financial condition.
- The container shipping and logistics industries are highly regulated and compliance with relevant laws and regulations, including environmental requirements, could require significant expenditures and consequently affect our business and results of operations.
- Increased licensing requirements, inspection procedures, increasingly stringent import and export control and new safety regulations could cause disruptions to our business and increase our operating costs.
- We may encounter difficulties in effectively managing the operations of our joint ventures.
- Our business and growth prospects depend on our ability to continue to attract and retain qualified personnel, including our senior management.
- Our ability to pay dividends and dispose of assets may be limited by contractual restrictions applicable to SITC Holding, our subsidiary through which we hold our interests in all our operating subsidiaries, jointly-controlled entities and associates.
- If we fail to obtain sufficient funding for our business expansion, our business, results of operations, financial condition and growth prospects may be adversely affected.
- Our indebtedness could adversely affect our liquidity and profitability.
- Our future success depends on our ability to achieve and manage growth.
- The interests of our Controlling Shareholders may conflict with the interests of our other shareholders.
- Our insurance may be insufficient to cover all losses associated with our business operations.
- Labor disputes could disrupt or hinder our business operations.
- Failure of our IT systems could adversely affect our business and results of operations.
- Major litigation may affect our business.

SUMMARY

- Seasonal changes could affect our business and financial condition.
- We face risks associated with purchasing second-hand vessels.
- Our vessels could be arrested by maritime claimants, which could result in a significant loss of revenue and cash flow.
- In wartime or emergency situations, the government may requisition our vessels resulting in the reduction of our revenue.
- Acts of piracy could adversely affect our business and results of operations.
- Acts of God, acts of war, epidemics, terrorist attacks and other events could adversely affect our business.

Risks Relating to the PRC

- The PRC's economic, political and social conditions and government policies could affect our business.
- An economic slowdown in the PRC, such as the one experienced following the recent global financial crisis, may reduce the demand for our services and have a material adverse effect on our results of operations, financial condition and profitability.
- Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.
- You may experience difficulties in effecting service of legal process, enforcing judgments or bringing original actions in the PRC based on foreign laws against us and our management.
- Government control of currency conversion may affect our ability to pay dividends and limit our ability to utilize our cash effectively.
- Inflation in the PRC could negatively affect our profitability and growth.
- We may be subject to PRC enterprise income tax on our global income, or dividends we receive from our PRC subsidiary may be subject to PRC withholding tax, depending on whether we are recognized as a resident enterprise in the PRC.
- We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.
- PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders or our PRC subsidiaries to liabilities or penalties, limit our ability to inject capital into our PRC subsidiaries or limit the ability of our PRC subsidiaries to distribute profits to us.
- Failure to comply with PRC regulations in respect of the registration of shares granted to our PRC citizen employees may subject such employees or us to fines and legal or administrative sanctions.
- We may rely on dividends and other distributions on equity paid by our operating subsidiaries in the PRC to fund cash and financing requirements, and limitations on the ability of our operating subsidiaries in the PRC to pay dividends to us could have a material adverse effect on our ability to conduct our business.
- Dividends payable by us to our non-PRC corporate shareholders and gains on sales of our Shares by such shareholders may be subject to withholding taxes under PRC tax laws, which may materially reduce the value of your investment.

SUMMARY

Risks Relating to the Global Offering

- There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained.
- The trading prices of our Shares may be volatile, which could result in substantial losses to you.
- Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins.
- The sale or availability for sale of substantial amounts of our Shares could adversely affect their trading price.
- Because the Offer Price of our Shares is higher than our net tangible book value per Share, purchasers of our Shares in the Global Offering will experience immediate dilution.
- The Laws of the Cayman Islands relating to the protection of the interests of minority shareholders are different from those in Hong Kong.
- We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering.

SUMMARY

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

You should read the summary historical consolidated financial information set forth below in conjunction with our consolidated financial statements included in the Accountants' Report set forth in Appendix I to this prospectus, which are prepared in accordance with HKFRS, together with the accompanying notes. The summary historical consolidated statements of comprehensive income for the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, and the summary historical consolidated statements of financial position as of December 31, 2007, 2008 and 2009 and June 30, 2010 set forth below are derived from our consolidated financial statements that have been audited by Ernst & Young and included in the Accountants' Report set forth in Appendix I. The summary historical consolidated statements of comprehensive income for the six months ended June 30, 2009 set forth below are derived from our unaudited consolidated financial statements that have been reviewed by Ernst & Young and included in the Accountants' Report set forth in Appendix I.

| | Year ended December 31, | | | Six months ended June 30, | |
|--|-------------------------|------------------|------------------|------------------------------|------------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | (unaudited) | | | | |
| | (in thousands of US\$) | | | | |
| CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME: | | | | | |
| CONTINUING OPERATIONS | | | | | |
| Revenue | \$ 576,359 | \$ 771,900 | \$ 694,173 | \$ 286,611 | \$ 400,668 |
| Cost of sales | (520,208) | (671,540) | (624,150) | (271,392) | (327,679) |
| Gross profit | 56,151 | 100,360 | 70,023 | 15,219 | 72,989 |
| Other income and gains | 12,329 | 4,923 | 4,264 | 8,150 | 1,763 |
| Administrative expenses | (26,713) | (53,427) | (37,040) | (11,480) | (21,538) |
| Other expenses and losses | (81) | (11,178) | (1,614) | (1,654) | (18) |
| Finance costs | (6,479) | (3,966) | (1,745) | (910) | (863) |
| Share of profits and losses of associates . . . | — | — | 74 | — | 53 |
| Profit before tax from continuing operations | 35,207 | 36,712 | 33,962 | 9,325 | 52,386 |
| Income tax expense | (876) | (1,322) | (1,482) | (640) | (1,051) |
| Profit for the year/period from continuing operations | 34,331 | 35,390 | 32,480 | 8,685 | 51,335 |
| DISCONTINUED OPERATION | | | | | |
| Profit for the year from a discontinued operation | 4,858 | — | — | — | — |
| Profit for the year/period | \$ 39,189 | \$ 35,390 | \$ 32,480 | \$ 8,685 | \$ 51,335 |
| Profit attributable to: | | | | | |
| Owners of the parent | 38,762 | 35,106 | 32,150 | 8,547 | 51,099 |
| Non-controlling interests | 427 | 284 | 330 | 138 | 236 |
| | <u>\$ 39,189</u> | <u>\$ 35,390</u> | <u>\$ 32,480</u> | <u>\$ 8,685</u> | <u>\$ 51,335</u> |

SUMMARY

| | As of December 31, | | | As of |
|---|------------------------|-------------------|-------------------|-------------------|
| | 2007 | 2008 | 2009 | June 30, |
| | 2010 | | | |
| | (in thousands of US\$) | | | |
| CONSOLIDATED STATEMENTS OF FINANCIAL POSITION: | | | | |
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | \$ 157,240 | \$ 150,522 | \$ 166,611 | \$ 163,900 |
| Prepaid land lease payments | 1,461 | 1,513 | 2,026 | 2,012 |
| Investments in associates | — | — | 2,268 | 2,268 |
| Available-for-sale investment. | 263 | 325 | 384 | 384 |
| Long term prepayment | — | 2,440 | — | — |
| Derivative financial instruments. | — | — | 97 | — |
| Total non-current assets. | <u>\$ 158,964</u> | <u>\$ 154,800</u> | <u>\$ 171,386</u> | <u>\$ 168,564</u> |
| CURRENT ASSETS | | | | |
| Bunkers | 7,393 | 5,419 | 7,562 | 9,661 |
| Trade receivables. | 58,031 | 29,911 | 35,278 | 73,865 |
| Prepayments, deposits and other receivables | 7,107 | 7,719 | 6,970 | 10,546 |
| Due from related companies | 5,300 | 19,834 | 30,255 | 2,754 |
| Derivative financial instruments. | — | 548 | 1,201 | 381 |
| Financial assets at fair value through profit or loss. | — | 15,363 | 27,534 | — |
| Pledged deposits | — | 6,779 | — | — |
| Cash and cash equivalents. | 29,142 | 51,364 | 66,251 | 83,752 |
| | <u>106,973</u> | <u>136,937</u> | <u>175,051</u> | <u>180,959</u> |
| Assets of a disposal group classified as held for sale | 67,004 | — | — | — |
| Total current assets. | <u>\$ 173,977</u> | <u>\$ 136,937</u> | <u>\$ 175,051</u> | <u>\$ 180,959</u> |
| CURRENT LIABILITIES | | | | |
| Trade payables | 47,947 | 55,191 | 71,742 | 87,732 |
| Other payables and accruals | 17,567 | 16,922 | 24,458 | 20,291 |
| Dividends payable | — | — | 40,000 | — |
| Due to related companies | 10,118 | — | 15,208 | 4,109 |
| Derivative financial instruments. | — | 7,758 | 798 | 1,074 |
| Interest-bearing bank and other borrowings | 38,477 | 19,866 | 17,222 | 12,643 |
| Tax payable | 394 | 576 | 428 | 792 |
| | <u>114,503</u> | <u>100,313</u> | <u>169,856</u> | <u>126,641</u> |
| Liabilities directly associated with the assets classified as held for sale | 52,096 | — | — | — |
| Total current liabilities | <u>\$ 166,599</u> | <u>\$ 100,313</u> | <u>\$ 169,856</u> | <u>\$ 126,641</u> |
| NET CURRENT ASSETS | <u>7,378</u> | <u>36,624</u> | <u>5,195</u> | <u>54,318</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES. | <u>\$ 166,342</u> | <u>\$ 191,424</u> | <u>\$ 176,581</u> | <u>\$ 222,882</u> |

SUMMARY

| | As of December 31, | | | As of June 30, |
|---|--------------------|------------------|------------------|-------------------|
| | 2007 | 2008 | 2009 | 2010 |
| (in thousands of US\$) | | | | |
| NON-CURRENT LIABILITIES | | | | |
| Derivative financial instruments | — | 3,591 | 3,395 | 2,930 |
| Interest-bearing bank and other borrowings | 99,468 | 88,588 | 73,265 | 69,812 |
| Total non-current liabilities | <u>\$ 99,468</u> | <u>\$ 92,179</u> | <u>\$ 76,660</u> | <u>\$ 72,742</u> |
| Net assets | <u>\$ 66,874</u> | <u>\$ 99,245</u> | <u>\$ 99,921</u> | <u>\$ 150,140</u> |
| EQUITY | | | | |
| Equity attributable to owners of the parent | | | | |
| Issued capital | — | — | — | 1 |
| Reserves | 62,880 | 97,788 | 98,026 | 148,018 |
| | 62,880 | 97,788 | 98,026 | 148,019 |
| Non-controlling interests | 3,994 | 1,457 | 1,895 | 2,121 |
| Total equity | <u>\$ 66,874</u> | <u>\$ 99,245</u> | <u>\$ 99,921</u> | <u>\$ 150,140</u> |

SUMMARY HISTORICAL OPERATING INFORMATION

The following table sets forth the number of our fleet vessels, containers, trade lanes and per-week port calls as of the dates indicated:

| | As of December 31, | | | As of June 30, |
|--|--------------------|--------|--------|-------------------|
| | 2007 | 2008 | 2009 | 2010 |
| Vessels | | | | |
| Self-owned | 12 | 12 | 15 | 15 |
| Chartered | 20 | 26 | 25 | 27 |
| Total | 32 | 38 | 40 | 42 |
| Containers (TEU) | | | | |
| Owned | 10,975 | 10,837 | 10,791 | 10,891 |
| Leased | 59,187 | 81,185 | 83,037 | 89,699 |
| Total | 70,162 | 92,022 | 93,828 | 100,590 |
| Trade lanes ⁽¹⁾ | 46 | 49 | 49 | 48 |
| Port calls per week ⁽¹⁾ | 226 | 228 | 233 | 242 |

(1) Include trade lanes operated by Shandong SITC using two vessels chartered from our Company and port calls per week on these trade lanes. See “Connected Transactions — Special Case — Vessels Charter Agreement.”

SUMMARY

The following table sets forth our average freight rates and average charter rates for the periods indicated:

| | Year ended December 31, | | | Six months ended June 30, |
|---|-------------------------|--------|--------|---------------------------------|
| | 2007 | 2008 | 2009 | 2010 |
| | (US\$) | | | |
| Average freight rate (per TEU) | \$ 483 | \$ 537 | \$ 450 | \$ 491 |
| Average charter rate (per day per vessel) | 9,103 | 9,895 | 6,890 | 4,563 |

Our average freight rate rose significantly in 2008 compared to 2007, primarily reflecting an increase in our average freight rate in our Northeast Asia Market in this period. Such increase was mainly due to a decrease in container shipping capacity as a result of the discontinuance of operations by Shandong Province Yantai International Marine Shipping Company, a major competitor in the Northeast Asia Market, in 2008. Our average freight rate for 2009 decreased significantly from that for 2008, primarily reflecting unfavorable market conditions in both the Northeast Asia Market and the Southeast Asia Market during the recent global economic downturn, and our average freight rate increased in the six months ended June 30, 2010 from the same period in 2009, primarily reflecting the recent recovery of the container shipping industry. In addition, the Japanese Yen generally appreciated against the U.S. dollar during the periods presented. This trend contributed to an increase in our average freight rate in the Northeast Asia Market in 2008 compared to 2007 and the six months ended June 30, 2010 compared to the same period in 2009 and partially mitigated the decline in our average freight rate in the Northeast Asia Market in 2009 compared to 2008.

Average vessel charter rates are cyclical. The significantly lower average charter rates paid by us in 2009 compared to 2008 was primarily the result of a weaker global demand for container vessels. We generally seek to charter vessels on a one-year basis. As a result, our historical average charter rates during any specified period may not reflect the average spot charter rates during such period.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2010

In the absence of unforeseen circumstances and on the bases and assumptions set out in Appendix III — “Profit Forecast” to this prospectus, certain forecast data of our company for the year ending December 31, 2010 are set forth below:

| | |
|--|--|
| Unaudited forecast consolidated profit attributable to owners of the parent | Not less than US\$109 million ⁽¹⁾⁽³⁾ (approximately HK\$853 million) |
| Unaudited pro forma forecast earnings per Share based on forecast consolidated profit attributable to owners of the parent | Not less than US4.21 cents ⁽²⁾⁽³⁾ (approximately HK32.81 cents) |

-
- (1) The bases and assumptions on which the above profit forecast for the year ending December 31, 2010 have been prepared and summarized in Appendix III — “Profit Forecast” to this prospectus.
- (2) The unaudited pro forma forecast earnings per Share for the year ending December 31, 2010, on a fully diluted basis, is calculated by dividing the unaudited forecast consolidated profit attributable to owners of the parent for the year ending December 31, 2010 by 2,600,000,000 Shares assumed to be issued and outstanding during the entire year, adjusted as if the Global Offering had occurred on January 1, 2010, but without taking into account any Shares which may be issued under the Pre-IPO Share Option Scheme or the Share Option Scheme.

SUMMARY

- (3) The unaudited forecast consolidated profit attributable to owners of the parent for the year ending December 31, 2010 and the unaudited pro forma forecast earnings per Share for the year ending December 31, 2010, on a fully diluted basis, are converted into Hong Kong dollars at the rate of HK\$7.8 to US\$1. No representation is made that the US\$ amount has been, could have been or may be converted to HK\$, or vice versa, at that rate.

GLOBAL OFFERING

The Global Offering consists of (subject to the Over-Allotment Option):

- (i) the Hong Kong Public Offering of 65,000,000 Shares in Hong Kong as described below under the section headed “Structure of the Global Offering — The Hong Kong Public Offering;” and
- (ii) the International Offering of 585,000,000 Shares in the United States with Qualified Institutional Buyers in reliance on Rule 144A or other available exemptions from the registration requirements of the U.S. Securities Act, and outside the United States in accordance with Regulation S.

The numbers of Offer Shares to be offered in the Hong Kong Offering and the International Offering are subject to adjustment and reallocation as described in “Structure of the Global Offering.”

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around September 25, 2010 and in any event, no later than October 3, 2010.

The Offer Price will be not more than the maximum Offer Price as stated in the Application Forms.

OFFER STATISTICS

All statistics in this table are based on the assumptions that no options are granted under the Pre-IPO Share Option Scheme or the Share Option Scheme.

| | Based on an Offer Price of HK\$4.78 per Share | Based on an Offer Price of HK\$6.28 per Share |
|---|---|---|
| Market capitalization ⁽¹⁾ | HK\$12,428 million | HK\$16,328 million |
| Prospective price/earnings multiple on a pro forma basis ⁽²⁾⁽⁴⁾ | 14.6 times | 19.1 times |
| Unaudited pro forma adjusted consolidated net tangible asset value per Share ⁽³⁾⁽⁴⁾ | HK\$1.58 | HK\$1.95 |

- (1) The calculation of market capitalization is based on 2,600,000,000 Shares expected to be issued and outstanding following the Global Offering but takes no account of Shares which may be issued under the Pre-IPO Share Option Scheme or the Share Option Scheme.
- (2) The calculation of the prospective price/earnings multiple on a pro forma basis is based on the pro forma forecast earnings per Share and the respective Offer Prices of HK\$4.78 per Share and HK\$6.28 per Share.
- (3) The unaudited pro forma adjusted net tangible asset value per Share is arrived at after the adjustments referred to in the section entitled “Financial Information — Unaudited Pro Forma Adjusted Net Tangible Assets” and on the basis of 2,600,000,000 Shares in issue and the respective Offer Prices of HK\$4.78 per Share and HK\$6.28 per Share.
- (4) The translation of US\$ amounts into Hong Kong dollars has been made at the rate of HK\$7.8 to US\$1. No representation is made that the US\$ amount has been, could have been or may be converted to HK\$, or vice versa, at that rate.

SUMMARY

DIVIDENDS AND DIVIDEND POLICY

We declared dividends of US\$40.0 million in 2009, which were paid to our shareholders in May 2010. We had not declared any dividend prior to 2009. In the future, the Board may determine to pay dividends at its own discretion in the future after considering our profits, cash flows, working capital requirements, general financial condition, regulatory limitations on our PRC and other subsidiaries, ability to distribute dividends to us and any other factors that our Board considers relevant. Our ability to pay dividends may be limited by contractual restrictions in certain of our loan agreements with HSBC. See “Risk Factors — Risks Relating to Our Business and Industry — Our ability to pay dividends and dispose of assets may be limited by contractual restrictions applicable to SITC Holding, our subsidiary through which we hold our interests in all our operating subsidiaries, jointly-controlled entities and associates.”

SHARE-BASED COMPENSATION

In 2009, Better Master, a Controlling Shareholder, transferred a 6.6% interest in Resourceful to All Precise, a trust which held the interests in Resourceful on behalf of 52 employees, at a price lower than fair value. Since such transfer is related to the services of the employees rendered to us, the difference between the fair value and the consideration has been recognized in our consolidated statement of comprehensive income for 2009 as a share-based compensation expense in the amount of US\$4.6 million.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

We estimate that we will receive net proceeds from the Global Offering ranging from (i) approximately HK\$2,960 million (US\$381 million) (assuming an Offer Price of HK\$4.78 per Share, the low end of the estimated offer price range), to (ii) approximately HK\$3,433 million (US\$442 million) (assuming an Offer Price of HK\$5.53 per Share, the midpoint of the estimated offer price range) and to (iii) approximately HK\$3,906 million (US\$503 million) (assuming an Offer Price of HK\$6.28 per Share, the high end of the estimated offer price range), in each case, after deducting the estimated underwriting fees and expenses payable by us relating to the Global Offering.

Based on the estimated net proceeds as described above, we may allocate:

- approximately 45% of net proceeds to us (approximately HK\$1,332 million (US\$171 million) to HK\$1,758 million (US\$226 million)) for the acquisition of 15 to 25 new-build and second-hand vessels depending on market condition;
- approximately 20% of net proceeds to us (approximately HK\$592 million (US\$76 million) to HK\$781 million (US\$101 million)) for the purchase of 25,000 to 35,000 containers depending on market condition;
- approximately 25% of net proceeds to us (approximately HK\$740 million (US\$95 million) to HK\$977 million (US\$126 million)) for the expansion and development of our land-based logistics business, including (i) HK\$385 million (US\$50 million) to HK\$508 million (US\$65 million) for the development of depot and warehousing facilities, including purchasing land use rights, constructing warehouses and offices and purchasing facilities, (ii) HK\$59 million (US\$8 million) to HK\$78 million (US\$10 million) for the development of our logistics service network and (iii) HK\$296 million (US\$38 million) to HK\$391 million (US\$50 million) for the acquisition of logistics companies to complement our existing business; and
- the remaining amount of approximately 10% (approximately HK\$296 million (US\$38 million) to HK\$391 million (US\$50 million)) will be used for funding for our working capital and general corporate purposes.

SUMMARY

To the extent that the net proceeds of the Global Offering are not immediately applied to the above purpose, we intend to place the net proceeds on deposit with banks or other financial institutions or held in government-issued securities.

The net proceeds from the Global Offering to the Selling Shareholders are estimated to be approximately HK\$519 million (US\$67 million), assuming the Over-Allotment Option is exercised in full after deducting the underwriting fees and other related expenses payable by the Selling Shareholders in the Global Offering and assuming an Offer Price of HK\$5.53 per Offer Share, the midpoint of the estimated Offer Price range. We will not receive any of the proceeds of the Global Offering from the sale of the Shares by the Selling Shareholders.

In the event there is to be a material modification to the use of proceeds as described above, we plan to issue an announcement of the modification.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following words and expressions have the following meanings. Certain other terms are explained in the section headed "Glossary."

| | |
|---------------------------|---|
| "1997 Notice" | The Notice in Connection with Further Strengthening of the Management of Offshore Securities Offering and Listing (國務院關於進一步加強在境外發行股票和上市管理的通知), effective as of June 20, 1997 |
| "2008 EIT Law" | PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), enacted on March 16, 2007 and effective as of January 1, 2008 |
| "All Precise" | All Precise Limited, a company that was previously an investment holding company for the All Precise Trust |
| "All Precise Trust" | an employee trust that held shares in Resourceful and which has been terminated, and whose assets and beneficiaries have been transferred into the Watercrest Trust |
| "Application Form(s)" | WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them relating to the Global Offering |
| "Articles of Association" | the amended and restated articles of association of SITC International Holdings Company Limited, adopted on September 10, 2010 |
| "ASEAN" | Association of Southeast Asian Nations |
| "Better Master" | Better Master Investments Limited, a Controlling Shareholder and a company owned by Mr. YANG Shaopeng |
| "Board" | the board of directors of SITC International Holdings Company Limited |
| "business day" | a day (other than a Saturday or Sunday) on which banks in Hong Kong are open for business |
| "BVI" | British Virgin Islands |
| "CAGR" | compound annual growth rate |

DEFINITIONS

| | |
|---|---|
| “Capitalization Issue” | the issue of Shares to be made upon capitalization of the share premium account of our Company as described in Appendix VIII — “Statutory and General Information — A. Further Information about our Company and our Subsidiaries — 3. Resolutions in writing of the shareholders of our Company passed on September 10, 2010” in this prospectus |
| “Cayman Islands Companies Law” | the Companies Law Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands |
| “CCASS” | the Central Clearing and Settlement System established and operated by HKSCC |
| “CCASS Clearing Participant” | a person admitted to participate in CCASS as a direct clearing participant or general clearing participant |
| “CCASS Custodian Participant” | a person admitted to participate in CCASS as a custodian participant |
| “CCASS Investor Participant” | an individual, joint individuals or a corporation admitted to participate in CCASS as an investor participant |
| “CCASS Participant” | a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant |
| “CEPA” | the Closer Economic Partnership Arrangement between Hong Kong and mainland China (內地與香港關於建立更緊密經貿關係的安排), together with its supplements from time to time |
| “China Post Logistics” | China Post Logistics Co., Ltd. (中國郵政物流有限責任公司), an independent third party, and its affiliates |
| “China Railway Express” | China Railway Express Co., Ltd. (中鐵快運股份有限公司), an independent third party, and its affiliates |
| “CICC” | China International Capital Corporation Hong Kong Securities Limited, which is licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising or corporate finance) regulated activities under the SFO |
| “Citi,” “Sole Global Coordinator” or “Sole Sponsor” | Citigroup Global Markets Asia Limited, which is licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 7 (providing automated trading services) regulated activities under the SFO |

DEFINITIONS

| | |
|-----------------------------|---|
| “Companies Ordinance” | the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Controlling Shareholders” | has the meaning ascribed to it in the Listing Rules and, in the context of this prospectus, refers to Mr. YANG Shaopeng, Better Master and Resourceful |
| “COSCO” | China COSCO Holdings Company Limited, an independent third party, and its affiliates |
| “CSCL” | China Shipping Container Lines Company Limited, an independent third party, and its affiliates |
| “Damco Logistics” | Damco Global Logistics (Shanghai) Co., Ltd. (丹馬士環球物流(上海)有限公司), a subsidiary of Maersk and an affiliate of Maersk Logistics |
| “Director(s)” | the member(s) of the Board |
| “Drewry” | Drewry Maritime Services (Asia) Pte Ltd, an independent industry consultant |
| “Drewry Report” | an industry report titled “Container Shipping Industry with Special Focus on Intra-Asian Trade Routes,” dated September 6, 2010, which is commissioned by us and prepared by Drewry |
| “FIE” or “FIEs” | foreign invested enterprises |
| “GDP” | gross domestic product (all references to GDP growth rates are nominal rates of GDP growth) |
| “Global Offering” | the Hong Kong Public Offering and the International Offering |
| “Grand SITC Holdings” | Grand SITC Holdings Company Limited, a company that was previously a holding company of SITC Holding |
| “Green Application Form(s)” | the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited |
| “Hanjin” | Hanjin Shipping Company Limited, an independent third party, and its affiliates |
| “HKFRS” | Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards |
| “HKSCC” | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited |

DEFINITIONS

| | |
|------------------------------------|---|
| “HKSCC Nominees” | HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC |
| “Hong Kong” or “HK” | the Hong Kong Special Administrative Region of the PRC |
| “Hong Kong dollars” or “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong Offer Shares” | the 65,000,000 Offer Shares initially being offered for subscription in the Hong Kong Public Offering (subject to adjustment as described in the section headed “Structure of the Global Offering”) |
| “Hong Kong Public Offering” | the offer for subscription of Offer Shares in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering”) at the Offer Price (plus brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fees) and on and subject to the terms and conditions described in this prospectus and the Application Forms |
| “Hong Kong Share Registrar” | Computershare Hong Kong Investor Services Limited |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited (香港聯合交易所有限公司) |
| “Hong Kong Underwriters” | the Underwriters listed in the section headed “Underwriting — Hong Kong Underwriters” |
| “Hong Kong Underwriting Agreement” | the underwriting agreement, dated September 17, 2010, relating to the Hong Kong Public Offering entered into among us, the Controlling Shareholders, the Joint Lead Managers and the Hong Kong Underwriters |
| “HSBC” | The Hongkong and Shanghai Banking Corporation Limited, an independent third party, and its affiliates |
| “i-Logistics” | Shandong i-Logistics Company Limited (山東愛通海豐國際儲運有限公司), an associate of our Company |
| “IMT Regulations” | the Regulations of the People’s Republic of China on International Maritime Transportation (中華人民共和國國際海運條例) promulgated by the State Council on December 11, 2001 and effective as of January 1, 2002 |
| “Independent Board Committee” | the independent committee of the Board |

DEFINITIONS

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|--|---|
| “International Offer Shares” | the 585,000,000 Offer Shares initially being offered in the International Offering (subject to adjustment and the Over-Allotment Option as described in the section headed “Structure of the Global Offering — The International Offering”) |
| “International Offering” | the offer by our Company and the Selling Shareholders for subscription and sale of International Offer Shares to investors as further described in the section headed “Structure of the Global Offering — The International Offering” |
| “International Underwriters” | the group of international underwriters expected to enter into the International Underwriting Agreement |
| “International Underwriting Agreement” | the international underwriting agreement, to be dated on or about September 25, 2010, relating to the International Offering and entered into among our Company, the Controlling Shareholders, the Selling Shareholders, the Joint Representatives, as representatives of the International Underwriters, the Joint Bookrunners and the Sole Global Coordinator |
| “IT” | information technology |
| “Itochu” | Itochu Logistics Corp., a 70% shareholder of i-Logistics and its affiliates |
| “Japanese Yen” or “JPY” | Japanese Yen, the lawful currency of Japan |
| “Joint Lead Managers” or “Joint Bookrunners” | Citi and CICC |
| “Joint Representatives” | Citigroup Global Markets Limited and CICC |
| “Latest Practicable Date” | September 13, 2010, being the latest practicable date for the purposes of ascertaining certain information contained in this prospectus |
| “Listing Committee” | the listing sub-committee of the board of the directors of the Hong Kong Stock Exchange |
| “Listing Date” | the date, expected to be on or about October 6, 2010, on which our Shares are first listed and from which dealings therein are permitted to take place on the Hong Kong |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as may be amended from time to time) |

DEFINITIONS

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|------------------------------|---|
| “Loyal Mate Trust” | an employee trust that held shares in Grand SITC Holdings and whose assets and beneficiaries have been transferred into the Watercrest Trust upon its termination |
| “M&A Rules” | Provisions on the Takeover of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), enacted on August 8, 2006 and effective as of September 8, 2006 |
| “Maersk” | The A.P. Moller-Maersk Group and its affiliates, which, through Maersk Logistics, its subsidiary, is a substantial shareholder of Smart Logistics, a 51% owned jointly-controlled entity of our Company |
| “Maersk Logistics” | Maersk Logistics Warehousing (China) Co., Ltd. (馬士基物流倉儲(中國)有限公司), a subsidiary of Maersk and substantial shareholder of Smart Logistics |
| “Maersk Shipping” | Maersk (China) Shipping Co., Ltd. (馬士基中國航運有限公司), a subsidiary of Maersk |
| “Mitsui Chemicals” | Mitsui Chemicals, Inc., an independent third party, and its affiliates |
| “MOFCOM” | Ministry of Commerce of the PRC (中華人民共和國商務部) |
| “MOT” | Ministry of Transport of the PRC (中華人民共和國交通運輸部) and its predecessor, the former Ministry of Communications (中華人民共和國交通部) |
| “Move Ahead” | Move Ahead Investments Limited, a company that was previously an investment holding company for the Watercrest Trust and Loyal Mate Trust |
| “National People’s Congress” | the National People’s Congress of the PRC (全國人民代表大會) |
| “New SITC Korea” | SITC Container Lines (Korea) Co., Ltd., a subsidiary of our Company |
| “Northeast Asia Market” | trade lanes solely among the PRC, Japan and Korea |
| “NTS International” | NTS International Transport Services Company Limited, a subsidiary of our Company that was disposed by us in 2008 |
| “Offer Price” | the final Hong Kong dollar price per Hong Kong Offer Share (exclusive of brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fees) at which Hong Kong Offer Shares are to be sold, to be determined in the manner described in the section headed “Structure of the Global Offering” |

DEFINITIONS

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|--|--|
| “Offer Shares” | the Shares offered in the Global Offering, including the Hong Kong Offer Shares and the International Offer Shares |
| “our Company,” the “Company,” “SITC,” “we” or “us” | SITC International Holdings Company Limited and, except where the context indicates otherwise, all of its subsidiaries as well as the predecessors specified in “Our History and Reorganization — Our History” |
| “Over-Allotment Option” | the option expected to be granted by the Selling Shareholders to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters for up to 30 days from the last day for lodging of applications under the Hong Kong Public Offering, to require the Selling Shareholders to sell up to an aggregate of 97,500,000 Shares, as described in the section headed “Structure of the Global Offering” |
| “P&I Insurance” | protection and indemnity insurance |
| “PRC,” “China” or the “People’s Republic of China” | the People’s Republic of China, excluding, for purposes of this prospectus only (unless otherwise indicated), Hong Kong, Macau and Taiwan |
| “Pre-IPO Share Option Scheme” | a share option scheme adopted by us on September 10, 2010, under which we have granted options to subscribe for the Shares to certain employees, executives or officers of our Company or any other persons who, in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of our subsidiaries, details of which are described in Appendix VIII — “Statutory and General Information — D. Other Information — 2. Pre-IPO Share Option Scheme” to this prospectus |
| “Price Determination Date” | the date on which the pricing of the Offer Shares will be fixed by the Joint Bookrunners (on behalf of the Underwriters) and our Company, expected to be on or around September 25, 2010 and in any event not later than October 3, 2010 |
| “Qingdao Logistics Park” | Qingdao Qianwan International Logistics & Industry Park |
| “Qingdao SITC” | SITC Shipping Agency (Qingdao) Co., Ltd. (青島新海豐國際船舶代理有限公司), a subsidiary of our Company |
| “Qingdao SITC Investment” | SITC Investment Holdings (Qingdao) Company Limited (青島海豐投資控股有限公司), an investment holding company and a wholly-owned subsidiary of Shandong SITC |
| “Qualified Institutional Buyers” | qualified institutional buyers within the meaning of Rule 144A |

DEFINITIONS

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|--------------------------------|--|
| “Regulation S” | Regulation S under the U.S. Securities Act |
| “Reorganization” | the restructuring undertaken by a group of companies now comprising the Company and the Company’s shareholders, the particulars of which are described in “Our History and Reorganization — Reorganization in Anticipation of the Global Offering” |
| “Resourceful” | Resourceful Link Management Limited, a Controlling Shareholder and a company controlled by Messrs. YANG Shaopeng, YANG Xianxiang, XU Weili and LIU Kecheng |
| “Restricted Shipping Business” | the provision to customers of container shipping services and integrated and/or multi-modal solutions, and associated logistics and transportation services, including but not limited to freight forwarding, shipping agency, ship brokerage, customs clearance, storage and warehousing and trucking services |
| “RMB” or “Renminbi” | Renminbi, the lawful currency of the PRC |
| “Rule 144A” | Rule 144A under the U.S. Securities Act |
| “SAFE” | The State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) |
| “SAFE Circular No. 75” | Notice on Issues Relating to the Administration of Foreign Exchange in Fund-Raising and Round-Trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知), issued by the SAFE on October 21, 2005 and effective as of November 1, 2005 |
| “Sale Shares” | a total of 97,500,000 Shares held by the Selling Shareholders which may be sold pursuant to the Over-Allotment Option |
| “SARS” | severe acute respiratory syndrome |
| “SAT” | PRC State Administration of Taxation (中華人民共和國國家稅務總局) |
| “SAT Circular No. 82” | Notice on Issues Relating to Determination of PRC-Controlled Offshore Enterprises as PRC Resident Enterprises by Applying the “De Facto Management Body” Test” (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知), issued by the SAT on April 22, 2009 and effective as of January 1, 2008 |

DEFINITIONS

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|-------------------------------------|---|
| “Selling Shareholders” | the shareholders of our Company set out in Appendix VIII — “Statutory and General Information — The Selling Shareholders” that hold the Sale Shares and will be selling the Sale Shares in the Global Offering as further described in the section headed “Structure of the Global Offering — The Selling Shareholders” |
| “SFC” | the Securities and Futures Commission of Hong Kong (香港證券及期貨事務監察委員會) |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “SFTC” | Shandong Foreign Trade Corporation (山東省對外貿易集團有限公司), a shareholder of our predecessor company until September 2001 |
| “Shandong Shipping Management” | SITC Ship Management Co., Ltd. (山東省海豐船舶管理有限公司), a subsidiary of Shandong SITC |
| “Shandong SITC” | SITC Maritime Group Co., Ltd. (山東海豐國際航運集團有限公司), being our predecessor company and a connected person, in which 62.5% interest is owned by Mr. YANG Shaopeng, a Controlling Shareholder, and his spouse; except as context otherwise indicates, including all of its subsidiaries |
| “Shandong Steamship” | SITC Steamship (Shandong) Co., Ltd. (山東海豐航運有限公司), an indirect wholly-owned subsidiary of Shandong SITC |
| “Shandong Transportation” | SITC International Transportation Co., Ltd. (山東海豐國際貨運有限公司), the name of our predecessor company between December 2000 and December 2001 |
| “Shanghai SITC Investment” | SITC Investment (Shanghai) Company Limited (上海海豐投資有限公司), an investment holding company and a wholly-owned subsidiary of Shandong SITC |
| “Shanghai SITC Shipping Management” | SITC Shipping Management (Shanghai) Co., Ltd. (上海海豐船舶管理有限公司), a subsidiary of our Company |
| “Shanghai Steamship” | SITC Steamship (Shanghai) Co., Ltd. (上海海豐航運有限公司), a subsidiary of Shandong SITC |
| “Share Option Scheme” | the share option scheme conditionally adopted by us pursuant to a written resolution passed by our shareholders passed on September 10, 2010, further details of which are described in Appendix VIII — “Statutory and General Information — D. Other Information — 1. Share Option Scheme” to this prospectus |

DEFINITIONS

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| “Shares” | our ordinary share capital, with a nominal value of HK\$0.10 each, which is to be listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars |
| “Singamas” | Singamas Depot Holdings Limited (勝獅堆場企業有限公司), a company holding 60% interest in Singamas Logistics (Qingdao) Co., Ltd. (勝獅物流(青島)有限公司) |
| “Sinokor” | Sinokor Merchant Marine Co., Ltd. and its affiliates |
| “Sinotrans” | Sinotrans Limited (中國外運股份有限公司), an independent third party, and its affiliates |
| “SITC Container Lines” | SITC Container Lines Co., Ltd. (新海豐集裝箱運輸有限公司), a subsidiary of our Company |
| “SITC Corp” | Shandong International Transportation Corporation (山東省國際貨運代理公司), the name of our predecessor company from its establishment in May 1991 until October 1996 |
| “SITC Group” | SITC Maritime (Group) Co., Ltd. (山東省海豐國際貨運(集團)公司), the name of our predecessor company between October 1996 and December 2000 |
| “SITC Holding” | SITC Group Company Limited (formerly known as SITC International Holdings Company Limited), a subsidiary of our Company |
| “SITC Logistics” | SITC Logistics Co., Ltd. (新海豐物流有限公司), a subsidiary of our Company |
| “Smart Logistics” | Smart Logistics Co., Ltd. (山東捷豐國際儲運有限公司), a jointly-controlled entity of our Company in which the Company and Maersk Logistics respectively own 51% and 49% equity interests |
| “Southeast Asia Market” | trade lanes that call on at least one port in ASEAN countries, Hong Kong or Taiwan, including those connecting the PRC, Japan or Korea with ASEAN countries, Hong Kong or Taiwan, or those connecting different ports among ASEAN countries, Hong Kong and Taiwan; the number of trade lanes, called ports, shipping volume, revenue and average freight rates of our Southeast Asia Market used in this prospectus also include those of the mainland China-Taiwan routes operated by Shandong SITC using the two vessels chartered from our Company |
| “Stabilizing Manager” | Citi or any of its affiliates |
| “State Council” | the State Council of the PRC (中華人民共和國國務院) |

DEFINITIONS

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| “Stock Borrowing Agreement” | the stock borrowing agreement which may be entered into on or about the Price Determination Date between Resourceful and the Stabilizing Manager |
| “Toyota” | Toyota Motor Corporation, an independent third party, and its affiliates |
| “Track Record Period” | the three years ended December 31, 2009 and the six months ended June 30, 2010 |
| “Trademarks” | the “SITC,” “新海丰,” “海豐,” “海之丰,” “海丰” and the “SITC” logo which have been registered as trademarks by Shandong SITC or us |
| “Tsingtao Beer” | Tsingtao Brewery Company Limited (青島啤酒股份有限公司), an independent third party, and its affiliates |
| “TVL” | T.V.L. International (Holdings) Co., Ltd. a 30% shareholder of SITC Shipping Agency (HK) Co., Ltd., a subsidiary of our Company |
| “Underwriters” | the Hong Kong Underwriters and the International Underwriters |
| “Underwriting Agreements” | the Hong Kong Underwriting Agreement and the International Underwriting Agreement |
| “United States,” “U.S.” or “US” | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| “Unlisted Group” | Shandong SITC and all of its subsidiaries |
| “U.S. dollars” or “US\$” | United States dollars, the lawful currency of the United States |
| “U.S. Securities Act” | the United States Securities Act of 1933, as amended |
| “Watercrest Trust” | an employee trust holding shares in the Company |
| “White Form eIPO” | applying for Hong Kong Offer Shares to be issued in your own name by submitting applications online through the designated website at www.eipo.com.hk |
| “White Form eIPO Service Provider” | Computershare Hong Kong Investor Services Limited |
| “Xiaguan Ferry” | Shanghai-Shimonoseki Ferry Co., Ltd. (上海-下關輪渡有限公司), a company in which Shandong SITC indirectly holds a 20% equity interest |

GLOSSARY

This glossary contains explanations of certain terms and definitions used in this prospectus in connection with our Company and our business. These terms and their meanings may not correspond to the standard industry meaning and usage of these terms.

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| “1,000 TEU type” | the type of container vessel having usable capacity (calculated on the basis of 14 tons homogeneous per TEU) between approximately 600 TEU to 700 TEU, which generally has design capacity of around 1,000 TEU |
| “bill of lading” | a document which serves as evidence of the contract of carriage of goods by sea and the taking over or loading of the goods by the carrier, based on which the carrier undertakes to deliver the goods against surrendering the same |
| “Bunker Convention” | the International Convention on Civil Liability for Bunker Oil Pollution Damage which entered into force on November 21, 2008 |
| “bunkers” | fuel for ocean vessels |
| “cargos booking” | prior arrangements with a carrier for the carriage of a specific volume freight (i.e., a space reservation) |
| “carrier” | the person by whom or in whose name a contract of carriage of goods by sea has been concluded with a shipper |
| “charter” | the chartering or hiring of a vessel for a certain purpose at a fixed rate for a fixed period of time or for a designated voyage |
| “classification” | a type of certification confirming that the structures and facilities of a vessel comply with the requirements set by a classification society, which is believed to lend credence to the vessel’s safety and reliability |
| “consignee” | the person who is entitled to take delivery of goods pursuant to the original bill of lading |
| “container” | a weatherproof box designed for shipment of freight |
| “container cargos” | cargos carried in containers |
| “customs clearance” | the process of clearing imports and exports through customs |
| “customs declaration” | application to customs for the purpose of clearing imports and exports |
| “depot” | container yards located outside terminals for stacking of containers |

GLOSSARY

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| “finance lease” | in relation to container leasing, a lease typically for a term of five years, upon the expiry of which the lessee has the right to purchase the container for a nominal amount |
| “freight collect” | a freight payment term where the consignee makes payment upon taking delivery of the cargo; see “Our Business — Pricing and Payment Terms — Payment Terms” for details |
| “freight prepaid” | a freight payment term where the shipper makes payment upon taking delivery of the original bill of lading; see “Our Business — Pricing and Payment Terms — Payment Terms” for details |
| “general average” | losses shared proportionally among all parties in a sea venture (mainly including the shipowners and cargos owners) resulting from a voluntary sacrifice of part of the ship or cargos to save the whole in an emergency |
| “hub-spoke shipping model” | a centralized system of connections arranged like a chariot wheel, in which all traffic moves along spokes connected to the hub at the center; shipping carriers adopting such model typically use large vessels to provide regular shipping services along main shipping routes calling at a number of fixed hub ports, which are served by small feeder vessels to relay the transportation from the hub ports to the surrounding feeder ports |
| “IMO” | International Maritime Organization, a United Nations agency that issues international standards for shipping |
| “ISM Code” | International Safety Management Code, an international code for the safe management and operation of ships and for pollution prevention issued by the IMO applicable to international route vessels and shipping companies (ship management companies, bareboat charters and shipowners) |
| “ISPS Code” | International Ship and Port Facility Security Code |
| “joint service” | an arrangement pursuant to which a group of shipping companies each contributes a certain number of vessels in a jointly operated trade lane; see “Our Business — Services and Solutions — Sea Freight Logistics — Joint Services and Slot Exchange” for details |
| “LIBOR” | London Inter-Bank Offered Rate |
| “LCL” | Less than container load; cargos in quantity less than required for the application of a container load rate |
| “logistics” | a comprehensive, system-wide view of the entire supply chain as a single process, from raw materials supply through finished goods distribution. All functions that make up the supply chain are managed as a single entity, rather than managing individual functions separately |

GLOSSARY

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| “MARPOL Convention” | the International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 |
| “NVOCC” | non-vessel operating common carrier, a carrier which does not own or operate vessels and is engaged in the provision of shipping services, normally issuing a house bill of lading |
| “pilotage” | the act of navigating a vessel into and out of a port or through dangerous waters and charges relating thereto |
| “shipper” | the person by whom or in whose name or on whose behalf a contract of carriage of goods by sea has been concluded with a carrier |
| “shipping volume” | number of loaded containers in terms of TEU shipped or delivered, unless otherwise indicated in the context; in respect of the shipping volume of a carrier, also includes cargos shipped by the carrier through slot exchange or purchase |
| “slot” | space on board a vessel occupied by a container |
| “slot exchange” | an arrangement under which one container shipping company may exchange slots from another container shipping company; see “Our Business — Services and Solutions — Sea Freight Logistics — Joint Services and Slot Exchange” for details |
| “SOLAS Convention” | the International Convention for the Safety of Life at Sea, 1974, as amended |
| “space utilization” | a percentage calculated by dividing the total shipping volume in terms of TEU by the capacity (which is based on 14 tonnes homogeneous of loaded containers) of the container vessel fleet operating on particular route or routes; since the average gross weight of all containers on board may be less than 14 tonnes, space utilization may exceed 100% |
| “STCW Convention” | the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, as amended in 1995 and as further amended on June 25, 2010. These latest announcements are to enter into force on January 1, 2012 by tacit acceptance |
| “stevedore” | a terminal operator who is designated to facilitate the operation of loading and discharging vessels and various other related operating activities |

GLOSSARY

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| “TEU” | twenty-foot equivalent unit, a standard unit of measurement of the volume of a container with a length of 20 feet, height of eight feet six inches and width of eight feet |
| “time charter” | a form of charter where the vessel owner provides a manned vessel to the charterer, and the charterer employs the vessel during the contractual period for the agreed service against payment of hire |

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business strategy and our various measures and initiatives to implement the strategy;
- our operations and business prospects, including development plans for our existing and new businesses and services;
- the future competitive environment for the container shipping and logistics industries;
- changes in the regulatory environment as well as the general industry outlook for the PRC or global container shipping and logistics industries;
- any capital expenditure plans;
- our dividend policy; and
- future developments in the PRC, intra-Asia or global container shipping and logistics industries.

The words “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “seek,” “will,” “would” and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set forth under the section headed “Risk Factors” in this prospectus and the following:

- any changes in international conventions and treaties as well as local laws, rules and regulations in the jurisdictions in which we operate business, relating to all aspects of our business operations;
- general economic, political, market and business conditions in the PRC and other Asian countries;
- changes of volatility in interest rates, foreign exchange rates, vessel prices, charter rates bunkers prices, equity prices or other rates or prices;
- the effects of competition in the container shipping and logistics industries on the demand for and price of our services;
- various business opportunities that we may pursue; and
- other factors beyond our control.

Subject to the requirements of the Listing Rules, we do not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section.

RISK FACTORS

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, prior to investing in our Shares. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The market price of our Shares could decrease significantly due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The cyclical nature of the shipping logistics industry could have a material and adverse effect on our business and results of operations.

The shipping logistics industry, particularly the container shipping industry, has historically been highly cyclical and volatile, affected by changes in the supply of shipping capacity and demand for container shipping services. Factors that affect the supply of shipping capacity include, among others:

- the number and size of vessels in the world fleet and their deployment;
- the delivery of newly built vessels and the retirement of older vessels;
- the prices of steel and other raw materials;
- ship financing costs; and
- port capabilities and congestion.

Factors that affect the demand for container shipping services include, among others:

- changes in demand for products transported by containerships;
- global and regional economic and political conditions;
- developments in international and regional trade;
- trade restrictions, sanctions, boycotts and trade and labor disputes;
- changes in seaborne and other transportation patterns, including changes in the distances over which container cargos are transported;
- environmental and other regulatory developments;
- currency exchange rates; and
- extreme weather conditions.

In particular, the shipping logistics industry is emerging from a global economic recession triggered by the financial crisis of 2008. The global economic recession has had a significant negative impact on the demand for shipping logistics services as well as the operation and financial performance of the participants in the shipping logistics industry such as our Company.

The factors affecting the supply and demand for container shipping services are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable. Any decrease in demand for container shipping services or increase in shipping capacity could lead to significantly lower freight rates and shipping volumes for our vessels, which in turn could materially decrease our revenue and reduce our profitability.

We rely heavily on one type of vessel for our sea freight logistics business, and factors that adversely affect the competitiveness of this type of vessel vis-à-vis other vessel types will likely materially and adversely affect our shipping volume, market position, results of operations and growth prospects.

A key component of our business model is to use a single type of vessel to deliver our shipping logistics services. A significant majority of our vessels are of the 1,000 TEU type, which

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we believe best suits our business in terms of operating efficiency and capacity. As of December 31, 2007, 2008 and 2009 and June 30, 2010, 59.4%, 78.9%, 87.5% and 85.7%, respectively, of our vessels were of the 1,000 TEU type. We intend to continue to implement our current model, which we believe has contributed significantly to our historical success, for the foreseeable future. However, we cannot assure you that we will continue to compete effectively by relying on the 1,000 TEU type vessel. Any factors that render this type of vessel less competitive, such as development in the market of a larger or smaller vessel with similar or higher fuel efficiency, vessel speed or other features, may place significant strain on our container shipping business. It will likely require a substantial period of time as well as significant resources to replace or upgrade our fleet. In that event, our shipping volume, market position, results of operations and growth prospects may be materially and adversely affected.

The global financial crisis that unfolded in 2008 is likely to continue to have detrimental impacts on our business.

In the third quarter of 2008, a global financial crisis in the credit markets began to impact worldwide capital markets and subsequently produced a global recession that continues today. The recession has contributed to a substantial decline in the demand for seaborne transportation globally, including in Asia, which has in turn led to declines in freight rates and cargos shipping volumes. According to the Drewry Report, total shipping volume in the intra-Asia region decreased by 5.2% in 2009 compared to 2008, and the average freight rate on PRC-Japan, PRC-Korea and PRC-Southeast Asia routes decreased by 14.1%, 24.8% and 16.9%, respectively, in the same year. As a result of the impact of this financial crisis, certain aspects of our results of operations have also been adversely affected. Our revenue and average freight rate decreased by 10.1% and 16.2%, respectively, in 2009 compared to 2008, and our gross profit margin decreased from 13.0% in 2008 to 10.1% in 2009.

The global financial crisis has resulted in tightening of credit markets. Many financial institutions worldwide have tightened lines of credit and reduced the amount of funding available to borrowers. In addition, the European sovereign debt crisis that began in the second quarter of 2010 has heightened concerns over possible further tightening of the credit markets. If these conditions continue, worsen or recur, they will likely affect the availability, terms and cost of borrowings. Because we operate in an industry that relies significantly on bank borrowings to finance purchases of vessels and other aspects of operations, any deterioration of our ability to obtain new borrowings or renew our short-term credit facilities may materially and adversely affect our business, financial condition, results of operations and cash flow.

In addition, although the full scope of the impact of the recent European sovereign debt crisis cannot currently be determined, it may lead to economic downturn across Europe and a decrease in the purchasing power of Europe. This in turn could adversely impact economic conditions of Asian countries whose economies significantly rely on exports to Europe. If economic conditions in these countries worsen, the demand for seaborne transportation and other integrated logistics services may decline and adversely affect our intra-Asia shipping logistics business.

The duration and full ramifications of the crisis and the nature of any recovery in the worldwide and European credit markets and the global economy remain uncertain. There can be no assurance that general market conditions or conditions in the global or intra-Asian shipping logistics industries will improve in the near future, or, even if they do improve, will not deteriorate again. If worldwide credit markets and the global economy worsen or fail to recover in the near future, our business and results of operations may be materially and adversely affected.

RISK FACTORS

If intra-Asia trade volumes do not increase as expected or decrease, our business, results of operations and prospects may be materially and adversely affected.

Our shipping logistics business focuses exclusively on the intra-Asia market. Historically, our trade lanes have primarily serviced trade between the PRC on the one hand, and Japan and Korea on the other. In recent years, we have increasingly focused on expanding our services in Southeast Asia. As part of our strategy, we intend to allocate significant resources to the expansion of our services to meet the anticipated increase in intra-Asia trade volume. In particular, we believe that the implementation of lower or zero-tariff treatment in the China-ASEAN Free Trade Area in January 2010 will foster intra-Asia trade. However, we cannot assure you that intra-Asia trade volume in the future will not in fact decrease or fail to increase as rapidly as we expect due to factors such as economic downturns, changes in political conditions, deterioration of economic relationships, failure to implement the lower or zero-tariff treatment effectively, or other factors. If intra-Asia trade volume does not increase as expected, our business, results of operations and prospects could be materially and adversely affected.

Our business is significantly affected by changes in the economic, financial and political conditions of Asia as a whole as well as countries within our intra-Asia shipping logistics service network.

We are a shipping logistics company exclusively focusing on the intra-Asia market. Economic, financial and political instability in the region can adversely affect our operations. The global financial crisis that unfolded in 2008 has adversely affected the economies and the level of regional trade activities among Asian countries.

In addition, adverse changes in the economic, financial and political conditions of any country where we provide significant container shipping services would have an adverse effect on our business. In particular, we are a PRC-based company and our business is closely related to PRC-originated export and import activities. As a result, an economic slowdown in the PRC, to the extent such a slowdown affects its trade with other countries in Asia, may materially and adversely affect our results of operations and future prospects. Although the PRC government has adopted increasingly flexible macroeconomic policies, including an announced fiscal stimulus package, aimed at offsetting the slowdown brought about by the financial crisis, we cannot assure you that these policies will be effective. In addition, any trade restrictions, sanctions, boycotts and trade disputes involving the PRC could also materially and adversely affect our results of operations. See “— Risks Relating to the PRC” for further information on risks associated with doing business in the PRC.

Moreover, we generate a significant portion of our revenue and profit from the Northeast Asia Market. The recent escalating tensions on the Korean Peninsula have destabilized Korean and regional financial markets and may threaten the safety and accessibility of shipping routes to or near the Korean Peninsula. If any military conflict begins on the Korean Peninsula, it could have a material adverse impact on our operations in the Northeast Asia region or our entire intra-Asia container shipping route network. Furthermore, continuing political instability in Thailand has led to a recent outbreak of violence and civil disorder which could have a significant adverse impact on Thailand’s economy, which may in turn materially and adversely affect its international trade activities. Any of these recent or potential changes in the economic, financial or political conditions of Asia as a whole, or individual countries within our intra-Asia container shipping route network, may materially and adversely affect our business, results of operations, financial condition and prospects.

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Future movements in exchange rates may adversely affect our results of operations.

In 2009, 38.0% of our revenue was derived from Japanese Yen, 36.0% from U.S. dollars, 20.1% from Renminbi and 5.9% from other currencies. In contrast, 19.0% of our operating expenses were paid in Japanese Yen, 56.8% in U.S. dollars, 20.7% in Renminbi, and 3.5% in other currencies in the same year. Such mismatch could lead to fluctuations in our results of operations due to movements in exchange rates, particularly the exchange rates between the Japanese Yen and the U.S. dollar.

In addition, a majority of our operating expenses were denominated in U.S. dollars in 2007, 2008 and 2009, while most of our revenue are denominated in currencies other than U.S. dollars which are translated into U.S. dollars for financial reporting purposes. As a result, our financial results reflect changes in exchange rates on the translation of foreign currencies into U.S. dollars. The impact of such translation has fluctuated significantly in recent years and such impact may continue to fluctuate significantly in the future.

Furthermore, our operating results have been impacted by fluctuations of the exchange rate between the Japanese Yen and the U.S. dollar. In particular, we incurred losses from net foreign exchange differences of US\$2.2 million, US\$17.8 million and US\$1.1 million in 2007, 2008 and the six months ended June 30, 2010, respectively, mainly in relation to our Japanese Yen denominated loans. We have entered into derivative financial instruments to hedge our exposure to exchange rate fluctuations with respect to Japanese Yen in each of 2007, 2008, 2009 and the six months ended June 30, 2010. However, such derivative financial instruments may only partially reduce our exposures to foreign currency exchange risk, and there can be no assurance that we will be able to enter into such instruments on commercially reasonable terms in the future. If structured improperly, certain derivative financial instruments may increase our exposure to exchange rate fluctuation. As such, future movements in exchange rates may adversely affect our results of operations.

Increases in interest rates may adversely affect our results of operations.

Like many other participants in the container shipping industry, we rely on bank borrowings to finance the purchases of our vessels. As of June 30, 2010, all of our outstanding borrowings were floating rate loans. An increase in the interest rates of our loans may result in a significant increase in our interest expense, adversely affecting our finance costs, which in turn may affect our business and profitability. We have entered into interest rate swaps in respect of all of our existing U.S. dollar denominated loans and a portion of our existing Japanese Yen denominated loans with a view to reducing our interest rate exposure. However, there can be no assurance that our interest rate exposure will be effectively reduced, if at all, through the entering of these transactions. If structured improperly, certain derivative financial instruments may increase our exposure to interest rate fluctuations.

We have historically suffered significant losses on derivative financial instruments, and we face continuing exposure.

From time to time, we enter into derivative financial instruments, such as currency forward contracts and interest rate swaps, to hedge foreign currency exchange and interest rate risks. We have historically suffered significant losses on certain of such derivative financial instruments. For example, we entered into a 10-year derivative financial instrument in connection with a 10-year bank loan in 2006. The 10-year instrument is linked to the exchange rates between the Japanese Yen and the U.S. dollars, as well as certain 30-year and two-year interest rate indices. This instrument, together with other derivative financial instruments not qualifying for hedge accounting, resulted in significant fair value losses and gains in 2008 and the six months ended June 30, 2010 mainly due to the fluctuation of exchange rates between the Japanese Yen and the U.S. dollar in these periods. We terminated this 10-year derivative financial instrument in August

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2010 at consideration of US\$5.8 million. We expect to record a one-time loss on termination of US\$3.3 million to our profit or loss for the year ending December 31, 2010. See note 44 to our consolidated financial statements included in Appendix I — “Accountants’ Report.” See “Financial Information — Derivatives” for a detailed description of the terms and exposures of our derivative financial instruments. Although we currently seek to enter into derivative financial instruments for hedging purposes only, we cannot assure you that all of the derivative financial instruments we enter into in the future will be effective for hedging purposes, and we may face continuing exposure.

We operate in highly competitive industries. If we fail to compete effectively, our market position, growth prospects and results of operations may be adversely affected, and the price of the Shares may decline significantly.

The container shipping and logistics industries in which we operate are highly competitive. These industries in Asia, and particularly in the PRC, are highly concentrated and dominated by a small number of industry participants. For example, we compete with state-owned enterprises based in the PRC, including COSCO and CSCL, in the sea freight logistics business as well as Sinotrans in the land-based logistics business. Our non-PRC based competitors include Wan Hai Lines Company Limited (萬海航運股份有限公司). These competitors have longer operating histories than us, and are generally significantly larger than our Company. In addition, further reflecting the market position of these participants, they may also have larger fleets, a more diversified service offering, a broader customer base and greater financial resources than we do.

In addition, the provision of short-haul shipping services, which is the principal focus of our business, is characterized by relatively lower barriers to entry. As a result, we also compete with a large number of smaller carriers, particularly on the PRC-Japan and PRC-Korea trade lanes. The fragmentation of the short-haul shipping market places additional pricing pressure on us, as smaller carriers may have a more flexible cost structure than we do, and requires us to differentiate ourselves in aspects such as frequency and value-added services.

With respect to our freight forwarding, shipping agency, ship brokerage and other logistics services, we face significant competition from both pure-play companies that focus exclusively on the provision of these services as well as shipping companies that provide these services to complement their shipping business.

If we are unable to effectively compete with these and other current and future competitors, our market position, growth prospects and results of operations may be adversely affected, which in turn may result in a significant decline in the price of our Shares.

Fluctuations in the main components of our cost structure could adversely affect our profitability and financial condition.

The container shipping business is characterized by relatively high cost of sales and low margin. Accordingly, a significant increase in any main component of the cost structure of our sea freight logistics business will likely have a material effect on our profitability. The following summarizes the impact of cost increases for our sea freight logistics business on our overall profitability by component:

- *Fuel prices.* The cost of bunkers, the fuel used for our vessels, represents a significant portion of our cost of sales. In 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, bunkers cost amounted to US\$68.3 million, US\$118.9 million, US\$89.9 million, US\$35.8 million and US\$61.8 million, respectively, representing 13.1%, 17.7%, 14.4%, 13.2% and 18.9% of our total cost of sales in the same periods, respectively. Bunkers prices have experienced significant fluctuations in recent years, and are affected by factors that are beyond our control, such as the supply and demand for

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crude oil, actions by the Organization of the Petroleum Exporting Countries and other oil and gas producers, geopolitical development (including war and unrest in oil producing countries and regions) and environmental concerns. As our freight rates are generally determined based on market rates, we may not be able to pass all increases in bunkers costs to our customers. As a result, increases in the prices of bunkers may adversely affect our profitability.

- *Vessel prices.* The market for vessels is highly cyclical and prices are affected by a number of factors, primarily including the container shipping industry cycle, shipyard capacity and the prices of the constituent raw materials of vessels, such as steel. As part of our strategy, we plan to purchase a significant number of vessels by applying the proceeds from the Global Offering and to increase the proportion of self-owned vessels in our fleet. If we do not properly manage the timing of our purchases of such vessels, we may pay higher prices for our vessels than our competitors, thus increasing our cost of sales and reducing our overall competitiveness.
- *Charter rates.* As of June 30, 2010, approximately 66.3% of the capacity of our vessel fleet was held on a charter basis. We generally seek to charter vessels on a yearly basis. Short-term chartering makes us particularly susceptible to price fluctuations in the charter market. In 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, our chartering expenses were US\$64.6 million, US\$78.5 million, US\$64.9 million, US\$39.1 million and US\$21.5 million, respectively, representing 12.4%, 11.7%, 10.4%, 14.4% and 6.6% of our total cost of sales in the same period, respectively. If charter rates increase in the charter market in general or for the 1,000 TEU type vessels, we may incur higher costs more immediately compared to our competitors that enter into charters with longer terms, when we extend these existing charters or replace them with new charter parties. This would have an adverse effect on the competitiveness of our sea freight logistics business and overall operating results.
- *Container cost.* As of December 31, 2007, 2008, 2009 and June 30, 2010, 84.4%, 88.2%, 88.5% and 89.2% respectively, the containers we used in our sea freight logistics business were leased from third parties, respectively. In 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, our container leasing expenses were US\$19.3 million, US\$28.1 million, US\$31.1 million, US\$15.1 million and US\$16.2 million, respectively, representing 3.7%, 4.2%, 5.0%, 5.6% and 4.9% of our total cost of sales in the same period, respectively. Container leasing rates are influenced by the production cost, which in turn may be affected by the cost of raw materials such as steel, as well as the demand and supply of containers in the shipping market. Furthermore, because we lease a large proportion of the containers we use, we are more susceptible to price fluctuations in the leasing market for containers. Accordingly, increases in container leasing rates may adversely affect our sea freight business and our profitability.

The container shipping and logistics industries are highly regulated and compliance with relevant laws and regulations, including environmental requirements, could require significant expenditures and consequently affect our business and results of operations.

The container shipping industry is highly regulated and our operations are subject to numerous international conventions, treaties and national and local laws and regulations in force in the jurisdictions in which our vessels are operated, as well as in the jurisdictions in which our vessels are registered. These conventions, treaties, laws and regulations govern areas such as maritime operations, environmental protection, the release and management of hazardous materials, and human health and safety, and are subject to change at any time. With a view to ensuring compliance with existing and future regulations, we allocate significant resources to efforts such

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as obtaining the necessary permits or authorizations, meeting maintenance and inspection requirements, performing ship modifications or operational changes, developing and implementing emergency preparedness procedures and obtaining insurance coverage for environmental risks. Our land-based logistics business is also subject to extensive government regulation by the PRC government.

As these conventions, treaties, laws and regulations are continuously evolving, we cannot assure you that we will always be in compliance. The failure to comply with the conventions, treaties, laws and regulations to which we are subject may result in suspension or revocation of necessary licenses, permits, certificates or approvals, as well as administrative fines, penalties or court claims. Any changes in conventions, treaties, laws or regulations may also require us to incur significant additional expenses to maintain compliance. The occurrence of any of these events could adversely affect our business and results of operations.

Increased licensing requirements, inspection procedures, increasingly stringent import and export control and new safety regulations could cause disruptions to our business and increase our operating costs.

Shipping logistics companies are required to obtain licenses and permits in relation to their incorporation, business operation, vessels and trade routes. These licenses and permits are subject to regular review, replacement or renewal. PRC and foreign governmental authorities are imposing increasingly stringent requirements for the issuance, replacement and renewal of these licenses and permits. We cannot assure you that the licenses and permits applied for or held by us will be issued or approved under these regulatory reviews and be replaced or renewed in a timely manner or at all. Furthermore, the future cost of complying with the conditions for the inspection, approval or renewal of these licenses and permits cannot be ascertained. In the event that we are unable to pass the reviews on a timely basis or to receive or obtain replacement or renewal of the licenses and permits, our business may be suspended in part or in its entirety.

In addition, international container shipping is subject to various security requirements, customs inspection and related procedures in the ports of origin and destination and any transshipment points. Such inspection procedures can result in the seizure of containers, cargos or vessels, and cause delay in loading, unloading, transshipment or delivery of containers. Customs duty, fines or other penalties may also be imposed against importers, exporters or, in some cases, carriers such as us.

Furthermore, in light of security concerns, many countries have implemented increasingly stringent import and export control and safety regulations. It is unclear what changes, if any, to the existing security procedures will ultimately be proposed or implemented, or how any such changes will affect the container shipping industry. These changes could potentially impose additional financial and legal obligations on carriers and, in certain cases, render the shipment of certain types of goods by container uneconomical or impractical. Any additional cost imposed on shipping logistics companies could reduce the volume of goods shipped in containers, resulting in a decreased demand for shipping services, thereby adversely affecting our business and results of operations.

We may encounter difficulties in effectively managing the operations of our joint ventures.

We have entered into a number of joint ventures, including in our depot and warehousing, international shipping agency and other logistics businesses, with third-party joint venture partners. Furthermore, we hold minority interests in substantially all of our joint ventures, and accordingly, have limited ability to influence the overall management of these joint ventures. See

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“Our Business — Joint Ventures” for the details of these joint ventures. We cannot assure you that disputes will not arise between us and our joint venture partners, or that our joint venture partners will not breach their obligations to us or the joint venture. In particular, our joint venture partners may:

- have economic or business interests inconsistent with ours;
- take actions contrary to our instructions or requests or contrary to our objectives or policies;
- be unable or unwilling to fulfill the obligations under the relevant joint venture agreements; or
- have disputes with us relating to the provisions in the joint venture agreements.

If a dispute cannot be timely resolved in a satisfactory manner, the business and results of operations of the affected joint venture may be negatively impacted. The joint venture may also be at risk of termination if a dispute remains unsolved for an extended period of time. In addition, since many of our joint venture partners are also our blue-chip customers, any dispute with our joint venture partners in relation to the joint ventures will likely affect our other business relationships with them. A loss of any of these blue-chip customers may adversely affect our competitiveness and market position. Furthermore, any financial, operating or other difficulties experienced by our joint venture partners in their businesses may also impede their ability to fulfill their obligations to the joint ventures, which may in turn adversely affect the operating results of the joint ventures. The occurrence of any of these events may in turn adversely affect our business and results of operations.

Our business and growth prospects depend on our ability to continue to attract and retain qualified personnel, including our senior management.

Members of our senior management team have extensive relevant experiences and have been with us for a significant period of time. The experience and stability of this senior management team, led by Mr. YANG Shaopeng, our Chairman, and Mr. YANG Xianxiang, our chief executive officer, has been critical to our success. In addition, our success also depends on our ability to attract and retain a large group of experienced shipping logistics professionals. The loss of the services of any members of our senior management team, particularly Messrs. YANG Shaopeng and YANG Xianxiang, and our inability to recruit and retain a sufficient number of experienced personnel, could have a material and adverse effect on our business and growth prospects.

Our ability to pay dividends and dispose of assets may be limited by contractual restrictions applicable to SITC Holding, our subsidiary through which we hold our interests in all our operating subsidiaries, jointly-controlled entities and associates.

SITC Holding, the direct subsidiary of our Company through which we hold our interests in all operating subsidiaries, jointly-controlled entities and associates, acts as the guarantor of certain outstanding loans extended by HSBC to our operating subsidiaries. The relevant loan agreements contain covenants that require SITC Holding to maintain certain financial ratios as well as covenants that prohibit SITC Holding, without HSBC’s express prior written consent and approval, to:

- pay dividends or make distributions to its shareholders; or
- dispose of any current or future assets.

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Because we rely on dividends paid by SITC Holding to fund our dividend distributions to our shareholders, our ability to pay dividends may be limited by these contractual restrictions. HSBC granted its consent to SITC Holding's dividend distributions of US\$40.0 million paid in 2010. However, there is no assurance that HSBC will always grant similar consents in the future, or at all. In addition, if HSBC does not permit SITC Holding to dispose of any existing or future assets, our business and prospects may be materially and adversely affected.

In addition, if we wish to release ourselves from the foregoing covenants, we may decide to prepay all the outstanding loans (of which the principal amount totaled US\$69.5 million as of July 31, 2010) extended by HSBC. However, a prepayment of these loans may require us to secure additional sources of financing, which may not be available on terms acceptable to us or at all. If we are unable to obtain additional sources of financing, there is no assurance that we will have sufficient cash balances in future to prepay these loans if we decide to do so. Moreover, even if we have sufficient financial resources to prepay the loans, such prepayment could adversely affect our liquidity.

If we fail to obtain sufficient funding for our business expansion, our business, results of operations, financial condition and growth prospects may be adversely affected.

Participants in the shipping logistics industry, such as our Company, generally require a substantial amount of capital expenditure towards business expansion. Our ability to arrange financing is dependent on a number of factors, some of which are beyond our control, including general economic and capital market conditions, credit availability from banks or other lenders, receipt of the necessary PRC governmental approvals, investors' confidence in us, the performance of shipping logistics industry in general, and our operating and financial performance in particular, as well as any legal and regulatory restrictions. We cannot assure you that we will be able to obtain future financing on terms that are acceptable to us or at all. In the event that financing is not available or is not available on terms acceptable to us, our business, results of operations, financial condition and growth prospects may be adversely affected.

Our indebtedness could adversely affect our liquidity and profitability.

As a shipping logistics company, we have significant indebtedness, particularly indebtedness incurred in connection with financing purchases of vessels. As of June 30, 2010, we had total outstanding bank borrowings of approximately US\$82.5 million, and a gearing ratio of 42.8%. Our ability to make scheduled payments on our indebtedness and maintain our liquidity will depend heavily on our future operating performance and cash flow, which in turn depend on numerous factors, including market demand for shipping logistics services. We cannot assure you that we will continue to generate sufficient cash flow in the future to service our debt. If we are unable to make timely payment with respect to some or all of such indebtedness, we may need to renegotiate with the lenders or to obtain additional equity or debt financings. There can be no assurance that any of these alternatives could be effected on satisfactory terms or without breach of the terms and conditions of then existing financing transactions. In addition, to service our debt, we need to divert cash flows from our operations and planned capital expenditures and any increase in applicable interest rates will affect our profitability. Furthermore, the assets over which we have granted certain lenders security interests in connection with secured loans are the corresponding vessels whose construction costs were partially or completely funded by the proceeds from such loans. Under the terms of such secured loans, if we are unable to meet our repayment obligations, the lenders may exercise their rights over these secured vessels and we may lose the service of such vessels. Any such action by our lenders could have an adverse impact on our business, results of operations and financial condition.

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Our future success depends on our ability to achieve and manage growth.

Key aspects of our strategy to continue our growth include the expansion of our fleet and our intra-Asia service network. Effective implementation of these aspects of our strategy will depend on several factors, including our ability to retain customers and our ability to obtain any required financing. In addition, we may need to increase the number of our employees and the scope of our operational and financial systems to address the increased complexity of our operations. Our efforts to manage and continue our growth may not be successful. If we expand too rapidly, we may encounter financial difficulties in a business downturn. On the other hand, if we fail to expand at a sufficiently rapid pace, we may lose market share and potential customers to our competitors. As a result, the failure to achieve and manage our future growth may have a material adverse effect on our business, results of operations and financial condition.

The interests of our Controlling Shareholders may conflict with the interests of our other shareholders.

Immediately upon the completion of the Global Offering, our Controlling Shareholders will own approximately 55.07% of our issued share capital, assuming the Over-Allotment Option is not exercised and without taking into account any Shares which may be issued under the Pre-IPO Share Option Scheme or the Share Option Scheme. Accordingly, our Controlling Shareholders will be able to exercise substantial control or influence over our business by directly or indirectly voting at shareholders' meetings in matters that are significant to us and our public Shareholders, including, but not limited to, matters relating to the following:

- mergers or other business combinations;
- acquisition or disposition of assets;
- issuance of any additional Shares or other equity securities;
- timing and amount of dividend payments; and
- management of our Company.

The interest of our Controlling Shareholders may not be the same as, and may conflict with, those of our public shareholders. Our Controlling Shareholders may take actions, and exercise influence that favor their interests over the interests of us or our public shareholders. Furthermore, we cannot assure you that our Controlling Shareholders will not cause us to enter into transactions or take, or fail to take, other actions or make decisions that conflict with the best interests of our other shareholders.

Our insurance may be insufficient to cover all losses associated with our business operations.

The operation of any vessel involves risks such as mechanical failure, collision, fire, contact with floating objects, property loss, cargos loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labor strikes. In addition, marine disasters, including oil spills and other environmental mishaps, are also inherent risks associated with the shipping logistics industry. We procure insurance for our fleet against risks commonly insured against by vessel owners and operators. However, we cannot assure you that our current insurance coverage is sufficient. In the case of an uninsured loss or a loss in excess of insured limits, our results of operations, financial condition and business operations could be adversely affected. Even if our insurance coverage is adequate to cover our direct losses, we may not be able to obtain a timely replacement vessel or take other appropriate action. Furthermore, our claim records may affect the premiums insurance companies charge us in the future. We may also be subject to additional calls, or premiums, in amounts based not only on our own claim records but also the claim records of all other members of the protection and indemnity associations through which we receive indemnity insurance coverage for tort liability.

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In May 2008, one of our vessels collided with a third-party vessel at Hakata, Japan. Each of The London Steam-Ship Owners' Mutual Insurance Association Limited, our P&I insurer, and PICC Property and Casualty Company Limited, our hull and machinery insurer, has undertaken in writing to settle the claim if we lose the case, subject to an aggregate deductible amount of US\$20,500. The accident was investigated by the Marine Accident Inquiry Agency of Japan and its branch in Moji preliminarily determined that we are fully liable. We appealed to its appellate division in Tokyo, and the final ruling has not yet been announced. See "Our Business — Legal Proceedings." In 2007, 2008, 2009 and the six months ended June 30, 2010, our aggregate insurance premiums amounted to US\$2.1 million, US\$2.8 million, US\$2.6 million and US\$1.5 million, respectively. We believe the relevant insurers have taken into account the collision in determining our premiums. Such collision may continue to affect our premiums in the next few years, even if we win the appeal.

Labor disputes could disrupt or hinder our business operations.

Like other operators in our industry, we rely upon third-party employees, such as stevedores at our ports of call, as part of our day-to-day operations. Industrial action or other labor unrest with respect to such external labor could prevent or hinder our normal operating activities, and, if not resolved in a timely manner, could lead to decreases in our revenue. These actions are impossible for us to predict or control.

Failure of our IT systems could adversely affect our business and results of operations.

We use a number of information technology systems for our container shipping and logistics businesses and are developing a new information technology system mainly for our container shipping services.

While we have not encountered major failures in the past with our current information technology systems, there can be no assurance that that we will be able to successfully maintain the smooth running at all times of any or all of our information systems. Furthermore, even with thorough testing, there can be no assurance that the new system to be implemented will successfully replace our existing system without incompatibility or other issues. Additionally, technology developed by other shipping companies may render our services less attractive or competitive, and we may otherwise fail to meet the technology progress to operate our business more efficiently. Any such events could adversely affect our business, results of operations and financial condition.

Major litigation may affect our business.

The shipping logistics business carries the inherent risks of marine and other accidents, which could result in property loss as well as bodily injuries or loss of lives. As a result, we are from time to time involved in legal proceedings and are exposed to the possibility of being involved in other major legal proceedings. In particular, we are currently involved in legal proceedings in Japan for a collision accident which occurred near Hakata, Japan in 2008. The claims raised by the plaintiffs against our Company totaled JPY445.6 million (US\$5.3 million). Each of The London Steam-Ship Owners' Mutual Insurance Association Limited, our P&I insurer, and PICC Property and Casualty Company Limited, our hull and machinery insurer, has undertaken in writing to settle these claims should we lose the case. As of the Latest Practicable Date, we were also involved in two other pending legal proceedings, both of which were initiated by our Company, as of the Latest Practicable Date. The aggregate amount of these two other pending claims was US\$0.1 million. If we are unsuccessful in defending any legal proceeding, or are unsuccessful in settling any legal proceeding on commercially reasonable terms, and the damages which we may be liable to pay in respect of such legal proceeding are not covered by

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our insurance policies, our business and results of operations could be materially and adversely affected. In addition, our management's attention could be diverted from the operation of our business in order to pursue and defend the legal proceedings in which we are involved, which could also affect our business.

Seasonal changes could affect our business and financial condition.

Factors such as the impact of public holidays on the demand for consumer goods render the business of shipping logistics seasonal. Peak shipping periods may differ to a certain extent in some of the markets in which we currently operate. Nevertheless, historically, the volumes shipped by our container shipping business have generally been lower during as well as immediately after major public holidays, particularly Chinese New Year. In each of 2007, 2008 and 2009, our shipping volume during the week of Chinese New Year amounted to only approximately half of the average weekly shipping volume during the respective year. Such seasonality also has a similar impact on our freight forwarding business. As a result of the seasonality in our business, our operating results may fluctuate from period to period.

We face risks associated with purchasing second-hand vessels.

To expand our self-owned fleet, we may purchase second-hand vessels as an alternative to commissioning new-build vessels. We purchased three second-hand vessels in December 2009. Second-hand vessels may have latent defects of which we are not aware at the time of purchase. These defects may subsequently result in significant repair expenses or disruption of voyages. Furthermore, a second-hand vessel may not have all features we would require if we commission a new-build vessel.

Our vessels could be arrested by maritime claimants, which could result in a significant loss of revenue and cash flow.

Crewmembers, suppliers of goods and services to a vessel, shippers of cargos and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by either arresting or attaching a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could require us to pay a substantial amount of money to have the arrest or attachment lifted, and could also result in a significant loss of earnings and cash flow for the related off-hire period.

In wartime or emergency situations, the government may requisition our vessels resulting in the reduction of our revenue.

In many regions of the world, commercial vessels may be requisitioned by governments for use during wartime or other emergency situations. However, the vessel owner may not receive compensation from the government nor be covered by its insurance. In the event that the government were to requisition one or more of our vessels, or charter the vessels at rates lower than the market rates, our container shipping business, operating results and financial condition could be adversely affected.

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Acts of piracy could adversely affect our business and results of operations.

Piracy is an inherent risk in the operation of ocean-going vessels. We did not experience any piracy incidents in 2007, 2008, 2009 or the six months ended June 30, 2010 and up to the Latest Practicable Date. However, the frequency of piracy incidents against commercial shipping vessels has increased significantly in recent years. For example, commercial shipping vessels were attacked by pirates in the South China Sea in August and September 2010. Furthermore, as we expand our network of shipping routes, our vessels may in the future travel in regions that have higher frequencies of piracy incidents. Pirate attacks on any of our vessels could result in loss of life, the kidnapping of our crew or the theft, damage or destruction of our vessels or of cargos being transported thereon. We may not be adequately insured to cover losses from these incidents, which could have a material and adverse effect on our business and results of operations.

Acts of God, acts of war, epidemics, terrorist attacks and other events could adversely affect our business.

Natural disasters and other acts of God, epidemics, terrorist attacks, acts of war and other events which are beyond our control may lead to global or regional economic instability, which may in turn adversely affect our business, results of operations, financial condition, ability to raise capital or future growth.

Outbreaks of epidemics, such as SARS, the avian flu and influenza A (H1N1), could cause significant interruption to our business and have a negative impact on our revenue and profitability. An outbreak of epidemics may cause the demand for specific commodities to fall, which could in turn lead to lower demand for shipping services, including ours, thereby adversely affecting our profitability. Such an outbreak may also cause significant interruption to our operations as health or governmental authorities may impose quarantine and inspection measures on our vessels or restrict the flow of cargos to and from areas affected by the epidemic.

Similar to airplanes and vehicles, shipping vessels can be targets of terrorist attacks. Terrorist attacks on shipping vessels could lead to, among other things, increased insurance and security costs and an inability to transport cargos to and from certain locations. Political tensions or conflicts and acts of war or the potential for war could also cause damage and disruption to our business which could materially affect our revenue, costs of operation and overall profitability.

RISKS RELATING TO THE PRC

The PRC's economic, political and social conditions and government policies could affect our business.

We are a PRC-based company and our business significantly depends on PRC related trade. Accordingly, our results of operations and financial condition will be affected to a significant extent by economic, political and legal developments in the PRC.

Although the economy of the PRC has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatments to particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in the economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. These economic reform measures may be adjusted or modified or applied inconsistently from industry to industry, or across different regions of the country. As a result, some of these measures may benefit the overall economy of the PRC, but may have an adverse effect on the shipping logistics industry or our business in particular.

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An economic slowdown in the PRC, such as the one experienced following the recent global financial crisis, may reduce the demand for our services and have a material adverse effect on our results of operations, financial condition and profitability.

Our business significantly depends on PRC-related trade. As a result, our results of operations and financial condition, as well as our future prospects, have been and will continue to be significantly affected by economic conditions in the PRC, which in turn are influenced by the global economy. In recent years, the PRC has been one of the world's fastest growing economies in terms of GDP growth. However, the global financial crisis that unfolded in 2008 and continued in 2009 has led to a marked slowdown in the economic growth of the PRC. For example, the GDP growth rate of the PRC dropped to 9.0% in 2008 and 9.1% in 2009, compared to double-digit growth rates during the period from 2003 to 2007, according to the National Bureau of Statistics of China (中華人民共和國國家統計局). Since the onset of the recent financial crisis, the PRC government has adopted increasingly flexible macroeconomic policies, including an announced fiscal stimulus package aimed at offsetting the slowdown brought about by the financial crisis. However, we cannot predict whether and to what extent these measures will be effective.

Furthermore, one of the main drivers of economic activity in the PRC is exports. Hence, the economic development of the principal trading partners of the PRC could affect the economy of the PRC, which may in turn lead to a decrease in the PRC's cargos import and export and correspondingly, demand for shipping services. The deterioration of the global economy as a result of the recent global financial crisis has affected the PRC's international trade. For example, the PRC's total import and export value in 2009 decreased by 13.9% from 2008. The more recent European sovereign debt crisis and resulting economic instability may further adversely impact Chinese exports.

If the PRC economy experiences or continues to experience slower growth or a significant downturn, our results of operations and financial condition would be materially and adversely affected.

Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.

We are a PRC-based company. Many of our operations are conducted in the PRC and as a result, many of our activities are governed by PRC laws, rules and regulations. Our PRC subsidiaries are generally subject to laws, rules and regulations applicable to foreign investments in the PRC and, in particular, laws applicable to wholly-foreign-owned enterprises and Sino-foreign invested enterprises. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has significantly enhanced legislation and regulations to protect various forms of foreign investment in the PRC. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly increased the protections afforded to various forms of foreign or private-sector investment in the PRC. These laws and regulations change frequently, and their interpretation and enforcement involve uncertainties. For example, we may have to resort to administrative and court proceedings to enforce the legal protections that we enjoy either by law or contract. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may also impede our ability to enforce the contracts we have entered into. As a result, these uncertainties could materially adversely affect our business and operations.

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You may experience difficulties in effecting service of legal process, enforcing judgments or bringing original actions in the PRC based on foreign laws against us and our management.

We are a PRC-based company and many of our operations are conducted in the PRC. As a result, it may not be possible to effect service of process outside of the PRC upon the substantial majority of our Directors and executive officers. Moreover, Haiwen & Partners, our PRC counsel, has advised us that the PRC does not have treaties providing for the recognition and enforcement of civil judgments of courts in the jurisdictions such as the United States, the United Kingdom and Japan. As a result, recognition and enforcement in the PRC judgments of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

Government control of currency conversion may affect our ability to pay dividends and limit our ability to utilize our cash effectively.

A portion of our revenues and costs and expenses are denominated in Renminbi, which currently is not a freely convertible currency. A portion of these revenues must be converted into other currencies to meet our foreign currency obligations, including our payments of declared dividends, if any, for our Shares. The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the SAFE, by complying with certain procedural requirements. However, approval from the SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. With exports threatened by the recent global economic downturn, the PRC government may be more reluctant to exiting currency controls at rapid pace in the near term.

Under our current corporate structure, our income is partially derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, our capacity to pay dividends in foreign currencies to our shareholders may be adversely affected.

In addition, since a portion of our future cash flow from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of the PRC or otherwise fund our business activities that are conducted in foreign currencies. This could affect the ability of our subsidiaries in the PRC to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us.

Inflation in the PRC could negatively affect our profitability and growth.

Economic growth in the PRC has, in the past, been accompanied by periods of high inflation. The PRC government has implemented various policies from time to time to control inflation. For example, the PRC government introduced measures in certain sectors to avoid overheating of the economy, including tighter bank lending policies and increases in bank interest rates. The global economic crisis that commenced in 2008 resulted in the rate of inflation to slow; however, the effects of the stimulus measures implemented by the PRC government may result in an increase in inflation in the future. If such inflation occurs and is allowed to proceed unchecked, our cost of

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sales would likely increase, and our profitability would be adversely affected because there can be no assurance that we would be able to pass such increase to our customer. If the PRC government implements new measures to control inflation, such measures may slow economic and trade activities and thereby reduce demand for our services, hence adversely affect our growth.

We may be subject to PRC enterprise income tax on our global income, or dividends we receive from our PRC subsidiary may be subject to PRC withholding tax, depending on whether we are recognized as a resident enterprise in the PRC.

Pursuant to the 2008 EIT Law and its implementation rules, which became effective on January 1, 2008, an enterprise established under the laws of a foreign country or region whose “*de facto* management body” is located within the PRC territory is considered a resident enterprise and will generally be subject to the enterprise income tax at the rate of 25% on its global income. According to the Implementation Rules, “*de facto* management body” refers to a managing body that exercises, in substance, overall management and control over the production and business, personnel, accounting and assets of an enterprise. The SAT issued the SAT Circular No. 82 on April 22, 2009, which provides for certain specific criteria for determining whether the “*de facto* management body” of a PRC-controlled offshore enterprise is located in the PRC. However, it remains unclear how PRC tax authority will treat an overseas company like us that is controlled by PRC natural persons rather than PRC enterprises. The criteria set forth in the SAT Circular No. 82 do not apply to us directly because we are currently beneficially owned by PRC individuals and not a PRC-company-controlled offshore enterprise. In addition, if new rules and interpretations are issued in the future specifying the criteria for determining whether a foreign entity beneficially owned by individual PRC citizens is a resident enterprise under the 2008 EIT Law, we cannot assure you that we will not be deemed a PRC resident enterprise. If, in accordance with SAT Circular No. 82, we were considered a PRC resident enterprise, we would be subject to the enterprise income tax at the rate of 25% on our global income and any dividend received by our non-resident enterprise shareholder may be subject to 10% withholding tax. In such case, our profitability and cash flow would be adversely affected as a result of our global income being taxed under the 2008 EIT Law.

If we are considered as a non-resident enterprise under the 2008 EIT Law, we will not be subject to the enterprise income tax at the rate of 25% on our global income. In such case, however, dividends we receive from our PRC subsidiaries will be subject to a PRC withholding tax, the standard rate of which is 10% and can be reduced by an applicable tax treaty, under the 2008 EIT Law. Such withholding tax will reduce our profit.

In addition, pursuant to the 2008 EIT Law and its implementation rules, enterprises that previously enjoyed preferential treatments of low tax rates will be subject to the new enterprise income tax rate of 25% after a five-year transition period. Moreover, preferential treatment of tax exemption or reduction with fixed terms enjoyed by enterprises will expire at the end of the prescribed period. Some of our PRC joint ventures have been enjoying certain preferential tax treatments, the expiry or reduction of which may adversely affect our financial condition and results of operations. For additional information, see Appendix VII — “Taxation and Foreign Exchange” to this prospectus.

We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (關於加強非居民企業股權轉讓所得企業所得稅管理的通知), or SAT Circular 698, issued by the State Administration of Taxation on December 10, 2009 with retroactive effect from January 1, 2008, where a foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding

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company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the foreign investor shall report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

There is uncertainty as to the application of SAT Circular 698. For example, while the term “Indirect Transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions, and the process and format of the reporting of an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise. In addition, there are not any formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to avoid PRC tax. As a result, we may become at risk of being taxed under SAT Circular 698 due to the Reorganization and we may be required to expend valuable resources to comply with SAT Circular 698 or to establish that we should not be taxed under SAT Circular 698, which may have a material adverse effect on our financial condition and results of operations.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders or our PRC subsidiaries to liabilities or penalties, limit our ability to inject capital into our PRC subsidiaries or limit the ability of our PRC subsidiaries to distribute profits to us.

The SAFE issued the SAFE Circular No. 75 in October 2005, which requires PRC residents to register with the local SAFE branch before establishing or controlling any company outside of the PRC for the purpose of capital financing with assets or equities of PRC companies, referred to in the notice as an “offshore special purpose company,” and to amend its SAFE registration with respect to that offshore special purpose company in connection with any material change in the offshore special purpose company that is not involved in round-trip investment of domestic equity or assets. We do not have control over our beneficial owners and cannot assure you that all of our future and existing PRC resident beneficial owners will comply or continue to comply with the SAFE Circular No. 75. The failure of our beneficial owners who are PRC residents to register or amend their SAFE registrations in a timely manner pursuant to the SAFE Circular No. 75 or the failure of future beneficial owners of our Company who are PRC residents to comply with the registration procedures set forth in the SAFE Circular No. 75 may subject such beneficial owners or our PRC subsidiaries to fines and legal sanctions and may also limit our ability to contribute additional capital to our PRC subsidiaries, limit our PRC subsidiaries’ ability to distribute dividends to our Company or otherwise materially and adversely affect our business.

Failure to comply with PRC regulations in respect of the registration of shares granted to our PRC citizen employees may subject such employees or us to fines and legal or administrative sanctions.

Pursuant to the Implementation Rules of the Administration Measure for Individual Foreign Exchange, or the Individual Foreign Exchange Rules (個人外匯管理辦法實施細則), issued on

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January 5, 2007 by the SAFE, and relevant guidance issued by the SAFE in March 2007, PRC citizens who are granted shares or share options by an overseas listed company according to its employee share option or share incentive plan are required, through the PRC subsidiary of such overseas listed company or other qualified PRC agents, to register with the SAFE and complete certain other procedures to obtain the SAFE's approval for the purchase, remittance or settlement of foreign exchange related to the share option or other share incentive plan. Foreign exchange income from the sale of shares or dividends distributed by the overseas listed company must be remitted into the PRC. In addition, the overseas listed company or its PRC subsidiary or other qualified PRC agent is required to appoint an asset manager or administrator and a custodian bank, as well as open foreign currency accounts to handle transactions relating to the share option or other share incentive plan. We and our PRC citizen employees who have been granted our Shares will be subject to these rules upon the listing of our Shares on the Hong Kong Stock Exchange. If we or such PRC citizen employees fail to comply with these rules, we or such PRC citizen employees may be subject to fines and legal or administrative sanctions.

We may rely on dividends and other distributions on equity paid by our operating subsidiaries in the PRC to fund cash and financing requirements, and limitations on the ability of our operating subsidiaries in the PRC to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We are a holding company, and we rely partly on dividends and other distributions on equity paid by our operating subsidiaries in the PRC for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, service any debt we may incur and pay our operating expenses.

Under PRC laws and regulations, our PRC subsidiaries are subject to different dividend policies. Wholly foreign-owned enterprises are required to set aside 10% of their after-tax profits each year to fund a statutory surplus reserve which is not distributable as dividends until the accumulated amount of such reserve has exceeded 50% of the registered capital of the PRC subsidiary. Moreover, wholly foreign-owned enterprises are required to set aside certain amount from their after-tax profits of the proceeding year as bonus and welfare funds for their employees, a percentage of which shall be determined by board resolutions. Equity-joint ventures, however, are required to set aside reserve funds, bonus and welfare funds for their employees and development funds, percentages of which shall be determined by board resolutions. As a result of these PRC laws and regulations, our PRC subsidiaries are restricted in their ability to transfer a portion of their net assets to us in the form of dividends. Limitations on the ability of our PRC subsidiaries to pay dividends to us could adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends, or otherwise fund and conduct our business.

Dividends payable by us to our non-PRC corporate shareholders and gains on sales of our Shares by such shareholders may be subject to withholding taxes under PRC tax laws, which may materially reduce the value of your investment.

Prior to January 1, 2008, dividends payable to non-PRC investors were exempted from PRC withholding tax. The 2008 EIT Law and the Implementation Rules provide that an income tax rate of 10% (subject to the tax treaties between PRC and other jurisdictions) will generally be applicable to dividends payable to non-PRC corporate investors which are derived from sources within the PRC, provided that dividends are not subject to the 10% tax if they are paid out of distributable profits accumulated before January 1, 2008. Similarly, any gain realized on the transfer of the Shares by such investor is also subject to a 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. We are a Cayman holding company and if the Company is deemed as a PRC resident enterprise for tax purpose, any dividends distributed

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by our Company to our Company's non-resident corporate shareholders or gains on sales of the Shares by such shareholders may be regarded as PRC-sourced income. As a result, such dividends or gains may be subject to PRC withholding tax at the rate of 10%, subject to the tax treaties between PRC and the jurisdiction where the non-resident shareholder resides.

As the 2008 EIT Law and the Implementation Rules have only been in effect from January 1, 2008, it is uncertain as to how these laws and regulations would be implemented by the relevant PRC tax authorities. If our Company's dividend payment to our Company's non-resident corporate shareholders or gains on sales of the Shares by such shareholders are subject to the PRC withholding tax, it may have a materially adverse impact on our shareholders' return on, and the value of, their investment in our Company. See Appendix VII — "Taxation and Foreign Exchange" to this prospectus for more information.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained.

Prior to the Global Offering, no public market for our Shares existed. Following the completion of the Global Offering, the Hong Kong Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure you that an active trading market for our Shares will develop or be sustained after the Global Offering. In addition, we cannot assure you that our Shares will trade in the public market subsequent to the Global Offering at or above the Offer Price. The Offer Price for the Shares is expected to be fixed by agreement among the Joint Bookrunners (on behalf of the Hong Kong Underwriters and the International Underwriters) and us, and may not be indicative of the market price of the Shares following the completion of the Global Offering. If an active trading market for our Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of Shares could be materially and adversely affected.

The trading prices of our Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere in the world. In particular, the trading price performance of other shipping logistics companies based in Asia may affect trading price of our Shares. In addition, the performance and fluctuation of the market prices of other companies with business operations located mainly in the PRC that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. Recently, a number of PRC companies have listed their securities, or are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

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Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be seven business days after the pricing date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

The sale or availability for sale of substantial amounts of our Shares could adversely affect their trading price.

Sales of substantial amounts of our Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares.

In connection with the Global Offering, the Controlling Shareholders and Selling Shareholders have agreed, among other things, not to sell our Shares for 18 months and 12 months, respectively, after the Listing Date without the written consent of the Sole Global Coordinator. However, the Sole Global Coordinator may release these securities from these restrictions at any time. We cannot predict what effect, if any, significant future sale will have on the market price of our Shares.

Because the Offer Price of our Shares is higher than our net tangible book value per Share, purchasers of our Shares in the Global Offering will experience immediate dilution.

If you purchase our Shares in the Global Offering, you will pay more for your Shares than our net book value on a per Share basis. As a result, you will experience an immediate dilution of approximately HK\$3.77 per Share, representing the difference between our pro forma net tangible book value per Share as of June 30, 2010, after giving effect to the Global Offering and the assumed initial public offering price of HK\$5.53 per Share (being the midpoint of the estimated Offer Price range of HK\$4.78 and HK\$6.28 per Offer Share).

The Laws of the Cayman Islands relating to the protection of the interests of minority shareholders are different from those in Hong Kong.

Our corporate affairs are governed by our Memorandum and Articles of Association and by Cayman Islands Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. This may mean that the remedies available to the Company's minority shareholders may be different from those they would have under the laws of other jurisdictions. A summary of Cayman Islands law is set out in Appendix VI — "Summary of the Constitution of the Company and Cayman Islands Companies Law" to this prospectus.

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We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering. There has been prior to the date of this prospectus, and there may be, after the date of this prospectus, press and media coverage regarding us and the Global Offering, including related coverage in Hong Kong Economic Times on August 31, 2010, which cited certain financial information, financial projections, valuations and other information about us that do not appear in this prospectus. We have not authorized the disclosure of any such information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, you should not rely on any such information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong and, in normal circumstances, at least two of the issuer's executive directors must ordinarily be resident in Hong Kong.

The center of our operations is currently located in Shanghai, in the PRC. We do not presently, and do not contemplate immediately after Listing that we will, have sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. Therefore, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 8.12 of the Listing Rules and the following arrangements have been made for maintaining regular and effective communication with the Hong Kong Stock Exchange.

- (i) We have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Hong Kong Stock Exchange and ensure that we comply with the Listing Rules at all times. The two authorized representatives are Mr. LIU Kecheng (an executive Director and one of the joint company secretaries of the Company) and Mr. XUE Peng (an executive Director). Both Mr. LIU Kecheng and Mr. XUE Peng hold valid travel documents to visit Hong Kong. As such, each of the authorized representatives will be available to meet with the Hong Kong Stock Exchange within a reasonable time frame upon the request of the Hong Kong Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the authorized representatives is authorized to communicate on our behalf with the Hong Kong Stock Exchange.
- (ii) We will appoint Citi as our compliance advisor upon Listing pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, which will have access at all times to our authorized representatives, our Directors and our other senior management, and will act as the alternate channel of communication with the Hong Kong Stock Exchange when our authorized representatives are not available.
- (iii) Each of the authorized representatives has the means to contact our Directors promptly at all times as and when the Hong Kong Stock Exchange wishes to contact our Directors on any matters. To enhance communication between the Hong Kong Stock Exchange, the authorized representatives and our Directors, we have implemented a policy whereby (a) each Director will provide his mobile phone number, office phone number, facsimile number and email address to the authorized representatives; (b) in the event that a Director expects to travel and be out of the office, he will provide the phone number of the place of his accommodation to the authorized representatives; and (c) all the Directors will provide their mobile phone numbers, office phone numbers, facsimile numbers and email addresses to the Hong Kong Stock Exchange.
- (iv) Meetings between the Hong Kong Stock Exchange and our Directors could be arranged through our authorized representatives or our compliance advisor, or directly with our Directors within a reasonable time frame. We will inform the Hong Kong Stock Exchange promptly in respect of any change in our authorized representatives and compliance advisor.
- (v) In addition, our Directors who are not ordinarily residents in Hong Kong possess valid travel documents to visit Hong Kong and will be able to meet with the Hong Kong Stock Exchange within a reasonable period of time, if required.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

PRE-IPO SHARE OPTION SCHEME

We have applied for (i) a waiver from the Hong Kong Stock Exchange from strict compliance with the disclosure requirements under rule 17.02(1)(b) and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) a certificate of exemption under section 342A of the Companies Ordinance from the SFC from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance. Our applications are based on the grounds set forth below, and the Hong Kong Stock Exchange and the SFC have granted the respective waiver and certificate of exemption subject to certain conditions.

Exemption would not prejudice the interests of the investing public

This prospectus includes information on the total number of Shares subject to the Pre-IPO Share Option Scheme and the percentage of the Company's issued share capital represented by such Shares, the exercise price per Share, the dilution effect and the impact on our earnings per Share upon the exercise of the outstanding options and the terms of the options. Our Directors consider that all information related to the Pre-IPO Share Option Scheme that is reasonably necessary for potential investors to make any informed assessment of our activities and financial position has been disclosed in this prospectus, and therefore an exemption from strict compliance with the relevant rules would not prejudice the interests of the investing public.

Strict compliance with Rule 17.02(1)(b) and Paragraph 27 of Appendix 1A to the Listing Rules and Paragraph 10(d) of Part 1 of the Third Schedule to the Companies Ordinance would be unduly burdensome

With respect to the options granted to 915 persons under the Pre-IPO Share Option Scheme, full disclosure pursuant to Rule 17.02(1)(b) and Paragraph 27 of Appendix 1A to the Listing Rules and Paragraph 10(d) of Part 1 of the Third Schedule to the Companies Ordinance, including the names and addresses of all grantees who are not Directors or senior management, would be unduly burdensome. It is estimated that a complete disclosure of the name, address and options granted to each grantee would require over 75 pages of this prospectus, significantly increasing the cost for drafting and printing. Furthermore, full disclosure may also negatively impact our relationships with the grantees, as some grantees may become dissatisfied with the options granted to them after comparing with the other grantees.

The Hong Kong Stock Exchange has granted the waiver to us, subject to the following conditions:

- (i) full disclosure in this prospectus on all options under the Pre-IPO Share Option Scheme granted to each of the Directors, senior management and personnel who has been granted with 800,000 options or more, including all particulars required under paragraph 10 of Part I of the Third Schedule to the Companies Ordinance, Rule 17.02(1)(b) and Paragraph 27 of Appendix IA to the Listing Rules;
- (ii) disclose in this prospectus, for the remaining grantees on an aggregate basis:
 - (1) their aggregate number and the number of Shares underlying the options granted;
 - (2) the consideration paid for the options;
 - (3) the exercise period of the option; and
 - (4) the exercise price for the options;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

- (iii) disclose in this prospectus (i) the aggregate number of Shares underlying the options under the Pre-IPO Share Option Scheme, (ii) the percentage of our issued share capital represented by such Shares, and (iii) the dilution effect and impact on earnings per Share upon full exercise of the options under the Pre-IPO Share Option Scheme; and
- (iv) a full list of all the grantees (including the persons referred to in paragraph (i) above) who have been granted options to subscribe for Shares under the Pre-IPO Share Option Scheme, containing all of the details as required under Rule 17.02(1)(b) and Paragraph 27 of Appendix IA to the Listing Rules and Paragraph 10 of Part I of the Third Schedule of the Companies Ordinance, is made available for public inspection as referred to the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix IX to this prospectus.

The SFC (pursuant to section 342A of the Companies Ordinance) has granted the certificate of exemption to us on the following conditions:

- (i) full disclosure in this prospectus on all options under the Pre-IPO Share Option Scheme granted to each of the Directors, senior management and personnel who has been granted with 800,000 options or more, including all particulars required under paragraph 10 of Part I of the Third Schedule to the Companies Ordinance;
- (ii) disclose in this prospectus, for the remaining grantees on an aggregate basis:
 - (1) their aggregate number and the number of Shares underlying the options granted;
 - (2) the consideration paid for the options;
 - (3) the exercise period of the option; and
 - (4) the exercise price for the options;
- (iii) disclose in this prospectus (i) the aggregate number of Shares underlying the options under the Pre-IPO Share Option Scheme, and (ii) the percentage of our issued share capital represented by such Shares; and
- (iv) a full list of all the grantees (including the persons referred to in paragraph (i) above) who have been granted options to subscribe for Shares under the Pre-IPO Share Option Scheme, containing all the details as required under Paragraph 10 of Part I of the Third Schedule of the Companies Ordinance, is made available for public inspection as referred to the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix IX to this prospectus.

CONNECTED TRANSACTIONS

The Company has applied to the Hong Kong Stock Exchange for a waiver from strict compliance with the relevant requirements of Chapter 14A of the Listing Rules for the non-exempted continuing connected transactions of our Company. Please refer to the section headed “Connected Transactions” in this prospectus for further details of such waivers.

COMPANY SECRETARY

Rule 8.17 of the Listing Rules provides that the secretary of the issuer must be a person who is ordinarily resident in Hong Kong and has the requisite knowledge and experience to discharge the functions of secretary of the issuer and is an individual who is an ordinary member of the Hong Kong Institute of Chartered Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance or a professional accountant or who, by virtue of the academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging those functions.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

The Company will appoint Mr. LIU Kecheng and Ms. HO Siu Pik as joint secretaries.

Ms. HO Siu Pik is qualified as an associate of the Hong Kong Institute of Chartered Secretaries and also as an associate of the Institute of Chartered Secretaries and Administrators and meets the requirements under Rule 8.17 of the Hong Kong Listing Rules.

Mr. LIU Kecheng is an executive Director and one of the joint company secretaries of the Company. Although the Company believes that Mr. LIU possesses the ability and experience to serve as a secretary to the Company, Mr. LIU does not possess a qualification stipulated in Rule 8.17(2) and may not be able to fulfill the requirements as a company secretary of a listed issuer stipulated under Rule 8.17 of the Hong Kong Listing Rules.

In order to provide support to Mr. LIU, the Company has appointed Ms. HO Siu Pik, to act as a joint company secretary to provide assistance to Mr. LIU so as to enable him to acquire the relevant experience (as required under Rule 8.17(3) of the Listing Rules) and to duly discharge the functions of a company secretary of a listed issuer. Mr. LIU will enroll in relevant courses to enable him to acquire the relevant knowledge for the discharge of his duties as joint company secretary of the Company. The appointment of Ms. Ho is for an initial term of three years, provided that the Company is entitled to terminate such contract in the event that a replacement joint secretary with qualifications meeting the requirements under Rule 8.17 of the Listing Rules is appointed, or Mr. LIU has himself obtained such qualifications.

If such appointment is not terminated early then the Company shall, reasonably prior to the expiry of the three-year term, evaluate the qualifications of Mr. LIU to determine whether his appointment as the company secretary will satisfy the requirements under Rule 8.17 of the Listing Rules or if not to determine what measures would be needed to secure compliance with such Rule 8.17.

The Company has applied to the Hong Kong Stock Exchange for a waiver from strict compliance of Rule 8.17 of the Hong Kong Listing Rules in respect of the appointment of Mr. LIU and Ms. HO as the joint secretaries of the Company.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the SFO, the Securities and Futures (Stock Market Listing) rules and the Listing Rules for the purpose of giving information with regard to our Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement herein or this prospectus misleading, and all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Global Offering is made solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. No person is authorized in connection with the Global Offering to give any information or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Sponsor, the Joint Bookrunners, the Underwriters, any of their respective directors or affiliates of any of them or any other person or party involved in the Global Offering.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain all the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus. No person is authorized in connection with the Hong Kong Public Offering to give any information or to make any representation not contained in this prospectus. Any information or representation not contained in this prospectus must not be relied upon as having been authorized by our Company, the Selling Shareholders, the Sole Global Coordinator, any of the Underwriters, any of our and their respective directors, officers, affiliates or advisors or any other person involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus, or that the information in it is correct as at any subsequent time.

UNDERWRITING

The Global Offering comprises the Hong Kong Public Offering of initially 65,000,000 Hong Kong Offer Shares and the International Offering of initially 585,000,000 new Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering."

This prospectus is published solely in connection with the Hong Kong Public Offering. The listing of our Shares on the Hong Kong Stock Exchange is sponsored by Citi. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. One of the conditions is that the Offer Price must be agreed among our Company, and the Joint Bookrunners, on behalf of the Underwriters. For applicants applying under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The International Offering is fully placed through the International Underwriters. If, for any reason, the Offer Price is not agreed among the Joint Bookrunners, on behalf of the Underwriters, the Selling Shareholders, and us, the Global Offering will not proceed. For information about the Underwriters, underwriting arrangements and Underwriters' interest in the Company, see "Underwriting."

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

SELLING RESTRICTIONS

Each person acquiring Hong Kong Offer Shares will be required to confirm, or by his acquisition of Hong Kong Offer Shares be deemed to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

CERTAIN MATTERS RELATING TO THE HONG KONG PUBLIC OFFERING

Application for Listing on the Hong Kong Stock Exchange

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued, including the Offer Shares, Shares to be issued under the Capitalization Issue; and any Shares issued or to be issued under the Pre-IPO Share Option Scheme or the Share Option Scheme. Dealings in the Shares on the Hong Kong Stock Exchange are expected to commence on October 6, 2010.

Save as disclosed in this prospectus, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Shares Will be Eligible for CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Hong Kong Stock Exchange and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisers.

Hong Kong Register and Stamp Duty

All Shares issued pursuant to applications made in the Hong Kong Public Offering will be registered on our Hong Kong register of members to be maintained in Hong Kong. Our principal register of members will be maintained by our principal share registrar in the Cayman Islands.

Dealings in the Shares registered on our Hong Kong share register will be subject to Hong Kong stamp duty. See Appendix VII — “Taxation and Foreign Exchange” to this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Professional Tax Advice Recommended

Applicants for the Hong Kong Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasized that none of us, the Controlling Shareholders, the Selling Shareholders, the Sole Global Coordinator or the Underwriters, none of their respective directors, nor any other person or party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of our Shares.

DIVIDEND PAYABLE TO HOLDERS OF OUR SHARES

Unless we determine otherwise, dividends will be paid to our shareholders, as recorded in our Share register, by ordinary post at our shareholders' risk to the registered address of each shareholder.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-Allotment Option and stabilization are set out in the section headed "Underwriting."

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set forth in the section headed "How to Apply for Hong Kong Offer Shares" and in the Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed "Structure of the Global Offering."

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain U.S. dollars into Japanese Yen, Renminbi or Hong Kong dollars, respectively at specified rates. You should not construe these translations as representations that the U.S. dollar could actually be converted into any Japanese Yen, Renminbi or Hong Kong dollar amounts (as the case may be) at the rates indicated or at all. Unless we indicate otherwise, the translations of U.S. dollars into Japanese Yen, Renminbi and Hong Kong dollars have been made at the rates of JPY88.4500 to US\$1.0000, RMB6.8014 to US\$1.0000 and HK\$7.7714 to US\$1.0000, respectively, all of which are the noon buying rates in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on September 3, 2010. Further information on exchange rates is set forth in Appendix VII — "Taxation and Foreign Exchange" to this prospectus.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

| <u>Name</u> | <u>Address</u> | <u>Nationality</u> |
|--|--|--------------------|
| EXECUTIVE DIRECTORS | | |
| YANG Shaopeng | Household 401, Unit 5, Building 81, 316 Hong Kong East Road, Qingdao, Shandong, PRC | Chinese |
| YANG Xianxiang | Room 2701, No. 19, Lane 1399, Ding Xiang Road, Pudong District, Shanghai, PRC | Chinese |
| LIU Kecheng | Room 2603, No. 20, Lane 1599, Ding Xiang Road, Pudong District, Shanghai, PRC | Chinese |
| LI Xuexia | Room 2601, Building No. 12, Lane 188 Ming Yue Road, Pudong District, Shanghai, PRC | Chinese |
| XUE Peng | Room 301, No. 22, Lane 910, Ding Xiang Road, Pudong District, Shanghai, PRC | Chinese |
| NON-EXECUTIVE DIRECTORS | | |
| LIU Rongli | Household 401, Unit 5, Building 81, 316 Hong Kong East Road, Qingdao, Shandong, PRC | Chinese |
| INDEPENDENT NON-EXECUTIVE DIRECTORS | | |
| TSUI Yung Kwok | Flat C, 16/F, Tower 8, Le Point, 8 King Ling Road, Tseung Kwan O, Hong Kong | Chinese |
| YEUNG Kwok On | Room 2603, Building No. 10, No. 968 Tianyaoqiao Road, Shanghai, PRC | Chinese |
| LO Wing Yan, William | 9/F, Block D-1, Y.Y. Mansions, 96 Pok Fu Lam Road, Hong Kong | Chinese |
| NGAI Wai Fung | 26A Wah Shan Mansion, 17 Tai Koo Shing Road, Quarry Bay, Hong Kong | Chinese |

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED

**Sole Global Coordinator and
Sole Sponsor**

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

**Joint Bookrunners and
Joint Lead Managers**

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

China International Capital Corporation Hong Kong
Securities Limited
29/F, One International Finance Centre,
1 Harbour View Street, Central,
Hong Kong

Joint Representatives

Citigroup Global Markets Limited
Citigroup Centre,
33 Canada Square,
Canary Wharf,
London E14 5LB,
United Kingdom

China International Capital Corporation Hong Kong
Securities Limited
29/F, One International Finance Centre,
1 Harbour View Street, Central,
Hong Kong

Auditors and Reporting Accountants

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

Legal Advisors to Our Company

as to Hong Kong law:
Sidley Austin
Level 39, Two International Finance Centre,
8 Finance Street, Central,
Hong Kong

as to United States law:
Sullivan & Cromwell LLP
28/F Nine Queen's Road Central,
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

as to PRC law:

Haiwen & Partners
21/F, Beijing Silver Tower,
No.2 Dong San Huan North Road,
Chaoyang District,
Beijing 100027,
PRC

as to Cayman Islands law:

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

Legal Advisors to the Underwriters

as to Hong Kong and United States laws:

Skadden, Arps, Slate, Meagher & Flom
42/F, Edinburgh Tower, The Landmark,
15 Queen's Road Central,
Hong Kong

as to PRC law:

Commerce & Finance Law Offices
6/F NCI Tower,
A12 Jianguomenwai Avenue,
Beijing 100022,
PRC

Property Valuer

Jones Lang LaSalle Sallmanns Limited
17/F Dorset House, Tai Koo Place,
979 King's Road,
Quarry Bay,
Hong Kong

Receiving Bankers

Standard Chartered Bank (Hong Kong) Limited
15th Floor, Standard Chartered Tower,
388 Kwun Tong Road,
Kwun Tong,
Hong Kong

Wing Lung Bank Limited
45 Des Voeux Road,
Central,
Hong Kong

CORPORATE INFORMATION

| | |
|-----------------------------------|---|
| Registered Office | Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands |
| Headquarters in the PRC | No. 30, 1388 Zhangdong Road, Pudong District, Shanghai, PRC |
| Headquarters in Hong Kong | 42/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong |
| Company's Website | www.sitc.com (contents on our website do not constitute a part of this prospectus) |
| Joint Company Secretaries | LIU Kecheng HO Siu Pik (<i>HKICS</i>) |
| Authorized Representatives | LIU Kecheng Room 2603, No. 20, Lane 1599, Ding Xiang Road, Pudong District, Shanghai, PRC XUE Peng Room 301, No. 22, Lane 910, Ding Xiang Road, Pudong District, Shanghai, PRC |
| 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 |

CORPORATE INFORMATION

| | |
|----------------------------------|--|
| Principal Share Registrar | Butterfield Fulcrum Group (Cayman) Limited Butterfield House, 68 Fort Street, P.O. Box 609, Grand Cayman KY1-1107, Cayman Islands |
| Hong Kong Share Registrar | Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong |
| Compliance Advisor | Citigroup Global Markets Asia Limited 50/F Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong |
| Principal Bankers | The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central, Hong Kong Bank of China (Hong Kong) Limited 1 Garden Road, Hong Kong Standard Chartered Bank (Hong Kong) Limited 4-4A Des Voeux Road Central, Hong Kong China Merchants Bank China Merchants Bank Building, 7088 Shennan Avenue, Shenzhen, PRC Bank of China 1 Fuxingmen Nei Dajie, Beijing, PRC |

INDUSTRY OVERVIEW

The information presented in this section is derived from the Drewry Report as well as various official or publicly available sources, unless indicated otherwise. The information derived from the Drewry Report reflects estimates of market conditions based on samples information from and interviews with container shipping and logistics companies, government agencies and other industry consultants, and is prepared primarily as a marketing research tool. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. We, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, or their affiliates or advisors or any other party involved in the Global Offering have not independently verified, and make no representation as to, the accuracy of the information from official government and non-official sources. Such information may not be consistent with other information compiled within or outside the PRC. Accordingly, the official government and non-official sources contained herein may not be accurate and should not be unduly relied upon.

THE GLOBAL CONTAINER SHIPPING INDUSTRY

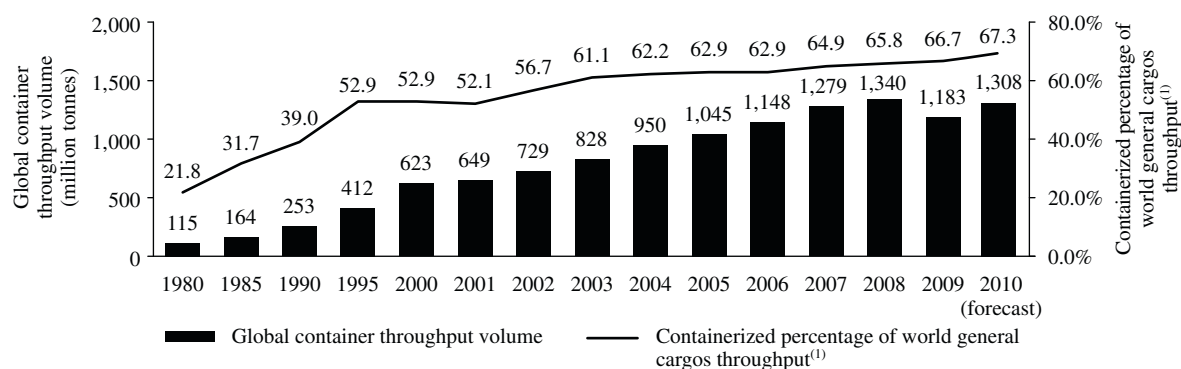
Overview

Containerized trade growth is primarily driven by the growth of economic output and consumption, increases in global sourcing and changes in patterns of world trade. Global containerized trade volume increased in each year since the introduction of long-haul container shipping services in the late 1960s, with the exception of 2009. The growth of containerized trade volume is highly dependent on levels of economic growth and regional and national GDP. Historically, GDP has served as the most relevant indicator of prospective global and regional containerized trade volume.

There are advantages to containerization that have contributed to the significant growth of the container shipping industry since its introduction, including faster and more flexible cargos movements, standardized loading and discharging, better security and lower costs. The growth of the container shipping industry represents in part the shift from traditional transportation methods, such as traditional general cargos shipping, towards containerized shipping. Traditionally, general cargos have been packed in different sizes such as cartons, bags, bundles and cases, and carried by conventional ships with non-specified storage areas. Increasingly, these cargos are being shipped using containers. In addition, the introduction and expansion of container handling facilities at more and more ports throughout the world have further facilitated the expansion of the global container shipping network. The containerized percentage of world general cargos throughput (computed as the tonnage of global container cargos throughput divided by the tonnage of world general cargos throughput) grew from 21.8% in 1980 to 66.7% in 2009. Global container throughput volumes grew at a CAGR of 10.0% during 2000 to 2008, compared to 4.9% for dry bulk cargos and 2.4% for liquid bulk cargos during the same period, respectively.

INDUSTRY OVERVIEW

The following table sets forth global container throughput volume and the containerized percentage of world general cargos throughput for the periods indicated:



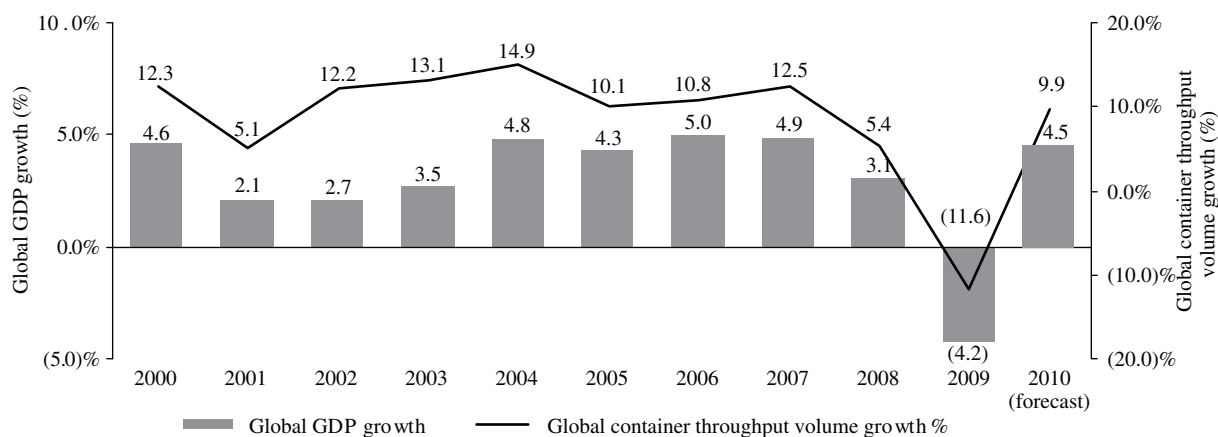
Source: *Container Shipping Industry with Special Focus on Intra-Asian Trade Routes (September 2010)*, Drewry

(1) Calculated as the tonnage of global container cargos throughput divided by the tonnage of world general cargos throughput.

Cyclicality

The container shipping industry is cyclical and is tied to the economic cycle. In 2001 and from 2008 to 2009, international container trade growth was adversely affected by global economic slowdowns. In particular, the global container throughput volume growth fluctuated on average more than twice the global GDP growth in each year between 2000 and 2009.

The graph below sets forth global container throughput volume growth and global GDP growth for the periods indicated:



Source: *Container Shipping Industry with Special Focus on Intra-Asian Trade Routes (September 2010)*, Drewry

Major Trade Routes

The trade routes of the global container shipping industry comprise East-West, North-South, intra-Asia and other networks of regional trade routes. The three core East-West trade routes are the Transpacific, Transatlantic and Asia-Europe routes.

INDUSTRY OVERVIEW

The intra-Asia market is the largest and one of the fastest growing trade markets in the world. It grew at a CAGR of 6.0% per year from 21.9 million TEU in 2006 to 24.6 million TEU in 2008, compared to a CAGR of 3.0% from 2006 to 2008 for the East-West trade routes. In 2009, the intra-Asia market contracted 5.2% to 23.3 million TEU due to the global economic recession, compared to 12.4% for the East-West trade routes. According to the Drewry Report, the intra-Asia market is expected to expand 9.7% in 2010 compared to 2009.

The following table sets forth the shipping volumes and corresponding percentages (relative to world container trade) by major trade routes and markets for the periods indicated:

| | 2006 | | 2007 | | 2008 | | 2009 | | 2010 | | 2006-2008 CAGR (%) | 2008-2009 growth (%) | 2009-2010 growth (%) |
|---|--------------------------|-------------------------------------|--------------------------|-------------------------------------|--------------------------|-------------------------------------|--------------------------|-------------------------------------|----------------------------|---------------------------------------|--------------------|----------------------|----------------------|
| | Shipping volume (actual) | % of world container trade (actual) | Shipping volume (actual) | % of world container trade (actual) | Shipping volume (actual) | % of world container trade (actual) | Shipping volume (actual) | % of world container trade (actual) | Shipping volume (forecast) | % of world container trade (forecast) | | | |
| (in thousands of TEU, except percentages) | | | | | | | | | | | | | |
| Transpacific | 19,461 | 14.4% | 20,682 | 14.2% | 20,041 | 13.3% | 17,382 | 13.0% | 19,690 | 13.5% | 1.5% | (13.3)% | 13.3% |
| Far East-Europe | 11,807 | 8.7 | 13,319 | 9.2 | 13,175 | 8.8 | 11,994 | 8.9 | 13,207 | 9.1 | 5.6 | (9.0) | 10.1 |
| Transatlantic | 4,193 | 3.1 | 4,388 | 3.0 | 4,403 | 2.9 | 3,565 | 2.7 | 3,732 | 2.6 | 2.5 | (19.0) | 4.7 |
| Total East-West | 35,461 | 26.2 | 38,389 | 26.4 | 37,619 | 25.0 | 32,941 | 24.6 | 36,629 | 25.2 | 3.0 | (12.4) | 11.2 |
| North-South | 21,616 | 16.0 | 23,978 | 16.5 | 26,310 | 17.4 | 23,272 | 17.4 | 25,251 | 17.4 | 10.3 | (11.5) | 8.5 |
| Intra-Asia | 21,877 | 16.2 | 23,490 | 16.2 | 24,600 | 16.3 | 23,325 | 17.4 | 25,588 | 17.6 | 6.0 | (5.2) | 9.7 |
| Other routes ⁽¹⁾ | 56,338 | 41.6 | 59,518 | 40.9 | 62,166 | 41.3 | 54,440 | 40.6 | 57,904 | 39.8 | 5.0 | (12.4) | 6.4 |
| World container trade | 135,292 | 100.0 | 145,375 | 100.0 | 150,695 | 100.0 | 133,978 | 100.0 | 145,372 | 100.0 | 5.5 | (11.1) | 8.5 |

Source: *Container Shipping Industry with Special Focus on Intra-Asian Trade Routes (September 2010)*, Drewry

(1) Mainly include routes from Far East, Europe and North America to Middle East, South Asia, Latin America, Africa and Australasia, and vice versa.

THE CONTAINER SHIPPING INDUSTRY IN THE PRC

Driven by strong economic development and increasing outsourcing by other countries, the PRC has become the largest and one of the fastest growing container shipping markets in the world. Container throughput volumes at PRC ports grew steadily at an average rate of 22.2% per year from 19.9 million TEU in 2000 to 121.1 million TEU in 2009, driven by strong demand for the PRC goods and favorable trade policies. The PRC's market share of total world throughput increased from 8.4% to 25.9% during the same period. In 2002, the PRC overtook the United States to become the largest container trading nation. According to the Drewry Report, aggregate throughput volume at PRC ports is expected to increase by 14.0% to 138.1 million in 2010, accounting for 26.9% of total world throughput.

INDUSTRY OVERVIEW

The following table sets forth container throughput volumes worldwide for the periods indicated:

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2000-2009 CAGR (%) |
|----------------------------|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|------------|--------------------|
| | (actual) | (actual) | (actual) | (actual) | (actual) | (actual) | (actual) | (actual) | (actual) | (actual) | (forecast) | (actual) |
| | (in millions of TEU, except percentages) | | | | | | | | | | | |
| World | 236.6 | 248.7 | 279.1 | 315.5 | 362.6 | 399.1 | 442.4 | 497.7 | 524.5 | 466.9 | 513.3 | 7.8% |
| PRC | 19.9 | 26.7 | 37.2 | 48.8 | 61.6 | 75.8 | 93.6 | 114.7 | 128.0 | 121.1 | 138.1 | 22.2 |
| Market share (%) | 8.4% | 10.7% | 13.3% | 15.5% | 17.0% | 19.0% | 21.2% | 23.0% | 24.4% | 25.9% | 26.9% | |
| United States | 27.9 | 28.3 | 30.9 | 33.9 | 36.9 | 40.3 | 42.6 | 43.2 | 41.0 | 35.2 | 37.8 | 2.6 |
| Market share (%) | 11.8% | 11.4% | 11.1% | 10.7% | 10.2% | 10.1% | 9.6% | 8.7% | 7.8% | 7.5% | 7.4% | |
| Japan | 13.8 | 13.3 | 14.0 | 15.3 | 16.4 | 17.0 | 16.9 | 18.1 | 18.4 | 17.6 | 18.3 | 2.7 |
| Market share (%) | 5.8% | 5.3% | 5.0% | 4.8% | 4.5% | 4.3% | 3.8% | 3.6% | 3.5% | 3.8% | 3.6% | |
| Western Europe | 51.7 | 53.1 | 57.7 | 63.1 | 70.9 | 75.7 | 81.1 | 91.0 | 91.7 | 78.7 | 82.1 | 4.8 |
| Market share (%) | 21.9% | 21.4% | 20.7% | 20.0% | 19.6% | 19.0% | 18.3% | 18.3% | 17.5% | 16.9% | 16.0% | |
| ASEAN countries | 34.5 | 37.1 | 41.5 | 45.7 | 51.6 | 54.6 | 59.2 | 66.9 | 70.7 | 66.2 | 73.9 | 7.5 |
| Market share (%) | 14.6% | 14.9% | 14.9% | 14.5% | 14.2% | 13.7% | 13.4% | 13.4% | 13.5% | 14.2% | 14.4% | |

Source: *Container Shipping Industry with Special Focus on Intra-Asian Trade Routes (September 2010)*, Drewry

THE INTRA-ASIA CONTAINER SHIPPING MARKET

Overview

The intra-Asia market in this Industry Overview section refers to trade among countries in Northeast Asia and Southeast Asia. The Middle East and South Asia (mainly including Iran, Saudi Arabia, UAE, Oman, India, Bangladesh, Sri Lanka and Pakistan) are excluded from the intra-Asia market because routes between the Far East and these regions are considered to be medium- to long-haul East-West trade routes that are different from the short-haul routes within the intra-Asia market.

The intra-Asia market is one of the fastest growing container shipping markets in the world, driven by the following fundamentals:

- *Free trade agreements and bilateral economic cooperation.* These include the ASEAN Free Trade Agreement, The China-ASEAN Free Trade Agreement, and The Japan-Thailand Economic Partnership Agreement as well as bilateral economic cooperation such as the PRC-Taiwan Economic Cooperation Framework Agreement. These agreements encourage trade through favorable policies, such as reduced or zero tariffs, resulting in increased division of labor and closer bilateral economic relationships;
- *Regional Integration.* There is an increasing trend toward countries assembling products using components manufactured in other countries in the region, driven by the increasing interconnectivity and integration of regional economies. This is supported by the development of multi-national companies' regional manufacturing bases, spurring the development of production chains with different stages of production located in different locations;
- *Foreign direct investments.* Significant foreign direct investments support the rapid development of the regional manufacturing industries, increasing the overall volume of trade in the region; and

INDUSTRY OVERVIEW

- *Growing affluent local populations.* Growing affluent local populations in major cities across the region create sustainable growth of consumption-driven import demand.

Container shipping within the intra-Asia market can be sub-divided into two segments: Northeast Asia, which comprises trade solely between the PRC, Japan and Korea, and Southeast Asia, which comprises trade within intra-Asia that involves ASEAN countries, Hong Kong and Taiwan. The following table sets forth the shipping volumes within Northeast Asia and Southeast Asia for the periods indicated:

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2006-2008 CAGR (%) | 2008-2009 growth (%) | 2009-2010 growth (%) |
|---|---------------|---------------|---------------|---------------|---------------|--------------------------|----------------------------|----------------------------|
| | (actual) | (actual) | (actual) | (actual) | (forecast) | (actual) | (actual) | (forecast) |
| (in thousands of TEU, except percentages) | | | | | | | | |
| Northeast Asia | 7,743 | 7,730 | 8,057 | 7,519 | 8,239 | 2.0% | (6.7)% | 9.6% |
| Southeast Asia | 14,134 | 15,760 | 16,543 | 15,806 | 17,349 | 8.2 | (4.5) | 9.8 |
| Total intra-Asia . . | <u>21,877</u> | <u>23,490</u> | <u>24,600</u> | <u>23,325</u> | <u>25,588</u> | 6.0% | (5.2)% | 9.7% |

Source: Container Shipping Industry with Special Focus on Intra-Asian Trade Routes (September 2010), Drewry

Northeast Asia is a mature market with relatively stable growth, accounting for 32.2% of aggregate shipping volume of the intra-Asia market in 2009. This market grew at a CAGR of 2.0% from 7.7 million TEU in 2006 to 8.1 million TEU in 2008. The container shipping market in Northeast Asia contracted by 6.7% to 7.5 million TEU in 2009 due to depressed global demand as a result of the global economic recession, and is expected to increase by 9.6% to 8.2 million TEU in 2010. The PRC-Japan trade route is a major trade route in Northeast Asia, accounting for 43.2% of shipping volumes in 2009.

Southeast Asia is a fast-growing market, accounting for 67.8% of total intra-Asia shipping volumes in 2009, which grew at an average rate of 8.2% from 14.1 million TEU in 2006 to 16.5 million TEU in 2008. This market was resilient during the economic crisis, shrinking only 4.5% to 15.8 million TEU in 2009, and is expected to grow by 9.8% to 17.3 million TEU in 2010. This was driven by strong economic growth in ASEAN countries, particularly Thailand and Vietnam. These countries have fast-growing industrial sectors which have high import demand for a large volume of raw materials. The lower or zero-tariffs from the China-ASEAN Free Trade Agreement effective in January 2010 is expected to further boost trade between the PRC and ASEAN countries.

Intra-Asia Container Throughput Volumes by Country

The PRC is the largest container shipping market in the intra-Asia market, accounting for 27.1% of total intra-Asia container throughput volumes in 2009. The volume of container trade between the PRC and other intra-Asia countries grew by 3.5% per year from 12.4 million TEU in 2006 to 13.2 million TEU in 2008. The volume contracted by 4.5% to 12.6 million TEU in 2009, and is expected to expand by 9.1% in 2010 according to the Drewry Report.

Japan and Korea are the second- and third-largest container shipping markets in intra-Asia, respectively, accounting for 16.6% and 13.3% of the total intra-Asia market in 2009, respectively.

The ASEAN countries are emerging markets in intra-Asia, with high volume growth rates driven by their fast-growing industrial sectors which have high import demand for a large volume of raw materials.

INDUSTRY OVERVIEW

The following table sets forth the intra-Asia container throughput volumes by country or region for the periods indicated:

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2006- 2008 CAGR (%) | 2008- 2009 growth (%) | 2009- 2010 growth (%) | Share of 2009 (%) |
|---|----------|----------|----------|----------|------------|------------------------------|--------------------------------|--------------------------------|-------------------------|
| | (actual) | (actual) | (actual) | (actual) | (forecast) | (actual) | (actual) | (forecast) | (actual) |
| (in thousands of TEU, except percentages) | | | | | | | | | |
| PRC | 12,360 | 12,546 | 13,240 | 12,643 | 13,796 | 3.5% | (4.5)% | 9.1% | 27.1% |
| Japan | 7,687 | 7,760 | 8,112 | 7,756 | 8,325 | 2.7 | (4.4) | 7.3 | 16.6 |
| Korea | 5,908 | 6,442 | 6,603 | 6,198 | 7,000 | 5.7 | (6.1) | 12.9 | 13.3 |
| Hong Kong | 5,100 | 4,716 | 4,705 | 4,079 | 4,492 | (4.0) | (13.3) | 10.1 | 8.7 |
| Thailand | 2,062 | 3,067 | 3,266 | 2,921 | 3,340 | 25.9 | (10.6) | 14.3 | 6.3 |
| Taiwan | 1,848 | 2,590 | 2,611 | 2,598 | 2,867 | 18.9 | (0.5) | 10.4 | 5.6 |
| Indonesia | 2,205 | 2,500 | 2,701 | 2,537 | 2,804 | 10.7 | (6.1) | 10.5 | 5.4 |
| Malaysia | 2,258 | 2,346 | 2,546 | 2,543 | 2,650 | 6.2 | (0.1) | 4.2 | 5.5 |
| Singapore | 2,126 | 2,320 | 2,383 | 2,295 | 2,498 | 5.9 | (3.7) | 8.8 | 4.9 |
| Vietnam | 1,086 | 1,440 | 1,682 | 1,788 | 2,052 | 24.5 | 6.3 | 14.8 | 3.8 |
| Philippines | 1,113 | 1,252 | 1,351 | 1,292 | 1,351 | 10.2 | (4.4) | 4.6 | 2.8 |
| Total intra-Asia . . . | 43,753 | 46,979 | 49,200 | 46,650 | 51,175 | 6.0% | (5.2)% | 9.7% | 100.0% |

Source: *Container Shipping Industry with Special Focus on Intra-Asian Trade Routes (September 2010)*, Drewry

Major Participants

The intra-Asia market is served by a range of operators including global operators, which mainly ship feeder cargos to their regional hubs; regional operators, which carry local or feeder cargos across the region; and niche local operators, which compete primarily for local cargos in niche routes that typically connect two countries.

Major participants in the intra-Asia market include:

- *Global operators.* These include COSCO, CSCL, Orient Overseas (International) Lines, A.P. Moller — Maersk A/S, Evergreen Marine Corporation (長榮海運股份有限公司), Mitsui O.S.K. Lines, Wan Hai Lines Company Limited (萬海航運股份有限公司) and Pacific International Lines (Pte) Ltd.;
- *Regional operators.* These include SITC, Regional Container Lines (宏海箱運集團), Sinotrans, TS Lines Limited (HK) and Tokyo Senpaku Kaisha, Ltd.; and
- *Niche local operators.* These include Tianjin Marine Shipping Co., Ltd. (天津市海運股份有限公司), Onto Shipping International Inc., Shanghai Jin Jiang Shipping Co., Ltd. (上海市錦江航運有限公司), Shanghai Hai Hua Shipping Co., Ltd. (上海海華輪船有限公司), Fujian Shipping Co., Fair Wind Shipping Limited and Winland Shipping Co., Ltd.

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Top 10 Intra-Asia Container Shipping Companies by Volume

The following table sets forth the ranking of major intra-Asia players by shipping volumes (excluding domestic and coastal trade) for the periods indicated:

| Rank | Company | 2006 | 2007 | 2008 | 2009 | 2006-2009 CAGR (%) |
|---------------------------------------|---|-------|-------|-------|-------|--------------------------|
| (TEU in thousand, except percentages) | | | | | | |
| 1 | Pacific International Lines | 2,000 | 2,500 | 2,600 | 2,632 | 9.6% |
| 2 | Wan Hai Lines Company Limited (萬海航運股份有限公司) | 2,527 | 2,661 | 2,754 | 2,535 | 0.1 |
| 3 | Regional Container Lines (宏海箱運集團)... | 2,470 | 2,745 | 2,901 | 2,365 | (1.4) |
| 4 | SITC | 690 | 845 | 1,080 | 1,187 | 19.8 |
| 5 | TS Lines Limited (HK)..... | 790 | 890 | 1,075 | 1,181 | 14.4 |
| 6 | Sinotrans Container Lines Co., Ltd. (中外運集裝箱運輸有限公司) | 839 | 925 | 995 | 1,025 | 6.9 |
| 7 | Samudera Indonesia Group | 1,144 | 1,138 | 1,208 | 1,008 | (4.1) |
| 8 | Heung-A Shipping Co., Ltd. | 919 | 973 | 925 | 878 | (1.5) |
| 9 | Korea Marine Transport Co., Ltd. | 870 | 850 | 890 | 844 | (1.0) |
| 10 | Tokyo Senpaku Kaisha, Ltd. | 750 | 773 | 656 | 797 | 2.0 |

Source: *Container Shipping Industry with Special Focus on Intra-Asian Trade Routes (September 2010)*, Drewry

Pacific International Lines (Pte) Ltd. was the largest container shipping company in the intra-Asia market by shipping volume in 2009, followed by Wan Hai Lines Company Limited (萬海航運股份有限公司) and Regional Container Lines (Pte) Ltd. SITC was the fourth-largest container shipping company in the intra-Asia trade market in terms of shipping volume in 2009 and the fastest growing among the 10 largest container shipping companies in the intra-Asia trade market, growing at a CAGR of 19.8% during the period from 2006 to 2009.

FREIGHT RATES

The freight rate mechanism links shipping demand and supply. Container shipping companies and shippers negotiate to establish a freight rate which reflects the balance of ships and cargos available in the market. During the global economic recession in 2009, freight rates dropped sharply, following a collapse in container shipping demand. According to the Drewry Report, freight rates have rebounded in the first half of 2010.

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The following table sets forth the historical weighted average freight rates per TEU charged by the container shipping companies within the intra-Asia region and the East-West trade routes for the periods indicated:

| | 2006 | 2007 | 2008 | 2009 | 1st half 2010 | 2006-2008 CAGR (%) | 2008- 2009 growth (%) |
|--|--------|--------|--------|--------|------------------|--------------------------|--------------------------------|
| (US\$ per TEU, except percentages) | | | | | | | |
| Intra-Asia Routes | | | | | | | |
| PRC-Japan | \$ 430 | \$ 478 | \$ 568 | \$ 488 | \$ 532 | 14.9% | (14.1)% |
| PRC-Korea | 235 | 378 | 412 | 310 | 388 | 32.4 | (24.8) |
| PRC-Southeast Asia | 470 | 526 | 510 | 424 | 464 | 4.2 | (16.9) |
| East-West Routes | | | | | | | |
| Transpacific: Eastbound | 1,744 | 1,683 | 1,823 | 1,535 | 1,540 | 2.2 | (15.8) |
| Transpacific: Westbound | 815 | 769 | 1,037 | 907 | 1,172 | 12.8 | (12.5) |
| North Europe-Far East: Eastbound | 799 | 795 | 1,024 | 717 | 850 | 13.2 | (30.0) |
| North Europe-Far East: Westbound | 1,475 | 1,803 | 1,788 | 1,001 | 1,460 | 10.1 | (44.0) |
| Transatlantic: Eastbound | 1,028 | 1,090 | 1,434 | 1,252 | 1,230 | 18.1 | (12.7) |
| Transatlantic: Westbound | 1,819 | 1,709 | 1,625 | 1,404 | 1,600 | (5.5) | (13.6) |

Source: *Container Shipping Industry with Special Focus on Intra-Asian Trade Routes (September 2010)*, Drewry

TIME CHARTER RATES

Time charter rates are largely determined by vessel supply and demand. Time charter rates for all vessel sizes generally increased steadily and more than doubled from 2002 to 2005. Demand for vessels was largely spurred by growth in volume of exports from the PRC during this period. From 2005 to 2008, time charter rates weakened due to significantly increased vessel supply that outpaced demand. In 2009, time charter rates fell significantly due to continued rising supply and very weak demand as a result of the global economic downturn.

The following table sets forth the historical annual average per-day charter rates by containership type (based on designed capacity) for the periods indicated:

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| (US\$ per day) | | | | | | | | | | |
| 500 TEU | \$4,550 | \$4,475 | \$4,475 | \$4,975 | \$7,075 | \$9,425 | \$7,700 | \$7,600 | \$7,100 | \$3,925 |
| 1,000 TEU | 7,700 | 7,425 | 6,075 | 8,050 | 13,025 | 17,000 | 11,250 | 10,925 | 10,100 | 4,075 |
| 1,500 TEU | 11,625 | 9,475 | 7,200 | 11,750 | 20,200 | 25,125 | 15,400 | 14,175 | 12,950 | 5,050 |
| 2,500 TEU | 18,100 | 14,700 | 10,325 | 17,825 | 26,500 | 35,250 | 22,700 | 25,325 | 20,400 | 5,825 |
| 3,500 TEU | 24,025 | 19,325 | 14,425 | 23,675 | 31,575 | 38,875 | 27,125 | 29,975 | 26,750 | 6,825 |

Source: *Container Shipping Industry with Special Focus on Intra-Asian Trade Routes (September 2010)*, Drewry

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NEW-BUILD AND SECOND-HAND CONTAINER VESSEL PRICES

New-build prices have increased from 2000 to 2008, due to a shortage in new building capacity, a large amount of new orders and increased shipbuilders' costs from rising raw material prices, mainly steel. However, since the second half of 2008, weak market conditions significantly slowed new orders to the point that almost no new orders were placed for container vessels in 2009. As a result, container vessel prices fell sharply from 2008 to 2009.

The following table sets forth the historical average new-build and second-hand container vessel prices by containership type (based on designed capacity) for the periods indicated:

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| (in millions of US\$) | | | | | | | | | | |
| New-Build | | | | | | | | | | |
| 500 TEU | \$ 9.4 | \$ 9.9 | \$ 9.5 | \$12.9 | \$18.0 | \$18.4 | \$15.8 | \$16.0 | \$20.6 | \$14.7 |
| 1,000 TEU | 17.6 | 17.6 | 15.6 | 17.0 | 22.0 | 24.5 | 22.6 | 23.8 | 27.0 | 19.0 |
| 1,500 TEU | 23.1 | 23.0 | 20.8 | 22.6 | 31.1 | 36.4 | 33.4 | 34.0 | 38.6 | 27.8 |
| 2,500 TEU | 33.5 | 34.9 | 29.3 | 32.5 | 43.4 | 49.5 | 45.8 | 44.9 | 55.9 | 42.6 |
| 3,500 TEU | 39.0 | 41.0 | 33.8 | 36.9 | 50.3 | 55.9 | 54.4 | 58.0 | 63.3 | 47.8 |
| 4,000 TEU | 48.0 | 50.6 | 43.0 | 46.8 | 61.3 | 66.0 | 61.6 | 64.8 | 71.9 | 53.0 |
| Second-Hand | | | | | | | | | | |
| 500 TEU | 5.9 | 6.6 | 6.6 | 6.8 | 10.0 | 14.3 | 10.9 | 11.3 | 15.3 | 7.9 |
| 1,000 TEU | 13.6 | 13.8 | 11.9 | 12.5 | 18.7 | 25.8 | 19.1 | 20.9 | 22.1 | 11.7 |
| 1,500 TEU | 19.3 | 18.9 | 15.1 | 17.2 | 26.5 | 32.5 | 28.6 | 30.1 | 32.8 | 16.9 |
| 2,500 TEU | 27.3 | 27.4 | 24.0 | 26.3 | 38.5 | 49.0 | 38.5 | 44.3 | 43.5 | 23.3 |
| 3,500 TEU | 33.4 | 32.5 | 28.1 | 31.8 | 43.3 | 54.8 | 44.3 | 54.3 | 49.4 | 29.6 |
| 4,000 TEU | 35.9 | 37.0 | 36.3 | 40.0 | 54.3 | 59.4 | 48.3 | 60.3 | 55.4 | 34.7 |

Source: *Container Shipping Industry with Special Focus on Intra-Asian Trade Routes (September 2010)*, Drewry

THE LOGISTICS INDUSTRY IN THE PRC

Overview

The logistics market in the PRC is large, fragmented and complex, with more than 23.7 billion tonnes of cargos transported by some 700,000 domestic and international logistics operators in 2009. The industry is at an early stage of development and has significant potential for growth.

The volume of cargos handled by logistics companies increased at a CAGR of 11.0% from 20.2 billion tonnes in 2006 to 24.9 billion tonnes in 2008, driven by robust PRC trade growth. It contracted 4.8% to 23.7 billion tonnes in 2009 due to the global economic recession.

Growth Drivers

The growth drivers for logistics sector in the PRC are:

- strong global export demand for the PRC's manufactured goods;

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- strong import demand for raw materials, driven by rapid industrial sector expansion; the industrial sector in the PRC grew by a CAGR of 16.1% per year from RMB4,784 billion (US\$703 billion) in 2002 to RMB13,600 billion (US\$2,000 billion) in 2009, during which the size of the manufacturing sector as a percentage of total GDP of the PRC increased from 40.8% to 49.6%;
- increased import demand for consumer goods from growing affluent domestic populations;
- strong inflow of foreign direct investments after the PRC's accession to the World Trade Organization. Total foreign direct investment grew by a CAGR of 8.3% per year from US\$52.7 billion in 2002 to US\$91.8 billion in 2009, of which more than 52% was channeled into the manufacturing sector; and
- strong government support and spending.

PRC Government Support

The PRC government has taken strong measures to consolidate, modernize and develop a stable regulatory framework and increase the efficiency of the domestic logistics industry. These measures include:

- opening up the market to foreign logistics operators since the end of 2005, lifting restrictions on foreign ownership and simplifying the relevant regulatory procedures;
- focusing on the development of modern logistics infrastructure including ports, railways and expressways over the last ten years; and
- designating the logistics industry as one of ten major industries to become the PRC's economic engines during the 11th five-year plan running from 2006 to 2010.

Major Participants

COSCO, China Railway Express and China Post Logistics are the largest logistics providers in the PRC. SITC has been the largest non-state-owned shipping logistics company in the PRC since 2006 in terms of revenue. The following table sets forth the ranking of logistics companies in the PRC by 2008 revenue:

| <u>Rank</u> | <u>Company</u> |
|-------------|---|
| 1 | China COSCO Holdings Company Limited (中國遠洋控股股份有限公司) |
| 2 | China Railway Express Co., Ltd. (中鐵快運股份有限公司) |
| 3 | China Post Logistics Co., Ltd. (中國郵政物流有限責任公司) |
| 4 | China Rail Container Transport Corporation (中鐵集裝箱運輸有限責任公司) |
| 5 | CNPC Transportation Company Limited (中國石油天然氣運輸公司) |
| 6 | Yuan Cheng Group Co., Ltd. (遠成集團有限公司) |
| 7 | Xiamen Xiang Yu Group Corporation (廈門象嶼集團有限公司) |
| 8 | SITC |
| 9 | Kai Luan Group International Logistics Co. (開灤(集團)國際物流有限責任公司) |
| 10 | Xiamen Port Development Limited (廈門港務發展股份有限公司) |

Source: *Container Shipping Industry with Special Focus on Intra-Asian Trade Routes (September 2010)*, Drewry

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SOURCE OF INFORMATION

Drewry, an experienced consultant in the shipping sector, has been engaged to provide an industry report for use in whole or in part in this prospectus. Drewry prepared its report based on Drewry's in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Drewry visits companies operating in the industry to gather and synthesize information about the market, prices and other relevant information. The information contained herein has been obtained from sources believed by Drewry to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Forecasts and assumptions included in the Drewry Report are inherently uncertain because of events or combinations of events that cannot reasonably be foreseen, including, without limitation, the actions of government, individuals, third parties and competitors. Specific factors that could cause actual results to differ materially include, among others, risks inherent in the shipping industry, financing risks, labor risks, equipment and supply risks, regulatory risks and environmental concerns.

This prospectus contains information extracted from the Drewry Report in sections such as "Industry Overview" and "Our Business." We paid Drewry a total of US\$85,000 in fees for the preparation and update of its industry report, which is not contingent upon the Global Offering.

SUPERVISION AND REGULATION

Our operations are subject to regulations enacted by the PRC government, international organizations, and the governments of the jurisdictions where we conduct business activities.

Our sea freight and land-based logistics services are mainly based in the PRC. The PRC government imposes extensive regulations upon international container shipping and logistics businesses. In addition, our warehousing, trucking and related businesses are subject to extensive environmental laws and regulations in the PRC. This section summarizes the principal PRC laws and regulations that are relevant to our business.

As of the Latest Practicable Date, we have complied with all applicable laws and regulations in all material respects and have obtained all permits and licenses necessary for our business operations in all material respects.

PRC REGULATIONS ON INTERNATIONAL MARITIME TRANSPORTATION AND LOGISTICS INDUSTRY

Regulatory Authorities

The international maritime transportation and relevant logistics industry is extensively regulated in the PRC. Under the IMT Regulations, the MOT and its relevant local counterparts have the authority to supervise international maritime transportation and related activities.

Under the Provisions Concerning the Main Function, Internal Organization and Personnel Establishment of the MOT (交通運輸部主要職責內設機構和人員編制規定) promulgated by the State Council in March 2009, the PRC Waterway Transportation Bureau of the MOT (交通運輸部水運局) has the authority to supervise the following: (i) the administration of shipping agencies, vessels tally, security of port facilities and vessels trade; (ii) the transportation on international and boundary rivers and waterway administration, including transportation on the mainland China-Taiwan route. The PRC Maritime Bureau (海事局) is the competent authority in charge of waterway safety, vessels registration, vessel examination, vessel pollution and other relevant affairs.

In addition, some other authorities also play very important regulatory roles in this industry. For example, the MOFCOM supervises general international trading and cooperation, and is responsible for approval of the establishment of FIEs and supervision of certain industries, including the international freight forwarding agency. The General Administration of Customs (海關總署) is in charge of the general affairs of freight import and export.

Regulations on International Maritime Transportation

Under the IMT Regulations, promulgated by the MOT on December 11, 2001 and effective as of January 1, 2002 and the implementation rules of the IMT Regulations promulgated by the MOT on January 20, 2003 and effective as of March 1, 2003, the international shipping business is generally categorized into shipping business with self-owned/operated vessels and NVOCC business. Any PRC entities operating an international shipping business with self-owned/operated vessels are required to obtain permits for the operation of international shipping services, while any entities engaged in NVOCC business shall obtain the registration for the qualification on NVOCC business, both of which are issued by the MOT. Furthermore, international shipping operators with NVOCC business are required to register their bills of lading with the MOT. In addition, the international shipping service operator shall apply for, from the MOT, the registration for the qualification on the international liner service to conduct the international liner business. A fifteen-day prior notice shall be made for the opening or cancellation of any scheduled international liner route, or changing the vessels or schedule for any such international liner route and such changes shall be filed with the MOT within fifteen days upon their occurrence.

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Freight Rate

Pursuant to IMT Regulations and its implementation rules, the freight rate is divided into published freight rate and contract freight rate, both of which are required to be filed with the MOT. The published freight rate refers to the rate as shown in the rate record of the international liner service operators or the NVOCCs, which shall come into effect thirty days after filing with the MOT, and the contract freight rate is the rate agreed upon between the international liner service operators, the NVOCCs and the shippers, which shall become effective 24 hours after filing with the MOT. According to a Notice regarding the Implementation Rules of the Filing of the International Liner Container Rate (關於國際集裝箱班輪運價備案實施辦法的公告) issued by the MOT in 2009, the Shanghai Shipping Exchange (上海航運交易所) is designated as such agent for the container rate filing.

Container

Under the Regulations of the People's Republic of China for the Examination of Vessels and Maritime Facilities (中華人民共和國船舶和海上設施檢驗條例) promulgated by the State Council on February 14, 1993 and the Interim Measures for the Administration of Vessel Examinations (船舶檢驗工作管理暫行辦法) promulgated by the PRC Maritime Bureau on November 9, 2000, an owner or operator of containers must apply to the vessel examination organization authorized by the PRC Maritime Bureau to carry out a manufacturing examination for containers being made, or a regular examination for containers in use. When a container has passed the examination, the authorized vessel examination organization shall accordingly issue the examination certificate.

Under the Procedures for the Administration of Entry-Exit Inspection and Quarantine of Containers (進出境集裝箱檢驗檢疫管理辦法) effective as of February 1, 2000, all filled and empty containers that are entering or leaving the PRC or in transit shall meet International Standards Organization requirements and shall be subject to the inspection and quarantine. The State Administration for Entry-Exit Inspection and Quarantine (國家出入境檢驗檢疫局) is responsible for the administration of inspection and quarantine of all containers entering and leaving the PRC. The local inspection and quarantine organization, established by the State Administration for Entry-Exit Inspection and Quarantine, is responsible for the physical inspection and quarantine work. Before or at such time as a container leaves the PRC, or when it is in transit, the shipper, cargos owner or the agent shall report it to the local inspection and quarantine organization for inspection, and the organization shall conduct the stipulated inspection and quarantine work. Containers entering the PRC and the cargos contained therein must be inspected before release. Containers leaving the PRC should be inspected before being loaded with cargos; without the approval of the inspection organization, no cargos shall be loaded.

Regulations on Business Ancillary to International Maritime Transportation

Under IMT Regulations and its implementation rules, business ancillary to international maritime transportation generally includes international shipping agency, international shipping management, international shipping freight loading and unloading, and international shipping depot and warehousing. Under the Administrative Provisions for Foreign Investment in the International Maritime Transportation Industry (外商投資國際海運業管理規定) jointly promulgated by the MOFCOM and the MOT on February 25, 2004 and effective as of June 1, 2004, any FIE involved in the international shipping agency, international shipping management, international shipping freight loading and discharging and international shipping container depot business shall be an equity joint venture or a contractual joint venture, among which, an FIE in the international shipping agency business shall be controlled by its PRC partner(s). An FIE in the international shipping warehousing business could be wholly controlled by its foreign shareholders. The CEPA has since January 1, 2008 relieved certain restrictions to allow a Hong Kong service provider, upon satisfaction of certain specified conditions, to establish wholly-foreign-owned enterprises to

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provide shipping agency services for the vessels owned or operated by itself or its parent company, or to establish a joint venture in which the Hong Kong service provider's interest does not exceed 51% to conduct international shipping agency business for third parties. The enterprises conducting international shipping agency business are required to obtain, from the MOT, registration certificate for qualification in the operation of international shipping agency business. Any entity engaging in international shipping management business or the international shipping depot and warehousing business shall apply for permits granted by the MOT and the registration certificate issued by the local provincial transportation authority for qualification in the operation of international maritime transportation ancillary business, to lawfully conduct its business.

Regulations on Other Related Logistics Business

International Freight Forwarding Business

Under the Administrative Measures for Foreign-Invested International Freight Forwarding Enterprises (外商投資國際貨物運輸代理企業管理辦法), promulgated by the MOFCOM on December 1, 2005 and effective as of December 11, 2005, foreign companies may establish a FIE, either wholly-owned or as a joint venture, to conduct business as an international freight forwarding agent, including such business as booking cargo space, forwarding, storing and packing cargos, container LCL consolidation, customs declaration or certain other services. According to the Interim Rules Regarding the Filing of the International Freight Forwarding Enterprises (國際貨運代理企業備案(暫行)辦法), issued by the MOFCOM on March 7, 2005 and effective as of April 1, 2005, the FIEs conducting international freight forwarding business shall file for record with the local administrative authority on commerce after the business licenses have been obtained.

Customs Clearance Agency Business

Under the Administrative Provisions regarding the Registration of Customs Clearance Agencies (對報關單位註冊登記管理規定), promulgated by the General Administration of Customs on March 31, 2005 and effective on June 1, 2005, the General Administration of Customs or its local offices are the competent authorities to supervise customs clearance agencies. All customs clearance agencies shall obtain the registration certificate for the PRC customs clearance enterprises, which shall be valid for two years upon its issuance, subject to renewal upon expiry.

Road Transportation Business

According to the Regulations on the Road Transportation (道路運輸管理條例) promulgated by the State Council on April 30, 2004 and effective as of July 1, 2004, and the Administrative Provisions for Foreign Investment in the Road Transportation Industry (外商投資道路運輸業管理規定) jointly promulgated by the MOT and the MOFCOM on November 20, 2001 and its relevant supplements, the permit on the operation of the road transportation business, granted by the MOT and issued by the local provincial transportation authority, is required for a FIE to conduct its road transportation business.

Port Operation Business

Pursuant to the PRC Port Law (中華人民共和國港口法) promulgated by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) on June 28, 2003 and effective as of January 1, 2004, and the Administrative Provisions on the Port Operation

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(港口經營管理規定) promulgated by the MOT on November 6, 2009 and effective as of March 1, 2010, any company conducting port operation business, including the operation of the terminal facilities, shall apply to the local administrative bureau on ports for the permit on port operation, which shall be valid for three years upon issuance.

PRC REGULATIONS ON ENVIRONMENTAL PROTECTION

We are subject to various PRC environmental protection laws and regulations promulgated by the central and local governments. These laws and regulations set out environmental protection measures in construction projects, use, discharge and disposal of toxic and hazardous materials, discharge and disposal of waste water, solid waste and waste gases, and control of industrial noise. The Ministry of Environmental Protection (中華人民共和國環境保護部) is responsible for the overall supervision and administration of environmental protection in the PRC.

According to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) effective as of December 26, 1989, units that cause environmental pollution and other public nuisances shall adopt effective measures to avoid and control the pollution and any damage caused to the environment, such as waste gas, waste water, waste residues, dust and noises generated during manufacturing or other activities. Pollution prevention facilities in construction projects shall be designed, built and put into operation together with the main part of the project. Construction projects can only be put into operation after the environmental protection authority has examined and approved the pollution prevention facilities. Enterprises and institutions discharging pollutants shall report to and register with the relevant authorities in accordance with the provisions of the environmental protection authority under the State Council. Units which are involved in manufacture, storage, transportation, sale and use of toxic chemicals and materials containing radioactive substances shall comply with the relevant regulations to prevent environmental pollution. The relevant authorities are authorized to impose various types of penalties on persons or entities in violation of the environmental regulations. The penalties which could be imposed include issue of a warning, suspension of operation or installation of facilities which are incomplete or fail to meet the prescribed standard, reinstallation of preventive facilities which have been dismantled or left idle, administrative sanction against office-in-charge, suspension of business operations or shut-down of the enterprise or institution. Fines could also be levied together with these penalties.

According to the Law of the PRC on Appraising of Environment Impacts (中華人民共和國環境影響評價法) which came into effect on September 1, 2003, the PRC government has set up a system to appraise the environmental impact of construction projects, and to classify and administer environmental impact appraisals in accordance with the degree of the environmental impact. If the construction project may result in a material impact on the environment, an environmental impact report thoroughly appraising the potential environmental impact is required. If the construction project may result in a slight impact on the environment, an environmental impact record analyzing or appraising the specific potential environmental impact is required. And if the construction project may result in minor impact on the environment, an environmental impact appraisal is not required but an environmental impact form shall be filed. The report is prepared by construction units and shall be approved by the relevant PRC authority before construction commences.

According to the Law of the PRC on Prevention and Control of Water Pollution (中華人民共和國水污染防治法) effective on November 1, 1984 and revised on May 15, 1996 and February 28, 2008, respectively, new construction projects, expansion projects, reconstruction projects, and other above-water facilities that directly or indirectly discharge water pollutants must

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conduct an environmental impact appraisal. Water pollution prevention facilities must be designed, built and put into operation together with the main part of the project. Construction can begin only after the environmental protection authority has examined and approved the water pollution prevention facilities.

According to the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (中華人民共和國固體廢物污染環境防治法) effective as of April 1, 1996 and revised December 29, 2004, environmental impact appraisal must be conducted for construction of projects discharging, storing, using and disposing of solid wastes. Such projects must also comply with construction regulations regarding environmental protection.

According to the Law of the PRC on the Prevention and Control of Air Pollution (中華人民共和國大氣污染防治法) effective as of June 1, 1988 and revised August 29, 1995 and April 29, 2000, respectively, new construction projects, expansion projects or reconstruction projects which discharge air pollutants must comply with construction regulations regarding environmental protection. The environmental impact statement for a construction projects must include an assessment of the project's impact on the ecosystem, and must be submitted to the environmental protection authority for approval. Construction can only begin after the environmental protection authority has examined and approved the air pollution prevention facilities.

According to the Law of the PRC on Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法) which came into effect on March 1, 1997, a construction project which may produce environmental noise pollution must prepare an environmental impact statement which includes measures to prevent and control such pollution, and submit it to the relevant environmental protection authority for approval. Construction can begin only after the environmental protection authority has examined and approved the noise pollution prevention facilities.

PRC REGULATIONS ON OVERSEAS OFFERING AND LISTING

The 1997 Notice, which regulates offshore securities offerings and listings, applies to any offshore securities offering and listing by an overseas company that is controlled by PRC entities. As our Company is controlled by Mr. YANG Shaopeng, a PRC individual rather than an entity, Haiwen & Partners, our PRC counsel, has advised us that the 1997 Notice is not applicable to our Company.

The M&A Rules, which took effect on September 8, 2006, regulate the acquisition of PRC companies by foreign investors, including PRC companies' offshore affiliates, the establishment of offshore special purpose vehicles by PRC domestic enterprises, and the overseas offering and listing activities of such special purpose vehicles.

The SITC Holding and its offshore subsidiaries were incorporated prior to the effective date of the M&A Rules. In addition, except for the acquisitions of i-Logistics and Bright Logistic (Shanghai), all other acquisitions of the equity interests in our PRC subsidiaries, PRC jointly-controlled entities and PRC associates by the relevant offshore entities mentioned above were completed prior to the effective date of the M&A Rules. Furthermore, although the acquisitions of i-Logistics and Bright Logistic (Shanghai) were completed after September 8, 2006, i-Logistics and Bright Logistic (Shanghai) were foreign-invested enterprises established prior to the effective date of the M&A Rules. Pursuant to Several Provisions on the Changes in Equity Interest of Investors in Foreign Investment Enterprises (外商投資企業投資者股權變更的若干規定) and the Handbook of the Administration on the Foreign Investment (2008) (外商投資准入管理指引手冊(2008)), these acquisitions are not subject to the M&A Rules.

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In light of the above, Haiwen & Partners, our PRC counsel, has advised us that the M&A Rules are not applicable to our Company in connection with the Reorganization and the Global Offering.

According to the SAFE circular No. 75, PRC residents who are shareholders of offshore special purpose companies established before November 1, 2005 were required to register with the local SAFE branch before March 31, 2006. In addition, any PRC resident who is a shareholder of an offshore special purpose company is required to amend its SAFE registration with respect to that offshore special purpose company in connection with any increase or decrease of capital, transfer of shares, merger, division, equity investment, creation of any security interest or any other material change in share capital that is not involved in round-trip investment of domestic equity or assets. In 2009, the SAFE issued relevant guidance to its local branches with respect to the operational process for the SAFE registration, which standardized more specific and stringent supervision on registration relating to the SAFE Circular No. 75 and imposed obligations on onshore subsidiaries of offshore special purpose companies to comply with the SAFE Circular No. 75 registration and other requirements set forth thereunder.

Haiwen & Partners, our PRC counsel, has advised us that Mr. YANG Shaopeng, our Controlling Shareholder, and the other PRC individual shareholders of the Company, have accomplished the offshore investment foreign exchange registration regarding the establishment of the SITC Holding, the Company and the offshore holding companies and have updated the registration upon the completion of the reorganization of the structures of the offshore holding companies before listing, as required under the SAFE Circular No. 75.

INTERNATIONAL REGULATIONS

Our sea freight logistics business is subject to rules, international conventions and regulations adopted by the IMO, including:

- the SOLAS Convention;
- the MARPOL Convention;
- the STCW Convention;
- the ISM Code;
- the Bunker Convention; and
- the ISPS Code.

These conventions have been ratified by the majority of maritime nations and regions and apply to all vessels registered in these jurisdictions or calling in the waters of these countries.

The SOLAS Convention provides a variety of standards to regulate the design and operational features of vessels which are essential for the safety of a vessel and/or its crew. SOLAS standards are amended periodically.

The MARPOL Convention is the main international convention covering prevention of pollution of the marine environment by ships, from operational to accidental causes. It is a combination of two treaties adopted in 1973 and 1978 respectively and updated by amendments through the years. The MARPOL Convention currently includes six technical Annexes which provide detailed regulations for the prevention/control of pollution by oil, noxious liquid substances in bulk, harmful substances carried by sea in packaged form, sewage from ships, garbage from ships and air pollution from ships.

The STCW Convention provides a series of regulations according to which seafarers of all ranks must be trained and certificated in order to be able to carry out their respective duties on board vessels.

SUPERVISION AND REGULATION

The ISM Code was incorporated into the SOLAS Convention as Chapter IX in 1993 and became mandatory in 1998. It was designed to place greater responsibility on shore-based management teams for safe operation of ships and the prevention of environmental pollution. All vessels owned and operated by us comply with the ISM Code. See “Our Business — Ship Safety and Management” of this prospectus.

The ISPS Code has been made mandatory since July 2004 through amendments to the SOLAS Convention. It includes a comprehensive set of measures to enhance the security of ships and port facilities and reduce the threat of ships being used to perpetrate international terrorism. All vessels owned and operated by us comply with the ISPS Code.

In addition to complying with rules, regulations and conventions adopted by IMO, we have also adopted standards promulgated by Comité Maritime International, a non-governmental international maritime organization.

Furthermore, we are required to operate our vessels in accordance with a series of other international conventions as well as laws, rules and regulations of each jurisdiction in which our vessels visit. We have also established subsidiaries or joint ventures in a number of jurisdictions outside the PRC, including Japan, Korea, Thailand, Philippines and Vietnam, and our operations in those jurisdictions are subject to a variety of local regulations.

OUR HISTORY AND REORGANIZATION

OUR BUSINESS MILESTONES

SITC Corp, our predecessor, was founded in 1991 to engage in the freight forwarding business. In 1992, SITC Corp extended its business to provide container shipping services in the Northeast Asia Market and later became a leader in this market in terms of shipping volume, according to the Drewry Report. In 2004, we began expanding our container shipping route network to ASEAN countries. In addition to the expansion of our container shipping route network, we also strengthened our land-based logistics capabilities. Today, we are a leading PRC-based shipping logistics company that provides integrated transportation and logistics solutions. Set forth below is a chronological overview of our business milestones.

| | |
|----------------|---|
| May 1991: | SITC Corp established |
| May 1992: | Purchased first vessel and began serving trade lanes between the PRC and Japan |
| October 1992: | Began operating warehousing and depot business |
| January 1994: | Began serving trade lanes between the PRC and Korea |
| December 1995: | SITC Japan Co., Ltd. established as SITC Corp's first operating subsidiary in countries outside the PRC |
| 2002: | Established joint ventures for land-based logistics business with certain blue-chip customers, including Maersk Logistics, Itochu and Tsingdao Beer |
| 2003: | Awarded "Best Container Shipping Company in Operating Trade Lanes between the PRC and Japan/Korea" at the Third PRC Freight Industry Awards |
| 2003: | Established the Qingdao Logistics Park |
| June 2004: | Began serving trade lanes between the PRC and ASEAN countries |
| 2006: | Became the largest PRC-based non-state-owned shipping logistics company |
| 2008: | Our PRC-Japan shipping routes became the largest among all shipping companies in terms of shipping volume |
| 2009: | Established three joint ventures in Vietnam, Philippines and Thailand |
| 2009: | Each of our PRC-Vietnam and PRC-Philippines container shipping routes ranked number one among all shipping companies in terms of shipping volume |

OUR HISTORY AND REORGANIZATION

OUR HISTORY

Our history can be traced back to Shandong International Transportation Corporation (山東省國際貨運代理公司), or SITC Corp, which was a PRC state-owned enterprise established in May 1991 by Shandong Foreign Trade Corporation (山東省對外貿易集團有限公司), or SFTC, an investment holding company under the government of Shandong Province. The initial registered capital of SITC Corp was RMB5 million (US\$0.7 million). Mr. YANG Shaopeng, our Chairman, was the deputy general manager of SITC Corp at the time. Our trademark “SITC” is the abbreviation of SITC Corp’s full name, Shandong International Transportation Corporation.

In October 1996, SITC Corp was renamed “SITC Maritime (Group) Co., Ltd. (山東省海豐國際貨運(集團)公司),” or SITC Group, and its registered capital was increased to RMB20 million (US\$2.9 million).

Restructuring of SITC Group from a State-Owned Enterprise into a Private Enterprise

In December 2000, SITC Group restructured from a state-owned enterprise to an enterprise with majority private ownership. Such restructuring primarily consisted of the following steps:

- *Distribution to SFTC and capital reduction.* SITC Group distributed certain assets, primarily comprising real property, to SFTC, thereby reducing the registered capital contributed by SFTC to RMB6 million (US\$0.9 million); and
- *Capital injection by management and employees.* Following the capital reduction, SITC Group’s management members and employees, including Mr. YANG Shaopeng, who used his personal fund, through the SITC Employee Shareholding Association, an employee holding entity, contributed RMB24 million (US\$3.5 million) in registered capital to SITC Group, thereby increasing its registered capital to RMB30 million (US\$4.4 million). As a result of this capital injection, the SITC Employee Shareholding Association and SFTC held a 80% and a 20% equity interest in SITC Group, respectively. SITC Group was renamed “SITC International Transportation Co., Ltd. (山東海豐國際貨運有限公司),” or Shandong Transportation.

In September 2001, SFTC sold its remaining 20% equity interest in Shandong Transportation to Shandong Hua Lu Transportation Company Limited (山東華魯運輸有限公司), or Hua Lu Transportation, an investment company controlled by members of the management of Shandong Transportation, for a cash consideration of RMB6 million (US\$0.9 million). Such consideration was equivalent to SFTC’s original investment amount. As a result of the sale, Shandong Transportation was completely privatized and became a non-state-owned enterprise. Haiwen & Partners, our PRC counsel, has confirmed that the SITC Group has obtained all relevant government approvals in connection with the restructuring from a state-owned enterprise into a private enterprise, and that the restructuring was conducted in compliance with the applicable laws and regulations of the PRC.

Domestic Restructuring

Between late 2001 and August 2005, there were numerous increases and transfers in the registered capital of Shandong Transportation. Such restructuring primarily involved the following steps:

- In October 2001, Shandong Transportation increased its registered capital from RMB30 million (US\$4.4 million) to RMB50 million (US\$7.4 million) through additional capital contribution by the SITC Employee Shareholding Association. After such increase, Shandong Transportation was held as to 88% by the SITC Employee Shareholding

OUR HISTORY AND REORGANIZATION

Association and as to 12% by Hua Lu Transportation. Mr. YANG Shaopeng had no interest in Hua Lu Transportation at that time and held a 33.6% interest in the funds contributed by the SITC Employee Shareholding Association. His attributable interest in Shandong Transportation was approximately 29.6%;

- In December 2001, Shandong Transportation was renamed “SITC Maritime Group Co., Ltd. (山東海豐國際航運集團有限公司),” or Shandong SITC.
- In June 2002, Shandong SITC increased its registered capital from RMB50 million (US\$7.4 million) to RMB80 million (US\$11.8 million), with the additional capital contributed as to RMB10 million (US\$1.5 million) by the SITC Employee Shareholding Association and as to RMB20 million (US\$2.9 million) by Shandong Pengxiang Investment Company Limited or Pengxiang Investment (formerly known as Hua Lu Transportation prior to June 10, 2002). After the capital increase, Shandong SITC was held as to 32.5% by Pengxiang Investment and as to 67.5% by the SITC Employee Shareholding Association.

The shareholding structure of Pengxiang Investment has changed a number of times since its incorporation. Ms. LIU Rongli, a non-executive Director and the spouse of Mr. YANG Shaopeng, became the majority shareholder of Pengxiang Investment in July 2002 after she acquired 80% of the registered capital of Pengxiang Investment. At the end of 2002, through Mr. YANG Shaopeng’s interest in the SITC Employee Shareholding Association, which was changed to 27.6% of the fund contributed by the SITC Employee Shareholding Association through transfer of certain Shares to other shareholders, and Ms. LIU Rongli’s interest in Pengxiang Investment, Mr. YANG Shaopeng and his spouse had an attributable interest of approximately 44.6% in Shandong SITC.

- In June 2003, the SITC Employee Shareholding Association transferred a 20% interest in the registered capital of Shandong SITC to Pengxiang Investment for consideration of RMB16 million (US\$2.4 million), which was equivalent to the original investment amount made by the SITC Employee Shareholding Association. At the same time, the registered capital of Shandong SITC was increased to RMB100 million (US\$14.7 million), with Pengxiang Investment contributing RMB8 million (US\$1.2 million) and a new investor, Xinfeng Investment Company Limited, or Xinfeng Investment, contributing RMB12 million (US\$1.8 million). After the transfer and the capital increase, Shandong SITC was held as to 50% by Pengxiang Investment, as to 38% by the SITC Employee Shareholding Association and as to 12% by Xinfeng Investment.

In June 2003, Pengxiang Investment increased its registered capital and Ms. LIU Rongli’s interest in Pengxiang Investment was reduced from 80% to 67.6%. Xinfeng Investment was an investment company established by Mr. YANG Shaopeng and 15 other individuals who are employees of our Company. Mr. YANG Shaopeng had 59.7% interest in Xinfeng Investment by the end of 2003. Through his interest in the SITC Employee Shareholding Association, which was then 38.2% of the fund contributed by the SITC Employee Shareholdings Association through acquisition of certain additional shares from other shareholders, and Xinfeng Investment, and Ms. LIU Rongli’s interest in Pengxiang Investment, Mr. YANG Shaopeng and his spouse had an attributable interest of approximately 55.5% in Shandong SITC by the end of 2003.

Pengxiang Investment and Xinfeng Investment were controlled by Mr. YANG Shaopeng and his spouse, and members of the senior management of Shandong SITC also held shares in them. As a result, Mr. YANG Shaopeng and his spouse have controlled a majority of the equity interest in Shandong SITC since the end of June 2003.

OUR HISTORY AND REORGANIZATION

- In August 2005, the SITC Employee Shareholding Association transferred a 22% interest in Shandong SITC to Pengxiang Investment for consideration of RMB22 million (US\$3.2 million), which was equivalent to the original investment amount made by the SITC Employee Shareholding Association. After the transfer, Shandong SITC was held as to 72% by Pengxiang Investment, as to 16% by the SITC Employee Shareholding Association and as to 12% by Xinfeng Investment. At the same time, Mr. YANG Shaopeng increased his equity interests in Xinfeng Investment to 63.3% by acquiring some shares from the other shareholders of Xinfeng Investment, and increased his and LIU Rongli's aggregate equity interests in Pengxiang Investment to 70.4%. The interest held by Mr. YANG Shaopeng in the SITC Employee Shareholding Association was 0.7% of the fund contributed by the SITC Employee Shareholding Association.

In August 2005, the attributable interest of Mr. YANG Shaopeng and his spouse in Shandong SITC was approximately 58.4%, with the remaining shares in Shandong SITC held by a group of shareholders, comprising primarily members of the senior management and employees of our Company.

The attributable interest of Mr. YANG Shaopeng and his spouse in Shandong SITC was further increased to approximately 61.3% in August 2006 as a result of a transfer of certain interests by shareholders in the SITC Employee Shareholding Association, Pengxiang Investment and Xinfeng Investment, to Mr. YANG Shaopeng.

Establishment of Off-Shore Holding Company

In August 2006, a restructuring was carried out in which SITC Group Company Limited, or SITC Holding, was established in the BVI as an offshore holding vehicle. At the time of its establishment, SITC Holding was beneficially held as to 61.3% by Mr. YANG Shaopeng, as to 7.8% by Mr. YANG Xianxiang, as to 2.8% by Mr. XU Weili, as to 2.1% by Mr. LIU Kecheng, and as to 26.0% by two trusts which held the other employees' interests. The two trusts held their interests in SITC Holding through Move Ahead, an investment holding company established in the BVI, whereas the interests of Messrs. YANG Shaopeng, YANG Xianxiang, XU Weili and LIU Kecheng in SITC Holdings were held through Resourceful, an investment holding company established in the BVI. The shareholding structure of SITC Holding mirrored that of Shandong SITC at that time.

The two trusts were established through Watercrest Profits Limited and Loyal Mate Profits Limited, respectively. Watercrest Profits Limited and Loyal Mate Profits Limited are investment holding companies established in the BVI to hold the interests of the shareholders in Pengxiang Investment and Xinfeng Investment and the members in the SITC Employee Shareholding Association. Mr. YANG Shaopeng was originally nominated as the trustee of these trusts. This function was subsequently transferred to Ms. WANG Yanan, as she was the chairman of the labor union of Shandong SITC and the number of the beneficiaries in the two trusts has been 34 and 167 respectively since then.

As part of this restructuring in 2006, a majority of Shandong SITC's business, including container shipping and land-based logistics, were transferred to SITC Holding and its subsidiaries.

Further Restructuring of Shareholders' Off-Shore Interests

In 2008, Grand SITC Holdings was established in the BVI to hold 100% of the interest in SITC Holding and to act as the holding company for the shareholders. At the time of its establishment, Grand SITC Holdings was held as to 24.55% by Move Ahead and as to 75.45% by Resourceful. Move Ahead was held respectively as to 67.75% and 32.25% by Watercrest Profits Limited and Loyal Mate Profits Limited. Resourceful was held by the investment holding companies of Messrs. YANG Shaopeng, YANG Xianxiang, XU Weili and LIU Kecheng as to 82.8%, 10.6%, 3.8% and 2.8%, respectively.

OUR HISTORY AND REORGANIZATION

In 2009, Better Master, a Controlling Shareholder, transferred a 6.6% interest in Resourceful to All Precise, a trust which held the interests in Resourceful on behalf of 52 employees, at a price lower than fair value. Since such transfer is related to the services the employees rendered to us, the difference between the fair value and the consideration has been recognized in our consolidated statement of comprehensive income for 2009 as a share-based compensation expense in the amount of US\$4.6 million.

REORGANIZATION IN ANTICIPATION OF THE GLOBAL OFFERING

Since the beginning of 2010, we have undertaken the Reorganization, in anticipation of the Global Offering. The Reorganization, which was primarily designed to transfer additional assets and businesses from Shandong SITC to our Company, and to streamline our shareholding structure, primarily consisted of the following steps.

Acquisition of Three Shipowning Companies

In March 2010, SITC Development Co., Ltd., our subsidiary, acquired from a wholly-owned subsidiary of Shandong SITC, all of its equity interests in three wholly-owned shipowning companies for an aggregate consideration of approximately US\$11.0 million. Such consideration was determined with reference to the aggregate book value of their net assets. As a result of such acquisition, we brought under the Company three Hong Kong-registered vessels, namely SITC Hakata, SITC Keelung and SITC Pyeongtaek.

Restructuring of Subsidiaries and Joint Ventures in the PRC

Ship Management Services

In July 2010, our subsidiary, SITC Container Lines, established SITC Shipping Management (Shanghai) Co., Ltd. (上海海豐船舶管理有限公司), or Shanghai SITC Shipping Management, in the PRC, to provide ship management services to vessels owned or operated by us or third parties. Previously, such services were provided to us by SITC Ship Management Co., Ltd. (山東省海豐船舶管理有限公司), or Shandong Shipping Management, a subsidiary of Shandong SITC. Upon the establishment of Shanghai SITC Shipping Management, Shandong Shipping Management will continue to provide labor contracting services to us, which Shanghai SITC Shipping Management is unable to undertake under current PRC laws and regulations.

Acquisition of a Logistics Company from Shandong SITC

In June 2010, SITC Logistics Co., Ltd. (新海豐物流有限公司), or SITC Logistics, our subsidiary, acquired from Shandong SITC a 50% equity interest in Bright Logistic (Shanghai) Co., Ltd. (上海怡豐倉儲運輸有限公司), which engages in warehousing, depot and other logistics businesses. The transfer of the interest was completed in August 2010. The other 50% shareholder of Bright Logistics (Shanghai) Co., Ltd. is Maersk Logistics, a substantial shareholder of Smart Logistics and a connected person of the Company for the purpose of the Listing Rules.

Incorporation of the Company and Restructuring of Shareholding Structure

The Company was established in April 2010 as an exempted company with limited liability under the laws of the Cayman Islands. Shortly thereafter, Grand SITC Holdings transferred all of its shares of SITC Holding to the Company in exchange for the Company's shares issued to Grand SITC Holdings. As a result of this transfer, Grand SITC Holdings became our Company's sole shareholder and the Company began to directly hold all the shares of SITC Holding.

OUR HISTORY AND REORGANIZATION

In addition, our shareholders have undertaken a series of transactions after the establishment of the Company to streamline their ownership interests. The changes consist of:

- (i) the transfer of certain shares in Resourceful by Better Master, a Controlling Shareholder controlled by Mr. YANG Shaopeng to All Precise and the investment holding companies of Messrs. YANG Xianxiang and LIU Kecheng, which increased the percentage of shares held by All Precise in Resourceful from 6.62% to 6.83% for a cash consideration of US\$2.4 million;
- (ii) the transfer of certain shares in Resourceful by All Precise to Jixiang Investments Limited, Xiangtai Investments Limited and Yicheng Investments Limited, the investment holding companies of Messrs. YANG Xianxiang, XU Weili and LIU Kecheng which hold shares in Resourceful in return for all the interests of Messrs. YANG Xianxiang, XU Weili and LIU Kecheng in the All Precise Trust, which decreased the percentage of shares held by All Precise in Resourceful from 6.83% to 2.68%; such reduced figure being the percentage held strictly for the benefit of named employees in the All Precise Trust other than Messrs. YANG Shaopeng, YANG Xianxiang, XU Weili and LIU Kecheng;
- (iii) repurchase by Resourceful of all the Resourceful shares held by All Precise, being a repurchase paid for by transferring a proportionate number of shares in Grand SITC Holdings, so that the original 75.45% held by Resourceful in Grand SITC Holdings was split pro rata according to the ultimate ownership percentages as to 2.02% to the All Precise Trust, and as to the remaining 73.43% to Resourceful, and which involved no change in ultimate shareholding percentage in Grand SITC Holdings;
- (iv) termination of each of the All Precise Trust and Loyal Mate Trust so that their respective 2.02% and 7.92% interest in Grand SITC Holdings were aggregated together with the 16.63% interest in Grand SITC Holdings of the Watercrest Trust, with the Watercrest Trust thereafter holding the aggregate employee interest of 26.57% in Grand SITC Holdings;
- (v) the *pro rata* distribution in specie by Move Ahead of the Grand SITC Holdings shares held by it to Watercrest so as to cease to be part of the Watercrest Trust holding structure, being a distribution that effected no change in the aggregated 26.57% shareholding percentage of Watercrest in Grand SITC Holdings;
- (vi) Grand SITC Holdings making a distribution in specie of all its shares in the Company to Watercrest and Resourceful respectively, being the existing shareholders of Grand SITC Holdings and thereafter ceasing to hold any Shares. See “— Our Corporate and Shareholding Structure;” and
- (vii) the transfer by Messrs. YANG Shaopeng, YANG Xianxiang, XU Weili and LIU Kecheng of the shares of their respective investment companies to their respective personal family trusts, so that Better Master became part of the trust assets of The Pengli Trust, a discretionary trust set up by YANG Shaopeng for himself and his family; Jixiang Investments Limited became part of the trust assets of The Jixiang Trust, a discretionary trust set up by YANG Xianxiang for himself and his family; Xiangtai Investments Limited became part of the trust assets of The Xiangtai Trust, a discretionary trust set up by XU Weili for himself and his family; and Yicheng Investments Limited became part of the trust assets of The Yicheng Trust, a discretionary trust set up by LIU Kecheng for himself and his family.

OUR HISTORY AND REORGANIZATION

As a result of these transactions and immediately prior to the completion of the Global Offering, Messrs. YANG Shaopeng, YANG Xianxiang, XU Weili and LIU Kecheng, each through their respective family trusts, hold in aggregate 100% of the equity interest in Resourceful, which in turn directly holds a controlling equity interest in the Company. Other existing shareholders, all of whom are or were our employees, hold the rest of the equity interests in the Company through Watercrest Profits Limited.

On May 18, 2010, the Company was registered as a non-Hong Kong company under Part XI of the Companies Ordinance.

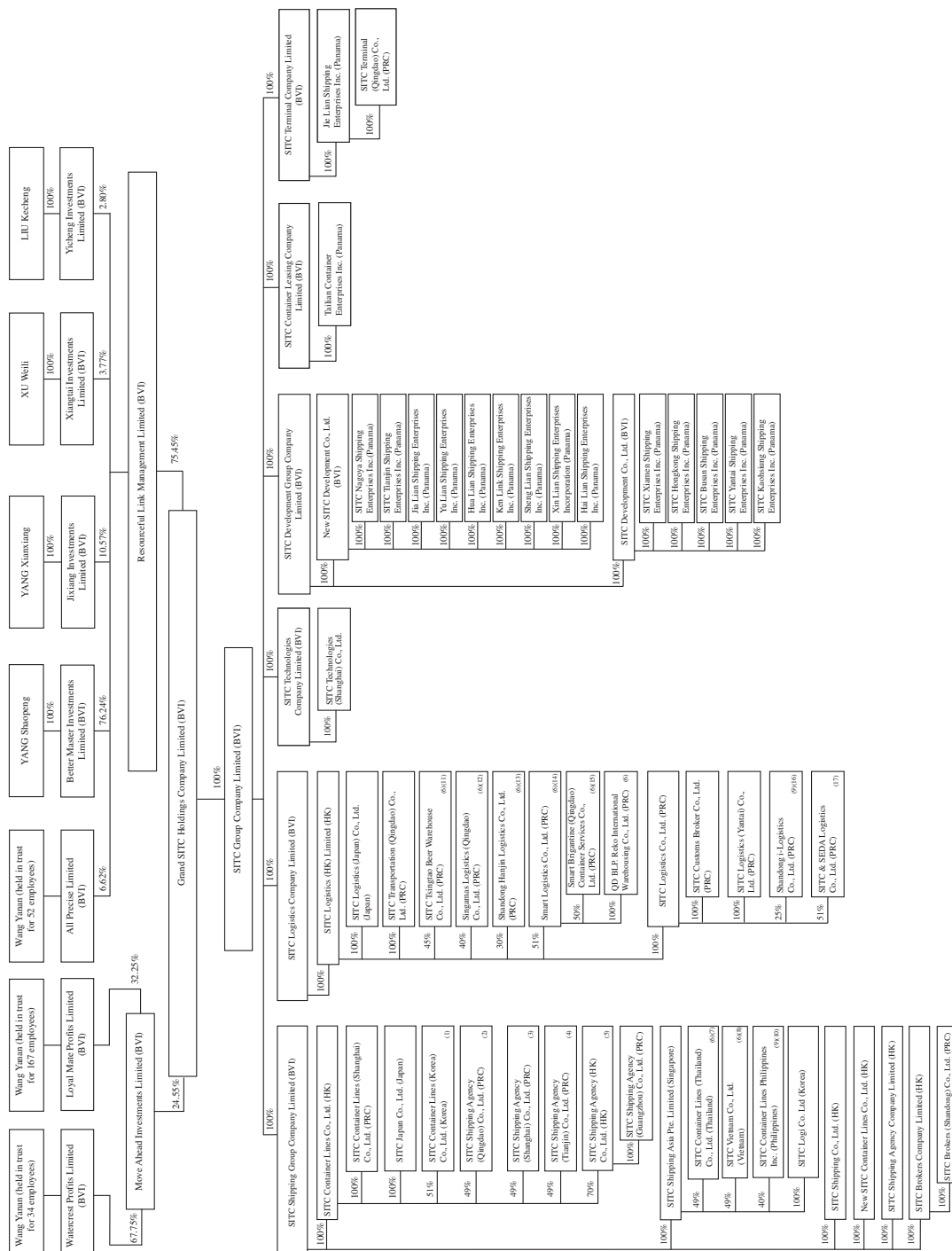
CAPITALIZATION ISSUE

Immediately prior to the listing of the Shares on the Hong Kong Stock Exchange and conditional upon the Hong Kong Stock Exchange's granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and the share premium account of Company being credited as a result of the Global Offering, an amount of HK\$194,990,178.90 from the share premium account of the Company will be capitalized for paying up a total of 1,949,901,789 Shares for allotment and issue to the then shareholders whose names appeared on the register of members of the Company at the close of business on the date the Capitalization Issue was approved by the Shareholders on a *pro rata* basis.

OUR HISTORY AND REORGANIZATION

OUR CORPORATE AND SHAREHOLDING STRUCTURE

Set out below is our corporate and shareholding structure immediately prior to the Reorganization. SITC Group Company Limited (BVI) and all entities thereunder were accounted for as subsidiaries of our Company in 2007, 2008, 2009 and the six months ended June 30, 2010 unless otherwise indicated.



OUR HISTORY AND REORGANIZATION

- (1) The remaining equity interests in New SITC Korea were held by Kookyang Shipping Co., Ltd., an independent third party.
- (2) The remaining equity interests in Qingdao SITC were held by Shanghai SITC Investment. The joint venture contract and articles of association of Qingdao SITC stipulated that the board of directors of Qingdao SITC shall consist of three directors, two of whom shall be appointed by our Company and one director who shall be appointed by Shanghai SITC Investment. Since our Company is able to control the board of this company, it is accounted for as our subsidiary in the financial statements of the Company.
- (3) The remaining equity interests in SITC Shipping Agency (Shanghai) Co., Ltd. were held by Shanghai SITC Investment. The joint venture contract and articles of association of SITC Shipping Agency (Shanghai) Co., Ltd. stipulated that the board of directors of SITC Shipping Agency (Shanghai) Co., Ltd. shall consist of three directors, one of whom shall be appointed by our Company and two directors who shall be appointed by Shanghai SITC Investment. Shanghai SITC Investment has agreed and confirmed that (a) all the directors appointed by it will exercise their voting rights in accordance with the direction of the director appointed by us, and (b) it has entrusted us to conduct the operation of the company. Accordingly, we are able to exercise control over this company, and it is accounted for as our subsidiary in the financial statements of the Company. The PRC legal advisor to the Company is of the view that such arrangement is legal, valid and enforceable, as it reflects the agreement and intentions of both parties and has not violated the joint venture contract or articles of association of the company or the relevant PRC rules.
- (4) The remaining equity interests in SITC Shipping Agency (Tianjin) Co., Ltd. were held by Shanghai SITC Investment. The articles of association of SITC Shipping Agency (Tianjin) Co., Ltd. stipulated that the company shall have one executive director rather than a board but did not specify which party shall have the right to appoint such executive director. Historically, such executive director has been appointed by our Company since the establishment of SITC Shipping Agency (Tianjin) Co., Ltd. and Shanghai SITC Investment has agreed to continue such arrangement during the term of the joint venture. This arrangement was confirmed in a written confirmation issued to us by (a) Shandong SITC, the initial holder of the 51% of the equity interests in SITC Shipping Agency (Tianjin) Co., Ltd. until February 2008 (when such equity interests were transferred to Shanghai SITC Investment) and (b) Shanghai SITC Investment, which in the opinion of our PRC counsel is legally binding among our Company, Shandong SITC and Shanghai SITC Investment. Accordingly, our Company is able to control this company and, consistent with the view of Ernst & Young, it is accounted for as our subsidiary in the financial statements of the Company.
- (5) The remaining equity interests in SITC Shipping Agency (HK) Co., Ltd. were held by TVL, an independent third party.
- (6) Accounted for as a jointly-controlled entity of our Company.
- (7) The remaining equity interests in SITC Container Lines (Thailand) Co., Ltd. were held by Sealite Shipping Co., Ltd., an independent third party.
- (8) The remaining equity interests in SITC Vietnam Co., Ltd. were held by Sea & Air Freight International, an independent third party.
- (9) Accounted for as an associate of our Company.
- (10) The remaining equity interests in SITC Container Lines Philippines Inc. were held by Ben Line Agencies Phils., Inc., an independent third party.
- (11) The remaining equity interests in SITC Tsingtao Beer Warehouse Co., Ltd. (青島啤酒海豐倉儲有限公司) were held by Tsingtao Beer Import & Export Co., Ltd. (青島啤酒進出口有限責任公司), an independent third party.
- (12) The remaining equity interests in Singamas Logistics (Qingdao) Co., Ltd. (勝獅物流(青島)有限公司) were held by Singamas, an independent third party.
- (13) The remaining equity interests in Shandong Hanjin Logistics Co., Ltd. (山東韓進集裝箱儲運有限公司) were held as to 10% by Qingdao SITC Investment, and as to 60% by Hanjin Shipping Co., Ltd., an independent third party.
- (14) The remaining equity interests in Smart Logistics were held by Maersk Logistics, an independent third party.
- (15) The remaining equity interests in Smart Brigantine (Qingdao) Container Services Co., Ltd. (青島捷豐柏堅貨櫃維修有限公司) were held by Brigantine International Holdings Limited (柏堅國際控股有限公司), an independent third party.
- (16) The remaining equity interests in i-Logistics were held as to 5% by Yamate Reizo Co., Ltd. and as to 70% by Itochu, all independent third parties.
- (17) The remaining equity interests in SITC & SEDA Logistics Co., Ltd. were held by SEDA T&S Co., Ltd., an independent third party.

OUR HISTORY AND REORGANIZATION

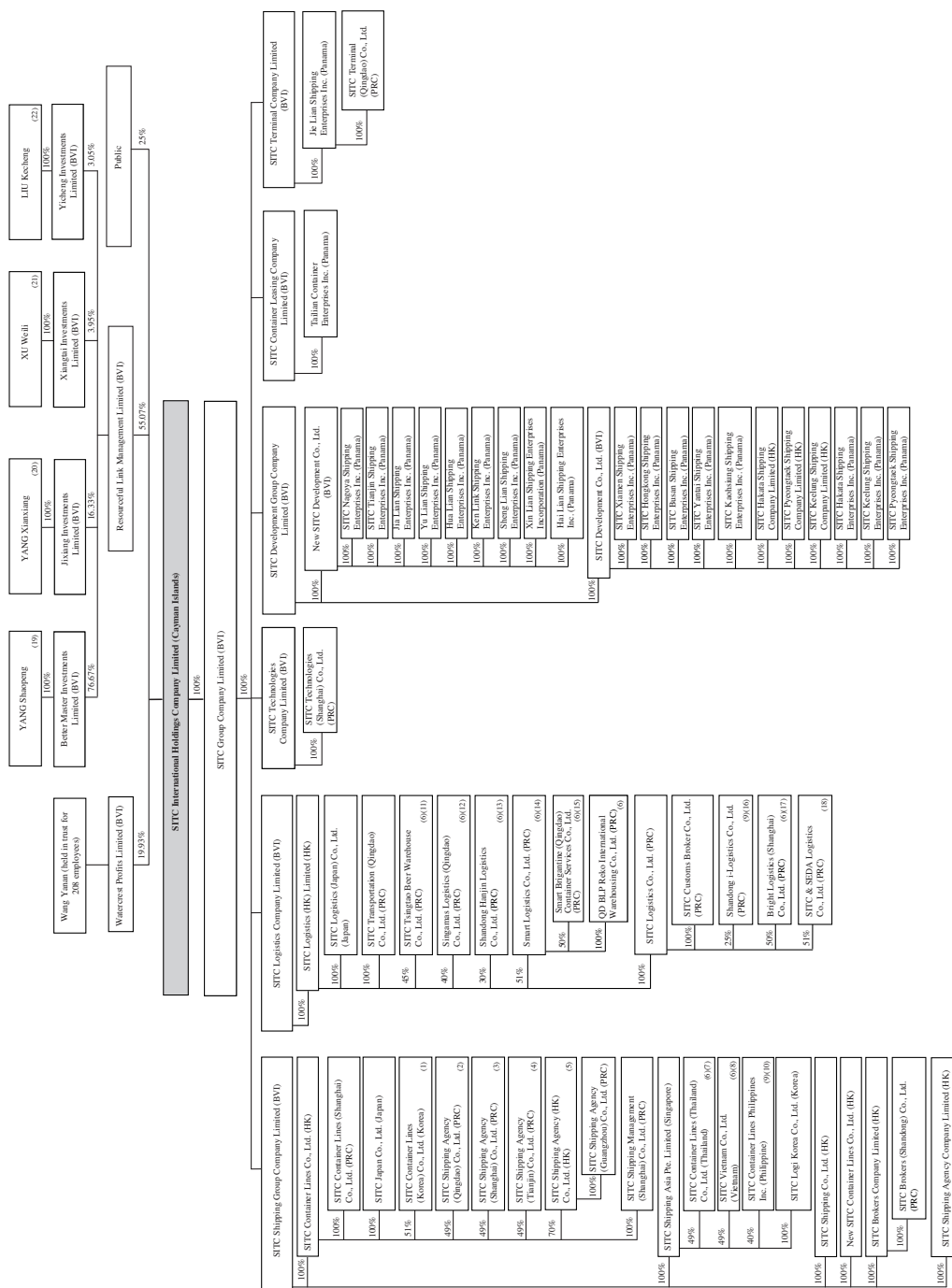
- (1) The remaining equity interests in New SITC Korea were held by Kookyang Shipping Co., Ltd., an independent third party.
- (2) The remaining equity interests in Qingdao SITC were held by Shanghai SITC Investment. The joint venture contract and articles of association of Qingdao SITC stipulated that the board of directors of Qingdao SITC shall consist of three directors, two of whom shall be appointed by our Company and one director who shall be appointed by Shanghai SITC Investment. Since our Company is able to control the board of this company, it is accounted for as our subsidiary in the financial statements of the Company.
- (3) The remaining equity interests in SITC Shipping Agency (Shanghai) Co., Ltd. were held by Shanghai SITC Investment. The joint venture contract and articles of association of SITC Shipping Agency (Shanghai) Co., Ltd. stipulated that the board of directors of SITC Shipping Agency (Shanghai) Co., Ltd. shall consist of three directors, one of whom shall be appointed by our Company and two directors who shall be appointed by Shanghai SITC Investment. Shanghai SITC Investment has agreed and confirmed that (a) all the directors appointed by it will exercise their voting rights in accordance with the direction of the director appointed by us, and (b) it has entrusted us to conduct the operation of the company. Accordingly, we are able to exercise control over this company, and it is accounted for as our subsidiary in the financial statements of the Company. The PRC legal advisor to the Company is of the view that such arrangement is legal, valid and enforceable, as it reflects the agreement and intentions of both parties and has not violated the joint venture contract or articles of association of the company or the relevant PRC rules.
- (4) The remaining equity interests in SITC Shipping Agency (Tianjin) Co., Ltd. were held by Shanghai SITC Investment. The articles of association of SITC Shipping Agency (Tianjin) Co., Ltd. stipulated that the company shall have one executive director rather than a board but did not specify which party shall have the right to appoint such executive director. Historically, such executive director has been appointed by our Company since the establishment of SITC Shipping Agency (Tianjin) Co., Ltd. and Shanghai SITC Investment has agreed to continue such arrangement during the term of the joint venture. This arrangement was confirmed in a written confirmation issued to us by (a) Shandong SITC, the initial holder of the 51% of the equity interests in SITC Shipping Agency (Tianjin) Co., Ltd. until February 2008 (when such equity interests were transferred to Shanghai SITC Investment) and (b) Shanghai SITC Investment, which in the opinion of our PRC counsel is legally binding among our Company, Shandong SITC and Shanghai SITC Investment. Accordingly, our Company is able to control this company and, consistent with the view of Ernst & Young, it is accounted for as our subsidiary in the financial statements of the Company.
- (5) The remaining equity interests in SITC Shipping Agency (HK) Co., Ltd. were held by TVL, an independent third party.
- (6) Accounted for as a jointly-controlled entity of our Company.
- (7) The remaining equity interests in SITC Container Lines (Thailand) Co., Ltd. were held by Sealite Shipping Co., Ltd., an independent third party.
- (8) The remaining equity interests in SITC Vietnam Co., Ltd. were held by Sea & Air Freight International, an independent third party.
- (9) Accounted for as an associate of our Company.
- (10) The remaining equity interests in SITC Container Lines Phils., Inc. were held by Ben Line Agencies Philippines, an independent third party.
- (11) The remaining equity interests in SITC Tsingtao Beer Warehouse Co., Ltd. (青島啤酒海豐倉儲有限公司) were held by Tsingtao Beer Import & Export Co., Ltd. (青島啤酒進出口有限責任公司), an independent third party.
- (12) The remaining equity interests in Singamas Logistics (Qingdao) Co., Ltd. (勝獅物流(青島)有限公司) were held by Singamas, an independent third party.
- (13) The remaining equity interests in Shandong Hanjin Logistics Co., Ltd. (山東韓進集裝箱儲運有限公司) were held as to 10% by Qingdao SITC Investment, and as to 60% by Hanjin Shipping Co., Ltd., an independent third party.
- (14) The remaining equity interests in Smart Logistics were held by Maersk Logistics, an independent third party.
- (15) The remaining equity interests in Smart Brigantine (Qingdao) Container Services Co., Ltd. (青島捷豐柏堅貨櫃維修有限公司) were held by Brigantine International Holdings Limited (柏堅國際控股有限公司), an independent third party.
- (16) The remaining equity interests in i-Logistics were held as to 5% by Yamate Reizo Co., Ltd. and as to 70% by Itochu, all independent third parties.
- (17) The remaining equity interests in Bright Logistics (Shanghai) Co., Ltd. were held by Maersk Logistics, an independent third party.
- (18) The remaining equity interests in SITC & SEDA Logistics Co., Ltd. were held by SEDA T&S Co., Ltd., an independent third party.

OUR HISTORY AND REORGANIZATION

- (19) The shares of Better Master are part of the trust assets of The Pengli Trust, a discretionary trust set up by YANG Shaopeng for himself and his family.
- (20) The shares of Jixiang Investments Limited are part of the trust assets of The Jixiang Trust, a discretionary trust set up by YANG Xianxiang for himself and his family.
- (21) The shares of Xiangtai Investments Limited are part of the trust assets of The Xiangtai Trust, a discretionary trust set up by XU Weili for himself and his family.
- (22) The shares of Yicheng Investments Limited are part of the trust assets of The Yicheng Trust, a discretionary trust set up by LIU Kecheng for himself and his family.

OUR HISTORY AND REORGANIZATION

Set out below is our corporate and shareholding structure immediately after the completion of the Global Offering but without giving effect to any exercise of the Over-Allotment Option, Pre-IPO Share Option or the Share Option Scheme. All entities under SITC International Holdings Company Limited were accounted for as subsidiaries of our Company in 2007, 2008, 2009 and the six months ended June 30, 2010 unless otherwise indicated.



OUR HISTORY AND REORGANIZATION

- (1) The remaining equity interests in New SITC Korea were held by Kookyang Shipping Co., Ltd., an independent third party.
- (2) The remaining equity interests in Qingdao SITC were held by Shanghai SITC Investment. The joint venture contract and articles of association of Qingdao SITC stipulated that the board of directors of Qingdao SITC shall consist of three directors, two of whom shall be appointed by our Company and one director who shall be appointed by Shanghai SITC Investment. Since our Company is able to control the board of this company, it is accounted for as our subsidiary in the financial statements of the Company.
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- (4) The remaining equity interests in SITC Shipping Agency (Tianjin) Co., Ltd. were held by Shanghai SITC Investment. The articles of association of SITC Shipping Agency (Tianjin) Co., Ltd. stipulated that the company shall have one executive director rather than a board but did not specify which party shall have the right to appoint such executive director. Historically, such executive director has been appointed by our Company since the establishment of SITC Shipping Agency (Tianjin) Co., Ltd. and Shanghai SITC Investment has agreed to continue such arrangement during the term of the joint venture. This arrangement was confirmed in a written confirmation issued to us by (a) Shandong SITC, the initial holder of the 51% of the equity interests in SITC Shipping Agency (Tianjin) Co., Ltd. until February 2008 (when such equity interests were transferred to Shanghai SITC Investment) and (b) Shanghai SITC Investment, which in the opinion of our PRC counsel is legally binding among our Company, Shandong SITC and Shanghai SITC Investment. Accordingly, our Company is able to control this company and, consistent with the view of Ernst & Young, it is accounted for as our subsidiary in the financial statements of the Company.
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- (8) The remaining equity interests in SITC Vietnam Co., Ltd. were held by Sea & Air Freight International, an independent third party.
- (9) Accounted for as an associate of our Company.
- (10) The remaining equity interests in SITC Container Lines Phils., Inc. were held by Ben Line Agencies Philippines, an independent third party.
- (11) The remaining equity interests in SITC Tsingtao Beer Warehouse Co., Ltd. (青島啤酒海豐倉儲有限公司) were held by Tsingtao Beer Import & Export Co., Ltd. (青島啤酒進出口有限責任公司), an independent third party.
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- (13) The remaining equity interests in Shandong Hanjin Logistics Co., Ltd. (山東韓進集裝箱儲運有限公司) were held as to 10% by Qingdao SITC Investment, and as to 60% by Hanjin Shipping Co., Ltd., an independent third party.
- (14) The remaining equity interests in Smart Logistics were held by Maersk Logistics, an independent third party.
- (15) The remaining equity interests in Smart Brigantine (Qingdao) Container Services Co., Ltd. (青島捷豐柏堅貨櫃維修有限公司) were held by Brigantine International Holdings Limited (柏堅國際控股有限公司), an independent third party.
- (16) The remaining equity interests in i-Logistics were held as to 5% by Yamate Reizo Co., Ltd. and as to 70% by Itochu, all independent third parties.
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OUR HISTORY AND REORGANIZATION

- (19) The shares of Better Master are part of the trust assets of The Pengli Trust, a discretionary trust set up by YANG Shaopeng for himself and his family.
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- (22) The shares of Yicheng Investments Limited are part of the trust assets of The Yicheng Trust, a discretionary trust set up by LIU Kecheng for himself and his family.

OUR BUSINESS

OVERVIEW

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 2009 shipping capacity, according to the Drewry Report. 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 the Drewry Report. Reflecting this focus, we have become the fourth-largest container shipping company (and the largest among PRC-based 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.

Our predecessor, SITC Corp, was established in 1991. Initially a freight forwarding company, SITC Corp began providing container shipping services between the PRC and Japan in 1992. Today, we are the leading container shipping service provider on PRC-Japan routes in terms of shipping volume, according to the Drewry Report. Expanding into the emerging ASEAN countries in 2004, we have also become the market leader in terms of shipping volume on a number of key routes servicing between the PRC and the Philippines and Vietnam. We have continued to grow in terms of shipping volume despite the challenging industry conditions since the onset of the 2008 global financial crisis. Our aggregate shipping volume grew from 845,404 TEU in 2007 to 1,079,779 TEU in 2008, and to 1,186,842 TEU in 2009, or a 2007 to 2009 CAGR of 18.5%, and representing 3.6%, 4.4% and 5.1% of the total shipping volume within the intra-Asia market in the same years, respectively, based on the Drewry Report. Our aggregate shipping volume was 540,962 TEU and 645,954 TEU in the six months ended June 30, 2009 and 2010, respectively, representing an increase of 19.4%.

Our business model distinguishes us from many of our competitors and has contributed significantly to our operating efficiency and profitability. In contrast to the hub-spoke shipping model adopted by many long-haul carriers, we seek to provide high-frequency container shipping services on our high-density intra-Asia route network. Our high-frequency container shipping services called 226, 228, 233 and 242 ports per week as of December 31, 2007, 2008, 2009 and June 30, 2010, respectively, on our high-density route network, which comprised 46, 49, 49 and 48 trade lanes as of the same dates, respectively. 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.

We build our business on a customer-oriented culture, and have established relationships with numerous blue-chip companies of the world. Our high-frequency, high-density container shipping route network is designed to provide higher efficiency in our customers' logistics management through greater flexibility in scheduling and faster inventory turnover. In addition, capitalizing on this network model, we work closely with a number of customers, such as Itochu, Tsingtao Beer and Toyota, by providing them with customized services that meet their industry-specific requirements. These relationships are further solidified through our joint ventures with a number of these companies, which provide our joint venture partners and third parties with warehousing and other logistics services. Our multi-faceted relationships with these blue-chip customers have provided stable sources of revenue and helped us manage through industry cycles successfully.

Although our recent operating results were affected by the global industry downturn that unfolded in 2008, we continued to be profitable. In 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, our revenue was US\$576.4 million, US\$771.9 million, US\$694.2 million, US\$286.6 million and US\$400.7 million, respectively, and our profit for the year from continuing

OUR BUSINESS

operations was US\$34.3 million, US\$35.4 million, US\$32.5 million, US\$8.7 million and US\$51.3 million in the same periods, respectively. Our net profit in 2009 was also impacted by share-based compensation. Excluding the impact of share-based compensation expenses incurred in 2009, our profit from the continuing operations would have been US\$34.3 million, US\$35.4 million, US\$37.1 million, US\$8.7 million and US\$51.3 million in the same periods, respectively.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths enable us to compete effectively in the fast-growing intra-Asia trade market:

Leading Market Positions with a History of Successful Expansion

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 2009 shipping capacity, according to the Drewry Report. We have become the fourth-largest container shipping company (and the largest among PRC-based ones), based on 2009 shipping volume in the intra-Asia trade market. Capitalizing on our high-density container shipping 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.

We have achieved our leading market positions with a history of less than 20 years. We began providing container shipping services between the PRC and Japan in 1992. Today, we are the leading container shipping service provider on PRC-Japan routes in terms of shipping volume, according to the Drewry Report. Expanding into the emerging ASEAN countries in 2004, we have also become the market leader in terms of shipping volume on a number of key routes servicing between the PRC and the Philippines and Vietnam. We have continued to grow in terms of shipping volume despite the challenging industry conditions since the onset of the 2008 global financial crisis.

In light of our track record of expansion, we believe that, by capitalizing on our current leading market positions, we will be able to continue to capture growth opportunities in the intra-Asia market.

Well-Positioned to Capture the Growth of Intra-Asia Trade

We believe that the intra-Asia trade market will continue to experience significant growth and are committed to the region. According to the Drewry Report, the intra-Asia trade market is the largest container shipping market in the world as well as one of the fastest growing. The PRC and Japan are the second and third largest economies in the world in terms of GDP, respectively. The ASEAN countries are emerging markets in intra-Asia, with high volume growth rates driven by their fast growing industrial sectors. In addition, with the implementation of lower or zero-tariff treatment in China-ASEAN Free Trade Area that began in January 2010 and the recent economic growth, we believe trade volume in the ASEAN region will continue to grow significantly.

We have positioned SITC to focus exclusively on intra-Asia trade. We are based in the PRC, we are the market leader on PRC-Japan routes in terms of shipping volume and we have achieved growth at CAGR of 95.2% from 2007 and 2009 in terms of shipping volume in the Southeast Asia Market. We believe that our historical focus and successful expansion in the region uniquely positions us for the growth opportunities in the intra-Asia trade market.

OUR BUSINESS

Distinctive Business Model Combining Efficient Network and Integrated Services

We have developed a distinctive business model that has contributed significantly to our operating efficiency and profitability. In contrast to many long-haul carriers, which use the hub-spoke shipping model, and feeder service providers, whose services are limited to certain hubs and rely on long-haul carriers, we seek to provide high-frequency, short-haul services within our high-density intra-Asia container shipping route network. This aspect of our business model has several key features:

- *High density.* We have one of the highest-density networks, covering eight countries and regions, 36 major ports and 48 trade lanes in the intra-Asia market as of June 30, 2010 as well as the highest density network in the Northeast Asia Market. We thus offer customers wide selection of trade lanes to suit their transportation needs.
- *High frequency.* We have one of the highest service frequencies in the intra-Asia market, with 242 port calls per week, as well as the highest service frequency in the Northeast Asia Market. This enables us to meet customers' in-time inventory management needs by offering prompt and flexible services.
- *Flexible services.* The high density and high frequency of our route network enhance our flexibility to allocate vessels by combining a number of service formats, thereby increasing operating efficiency. Our "point-to-point" service provides non-stop, direct and fast connection; our "continuous loop" service flexibly combines several ports within our network, seeking to optimize overall space utilization; and our "network" service combines different routes within our network to reduce idle time of our vessels.

These features allow us to service our intra-Asia route network with our highly efficient fleet and quickly adapt to changes in trade flows within our network by adjusting our combination of "point-to-point," "continuous loop" and "network" services.

An additional aspect of our business model that distinguishes us is our land-based logistics network that has been integrated with our route network. As part of our "one-stop shop" model, we seek to provide integrated logistics services, such as container shipping, freight forwarding, depot and warehousing (through our joint ventures), shipping agency, customs clearance, trucking and ship brokerage, to meet the additional supply chain needs of our customers.

We believe that the development, continuing refinement and effective implementation of our business model have enhanced our ability to manage the industry cycle successfully.

Single-Type Fleet Enhancing Efficiency

As an integral aspect of our business model, we seek to operate a single type of vessel in our fleet, namely the 1,000 TEU type. As of June 30, 2010, 85.7% of our vessels were of the 1,000 TEU type. We selected the 1,000 TEU type as our core vessel type after years of refining of our business model. We believe that this type of vessel best suits us in terms of space utilization, operating efficiency and speed. Our single-type fleet approach has benefited us in a number of aspects:

- *Higher flexibility.* We achieve higher flexibility in allocating vessels among different routes, as vessels of a single type are interchangeable, which enable us to maintain business volume at times when demands for any particular route may change sharply.
- *Lower vessel costs.* By operating a single-type fleet, we are able to lower operating cost, such as lower repair and maintenance cost, due to fewer technicians and only standardized spare parts required, lower management and crew training cost due to the inter-changeability of the vessels and lower port charges due to the smaller size of the vessels. We may also lower overall vessel acquisition cost as a result of lower design cost for vessels of a single type.

OUR BUSINESS

We believe that our single-type fleet, together with other aspects of our business model, will continue to contribute to our ability to operate with higher flexibility and cost efficiency.

Multi-Faceted Relationships with Blue-Chip Customers

Our business is built on a customer-oriented culture, and we are focused on establishing relationships with blue-chip companies globally. Our high-frequency, high-density container shipping route network reflects this effort, as it is designed to provide higher efficiency in our customers' logistics management through greater flexibility in scheduling. For example, our prompt, frequent and timely services are particularly attractive for customers for whom reducing storage costs is critical. In addition, we offer a wide array of land-based logistics services as part of our integrated service model.

We seek to work closely with blue-chip customers to develop logistic solutions that meet their unique requirements. For example, working with Itochu, we have enhanced our temperature-controlled container service capabilities on designated routes to accommodate fresh food delivery. We have also worked with customers to provide them with customized logistics solutions. For example, working with Toyota, we have adjusted our port calling and voyage frequency to ensure on-time delivery.

These relationships are further solidified through our joint ventures with customers such as Maersk Logistics, Itochu and Tsingtao Beer, which provide both our partners and third parties with warehousing and other logistic services.

We believe that the broad range of our service offering has distinguished us from our competitors and strengthened our customer relationships. Our multi-faceted relationships with these customers have provided stable sources of revenue and helped us manage through industry cycles successfully.

Stable and Experienced Management Team with Proven Track Record

We believe our management team has been key to our success, characterized by the following:

- *Extensive experience in the industry.* Messrs. YANG Shaopeng, our Chairman, and YANG Xianxiang, our chief executive officer, have more than 30 and 20 years of experience in managing shipping and logistics businesses, respectively. Both of them were awarded “Outstanding Person in the Shipping and Logistics Industry Over the 60 Years Since 1949” by China Communications and Transportation Association.
- *Stable management team.* All of our senior management team members have been with SITC for over seven years and more than 80% of them have been with SITC for over ten years. Members of our senior management team have an average of approximately 20 years of experience in shipping or logistics industries.
- *Capability to manage industry cycle.* Our management team has strong ability in managing the shipping industry cycle, such as managing the fleet size and structure of self-owned and chartered vessels to adapt to the industry cycle.
- *Proven track record.* Our management team developed and implemented our business model and prudently managed our growth by focusing exclusively on capturing business opportunities from the fast-growing intra-Asia trade market.

We believe that the industry knowledge and experience, management ability and cohesiveness of this management team will continue to contribute to our future growth.

OUR BUSINESS

OUR STRATEGY

Our long-term objective is to become a world-class integrated logistics service provider. To this end, we have developed a business strategy with the following key elements:

Expand Fleet and Optimize Composition

We believe that the recovery in the intra-Asia trade market will continue to strengthen, and we intend to capitalize on the anticipated increase in demand for shipping services in the region. To this end, we plan to expand our fleet through a combination of purchases of new-build and second-hand vessels, as well as chartering of additional vessels. Our current plan is to expand our fleet to 60 vessels with a total capacity of approximately 55,000 TEU by 2013, and further expand our fleet to approximately 80 vessels within two to three years thereafter. In particular, we are focused on purchases of new-build vessels, as we believe that the current market presents opportunities to purchase vessels at highly attractive prices. Furthermore, new-build vessels generally offer features we expect to help us reduce our overall operating cost in the long term, such as higher fuel efficiency, lower maintenance cost and higher speed. We believe these expansion efforts in the current market conditions will better position us in the upcoming industry upturn.

Strengthen and Expand Our Intra-Asia Service Network

We intend to continue to expand our intra-Asia service network to respond to the growing intra-Asia trade. In particular, we plan to focus on the Southeast Asia Market, which is an emerging and fast-growing market. We expect there will be significant growth in trade volumes among the PRC and ASEAN countries, fostered by the overall regional economic growth as well as the newly implemented lower or zero-tariff treatment in the China-ASEAN Free Trade Area launched in January 2010. Accordingly, we plan to allocate significant efforts and resources to expand our sea freight logistics route network to cover additional ports in ASEAN countries such as Vietnam, Thailand and Indonesia, and support our shipping services with land-based logistics services near those ports.

With respect to the Northeast Asia Market, a relatively mature market, we will seek to solidify our leading market positions and create additional headroom for growth. To this end, we plan to expand beyond our base in East China and North China to launch new routes between ports in South China and ports in Japan and Korea.

Strengthen Service Capabilities and Replicate Integrated Service Model Within Network

We have developed capabilities to provide a wide range of logistics services to our customers in the Qingdao region, which have strengthened our relationships with our customers. In addition, the Qingdao Logistics Park facilitates interaction and coordination among logistics service providers. See “— Services and Solutions — Land-Based Logistics — Depot and Warehousing Services.” We are in the process of further strengthening our service capabilities, including jointly developing container berths to provide speedier services to our customers.

We plan to implement our integrated logistic services model developed in Qingdao to other ports within our intra-Asia service network. The model is expected to be initially implemented at ports where we have a relatively well-developed customer base and where we anticipate a high demand for these services, such as Shanghai and Ningbo in the PRC and certain ports in Vietnam. As a part of our implementation plan, we intend to acquire new sites to build warehousing and other facilities near those ports. We are also exploring opportunities to participate in development projects of overseas ports or berths that strengthen our integrated shipping logistics services.

OUR BUSINESS

Enhance Our Information Technology Systems

We believe an effective IT system supplying real-time and complete information is critical to our ability to efficiently manage our sea freight logistics route network and land-based logistics network, particularly as we expand the scale of these networks internationally and in the PRC. The provision of real-time and complete information also represents a key service that we offer to our customers to assist them in the making of their supply chain management decisions. Accordingly, we intend to further upgrade our IT system, which is expected to primarily consist of the development of a management information system, business operation system and customer portal, as well as the upgrade and expansion of our database system. In this effort, we plan to allocate resources to hire and train additional IT professionals and purchase IT equipments.

We believe our information technology strategies will help us to increase customer satisfaction, improve our operating efficiency, increase our revenue and enhance our profitability.

Seek Opportunities for Complementary Acquisitions and Partnerships

We continue to seek attractive opportunistic acquisitions and partnerships that complement our business in meeting the demands of our customers. We have been in discussion with a number of our customers, joint venture partners and other third parties to expand existing business partnerships and establish new cooperations. For example, we entered into a strategic cooperation framework agreement with Shanghai International Port (Group) Co., Ltd. (上海國際港務(集團)股份有限公司) in August 2010, under which the parties agreed to jointly develop logistics parks and cooperate in various areas, such as container shipping and other related businesses.

We also seek opportunities to acquire shipping or logistics companies that provide services complementary to our business and broaden our services, or operate in the geographic region where we plan to expand our business, as well as shipowners owning vessels that suit our operational needs.

SERVICES AND SOLUTIONS

We provide integrated transportation and logistics services and solutions to our customers. Our services and solutions can be categorized into two business segments: sea freight logistics and land-based logistics. The following table sets forth our revenue by business segments, in the periods indicated:

| | Year ended December 31, | | | Six months ended June 30, | | | |
|--|--|------------------|-------------------|---------------------------|------------------|-----------------|--|
| | 2007 | 2008 | 2009 | 2009 | 2010 | | |
| | Amount | Amount | Amount | Amount | Amount | Amount | |
| | % of revenue | % of revenue | % of revenue | % of revenue | % of revenue | % of revenue | |
| | (in thousands of US\$, except percentages) | | | | | | |
| Sea freight logistics | \$408,062 | \$580,082 | \$ 534,086 | \$232,612 | \$317,235 | | |
| Land-based logistics | 225,698 | 278,812 | 271,609 | 106,843 | 177,341 | | |
| Inter-segment elimination | (57,401) | (86,994) | (111,522) | (52,844) | (93,908) | | |
| Revenue | <u>\$576,359</u> | <u>\$771,900</u> | <u>\$ 694,173</u> | <u>\$286,611</u> | <u>\$400,668</u> | | |

OUR BUSINESS

Sea Freight Logistics

Our sea freight logistics business provides container shipping services that focus exclusively on the fast-growing intra-Asia market. As of December 31, 2007, 2008, 2009 and June 30, 2010, we operated 46, 49, 49 and 48 intra-Asia trade lanes, respectively. Our trade lanes as of June 30, 2010 included six trade lanes through joint services and 18 trade lanes through container slot exchange arrangements. These trade lanes cover key ports in the PRC, Japan, Korea, Taiwan, Hong Kong, Vietnam, Thailand and the Philippines. In 2007, 2008 and 2009, our aggregate shipping volume was 845,404 TEU, 1,079,779 TEU and 1,186,842 TEU, respectively, representing 3.6%, 4.4% and 5.1% of the total shipping volume within the intra-Asia market, as calculated based on data in the Drewry Report. In the six months ended June 30, 2009 and 2010, our aggregate shipping volume was 540,962 TEU and 645,954 TEU, respectively, representing an increase of 19.4%. We did not encounter any piracy incident in 2007, 2008, 2009 or the six months ended June 30, 2010 and up to the Latest Practicable Date.

Our Container Shipping Route Network Model

In contrast to the hub-spoke shipping model adopted by many long-haul carriers, we seek to provide high-frequency and cost-efficient container shipping services on our high-density intra-Asia container shipping route network. We began to provide direct, non-stop shipping service between Qingdao and Kobe in 1992. As demand for such direct, non-stop service has grown, we have increased services by developing new routes and increasing frequency. We refer to such direct, non-stop services as our “point-to-point” service. Our “point-to-point” service particularly suits the needs of customers that require prompt and timely shipping services, such as suppliers and distributors of fresh food products.

With an increasing number of ports connected by our “point-to-point” services, it was no longer efficient for a vessel providing “point-to-point” services to always return from the destination port to the original port. This is due to the significant imbalance in shipping volumes between the two legs of a round trip on many routes. To increase our space utilization, we began to offer routes linking several “point-to-point” routes. On such linked routes, a vessel would call at additional ports in consecutive voyages. We refer to such services as our “continuous loop” service.

As the scale of our route network increases, we have also developed a vessel allocation arrangement that enables us to provide periodic voyages more efficiently. We refer to such arrangement as our “network” service, which seeks to address the inefficiency created by idle time of vessels at ports in cases where the voyage duration between two ports does not match the frequency of the periodic service. We apply our “network” service model to group two or more connected trade lanes with different voyage duration to minimize idle time.

OUR BUSINESS

Our Markets

We initially focused on developing trade lanes on the PRC-Japan and PRC-Korea routes. Beginning in 2004, we have also developed trade lanes linking ASEAN countries with ports in our container shipping route network. Reflecting such historical development, our current intra-Asia container shipping route network can be divided into two markets: the Northeast Asia Market and Southeast Asia Market. The following table sets forth the shipping volume and the corresponding percentages (relative to our total shipping volume) by market for the periods indicated:

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|------------------|-------------------------|----------------------------|------------------------|----------------------------|------------------------|----------------------------|---------------------------|----------------------------|------------------------|----------------------------|
| | 2007 | | 2008 | | 2009 | | 2009 | | 2010 | |
| | Shipping volume (TEU) | % of total shipping volume | Shipping volume (TEU) | % of total shipping volume | Shipping volume (TEU) | % of total shipping volume | Shipping volume (TEU) | % of total shipping volume | Shipping volume (TEU) | % of total shipping volume |
| Northeast Asia | | | | | | | | | | |
| Market | 736,550 | 87.1% | 757,923 | 70.2% | 772,119 | 65.1% | 364,263 | 67.3% | 366,876 | 56.8% |
| Southeast Asia | | | | | | | | | | |
| Market | 108,854 ⁽¹⁾ | 12.9 | 321,856 ⁽¹⁾ | 29.8 | 414,723 ⁽¹⁾ | 34.9 | 176,699 ⁽¹⁾ | 32.7 | 279,078 ⁽¹⁾ | 43.2 |
| Total | <u>845,404</u> | <u>100.0%</u> | <u>1,079,779</u> | <u>100.0%</u> | <u>1,186,842</u> | <u>100.0%</u> | <u>540,962</u> | <u>100.0%</u> | <u>645,954</u> | <u>100.0%</u> |

(1) Includes 74,998 TEU, 87,851 TEU, 80,924 TEU, 35,291 TEU and 44,534 TEU shipped by Shandong SITC in 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, respectively, using two vessels chartered from our Company. See “Connected Transactions — Special Case — Vessels Charter Agreement.”

The following table sets forth the revenue from sea freight logistics business before inter-segment elimination and the corresponding percentages (relative to our total revenue from sea freight logistics business before inter-segment elimination) by market for the periods indicated:

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|--|-------------------------|----------------------|------------------|----------------------|------------------|----------------------|---------------------------|----------------------|------------------|----------------------|
| | 2007 | | 2008 | | 2009 | | 2009 | | 2010 | |
| | Amount | % of segment revenue | Amount | % of segment revenue | Amount | % of segment revenue | Amount | % of segment revenue | Amount | % of segment revenue |
| (unaudited) | | | | | | | | | | |
| (in thousands of US\$, except percentages) | | | | | | | | | | |
| Northeast Asia | | | | | | | | | | |
| Market | \$353,966 | 86.7% | \$419,487 | 72.3% | \$362,974 | 68.0% | \$163,133 | 70.1% | \$190,239 | 60.0% |
| Southeast Asia | | | | | | | | | | |
| Market | 54,096 | 13.3 | 160,595 | 27.7 | 171,112 | 32.0 | 69,478 | 29.9 | 126,996 | 40.0 |
| Total | <u>\$408,062</u> | <u>100.0%</u> | <u>\$580,082</u> | <u>100.0%</u> | <u>\$534,086</u> | <u>100.0%</u> | <u>\$232,612</u> | <u>100.0%</u> | <u>\$317,235</u> | <u>100.0%</u> |

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The following map illustrates our intra-Asia container shipping route network as of June 30, 2010, including joint-service trade lanes and trade lanes through container slot exchange arrangements:



Our container shipping services cover:

- 12 ports in the PRC, with 101 port calls per week;
- 11 ports in Japan, with 88 port calls per week;
- four ports in Korea, with 24 port calls per week;
- five ports in ASEAN countries, with nine port calls per week;
- three ports in Taiwan, with 14 port calls per week; and
- Hong Kong, with six port calls per week.

OUR BUSINESS

Northeast Asia Market

We commenced container shipping services in the Northeast Asia Market in 1992 when we established our first route between Qingdao and Kobe. As of June 30, 2010, we operated a total of 37 trade lanes in the Northeast Asia Market, six of which were jointly serviced and 15 were operated via slot exchange arrangements. The length of travel time on these trade lanes ranges from 3.5 days to 11.5 days per round-voyage. The shipping volume of our container shipping route network in the Northeast Asia Market was 736,550 TEU, 757,923 TEU, 772,119 TEU, 364,263 TEU and 366,876 TEU in 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, respectively. In each of 2008 and 2009, we were the largest container shipping company on PRC-Japan routes in terms of shipping volume, according to the Drewry Report. In 2009, the cargos we transported in the Northeast Asia Market accounted for 65.1% of our total shipping volume in the same period. As of December 31, 2007, 2008, 2009 and June 30, 2010, we provided container shipping services on 36, 39, 38 and 37 trade lanes in the Northeast Asia Market, respectively, with 146, 163, 159 and 159 port calls per week, respectively.

As of June 30, 2010, our Northeast Asia Market container shipping route network covered 25 major ports in the region, including Dalian, Lianyungang, Qingdao, Qinhuangdao, Shanghai, Shidao, Xingang, Longkou, Ningbo and Yantai in the PRC, Hakata, Kobe, Matsuyama, Moji, Nagoya, Osaka, Tokyo, Toyohashi, Shimizu, Yokkaichi and Yokohama in Japan and Busan, Incheon, Kwangyang and Pyeongtaek in Korea. We seek to offer higher-frequency services to provide our customers with greater scheduling flexibility. Accordingly, we called at 159 ports per week in the Northeast Asia Market as of June 30, 2010. We also provide services with higher frequency for busier trade lanes. For example, as of June 30, 2010, we offered 16 round-voyages per week between Shanghai and Japan, including seven round-voyages between Shanghai and Tokyo, more than any other container shipping companies operating on this trade lane.

The average space utilization of our Northeast Asia Market in 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010 was 69.3%, 75.9%, 70.7%, 64.0% and 70.7%, respectively. The increase in average space utilization from 2007 to 2008 primarily reflected the increase in our shipping volume in the Northeast Asia Market and the decrease in our capacity in this market due to the relocation of certain vessels from the Northeast Asia Market to the Southeast Asia Market. In 2009, average space utilization decreased compared to 2008 mainly due to the global economic downturn that unfolded in 2008 and the increasing competition. The average space utilization in the six months ended June 30, 2010 primarily reflected the recent recovery of the container shipping industry.

In 2009, cargos shipped by us from the PRC to Japan and Korea include food, textile products, mineral products and chemical products, while cargos shipped by us from Japan and Korea to the PRC include automobile parts, industrial parts and chemical products. Our prompt, frequent and timely services are particularly attractive for customers whose cargos particularly require on-time delivery, such as Itochu, a food product distributor, or customers for whom reducing storage costs is particularly critical, such as Toyota.

While we view the Northeast Asia Market as a mature container shipping market, we continue to experience growth in this region. To continue the growth in our Northeast Asia Market, we plan to further develop our business in the market by: (i) establishing routes connecting areas in South China, including Shenzhen and Guangzhou, with ports in Japan and Korea; and (ii) increasing the frequency of our existing shipping services in selected routes.

OUR BUSINESS

Southeast Asia Market

We commenced container shipping services to ASEAN countries in 2004. As of June 30, 2010, we operated 11 trade lanes in the Southeast Asia Market, three of which were operated via slot exchange arrangements. The length of travel time on these trade lanes ranged from seven days to 21 days per round-voyage. In 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, our total shipping volume in the Southeast Asia Market was 108,854 TEU, 321,856 TEU, 414,723 TEU, 176,699 TEU and 279,078 TEU, respectively. The CAGR of our shipping volume between 2007 and 2009 was 95.2%. In 2009, the cargos we transported in the Southeast Asia Market accounted for 34.9% of our total shipping volume in the same period. As of December 31, 2007, 2008, 2009 and June 30, 2010, we provided container shipping services on 10, 10, 11 and 11 trade lanes in the Southeast Asia Market, respectively, with 80, 65, 74 and 83 port calls per week, respectively.

As of June 30, 2010, our Southeast Asia container shipping route network covered 11 major ports in the region, including Shekou and Xiamen of the PRC, Hai Phong and Ho Chi Ming of Vietnam, Manila of the Philippines, Taichung, Kaohsiung and Keelung of Taiwan, Hong Kong and Laem Chabang and Bangkok of Thailand. Our services connect these ports with each other and with ports in the PRC, Japan and Korea. In addition, we have entered into arrangements to charter two vessels to Shandong SITC for its operation of routes between mainland China and Taiwan. Under this arrangement, the charter fee of the vessels is equal to the freight charges and service fees received by Shandong SITC for operating the route. In addition, our Company is responsible for all costs in relation to the operation of the two vessels. See “Connected Transactions — Special Case — Vessels Charter Agreement.”

The average space utilization of our Southeast Asia Market container shipping route network in 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010 was 81.2%, 67.3%, 63.1%, 60.1% and 70.8%, respectively. The significant decrease in our average space utilization in 2008 and 2009 compared to 2007 was mainly due to our allocation of more vessels to service the Southeast Asia Market in 2008 to support the significant increase in shipping volume from 2007 to 2008. However, it requires a significant period of time to develop customer relationships in newly developed markets. During such period, space utilization is typically lower than in more mature markets. See “Financial Information — Factors Affecting Our Results of Operations and Financial Condition — Development of New Routes” for the impact of development of new business on space utilization. The lower average space utilization in 2009 was also attributable to the global economic downturn that unfolded in 2008. Average space utilization increased in the six months ended June 30, 2010 compared to the same period in 2009 primarily due to the recent recovery of the container shipping industry.

In 2009, cargos shipped by us into ASEAN countries were mainly textile products, automobiles, engineering equipments and chemicals, while cargos shipped by us out of ASEAN countries were mainly agricultural products and seafood. Our frequent and fast services are critical for the delivery of products such as fresh food.

We believe the Southeast Asia Market is an emerging market whose rapid growth in the past few years is expected to continue. In particular, we expect there will be significant growth in trade volume on routes among the PRC and ASEAN countries, especially driven by the lower or zero-tariff treatment in the China-ASEAN Free Trade Area launched in January 2010. To capture the expected increase in demand for container shipping services associated with such growth, we plan to further develop our Southeast Asia Market. We plan to provide shipping services to additional ports in countries such as Vietnam, Thailand, and Indonesia and increase the frequency of our shipping services. In 2010, we plan to develop two new trade lanes in the Southeast Asia Market.

OUR BUSINESS

Our Fleet Composition

We believe our operation of a single-type fleet, with most vessels being the 1,000 TEU type, has made a significant contribution to our high space utilization and operating efficiency. See “— Our Competitive Strengths — Single-Type Fleet Enhancing Efficiency.” As of December 31, 2007, 2008 and 2009 and June 30, 2010, 59.4%, 78.9%, 87.5% and 85.7% of our vessels were of the 1,000 TEU type. As of June 30, 2010, the overall capacity of our fleet was 37,256 TEU and the average age of our vessels was 5.7 years. Among our 42 vessels, 15 were self-owned and 27 were time-chartered. The age of our 15 self-owned vessels ranged from 3 years to 15 years as of June 30, 2010, with 6.9 years on average. See Appendix V — “List of Vessels” to this prospectus for details. Our management generally estimates the actual useful lives of our self-owned vessels to be approximately 25 years. In 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, our chartering expenses were US\$64.6 million, US\$78.5 million, US\$64.9 million, US\$39.1 million and US\$21.5 million, respectively. For a detailed list of our fleet vessels, their characteristics and expiry dates of the charters, see Appendix V — “List of Vessels” to this prospectus.

The following table sets forth the number and capacity of our self-owned and chartered vessels, as of the dates indicated:

| | As of December 31, | | | | | | | | | As of June 30, | | |
|------------------|--------------------|----------------|---------------------|-------------------|----------------|---------------------|-------------------|----------------|---------------------|-------------------|----------------|---------------------|
| | 2007 | | | 2008 | | | 2009 | | | 2010 | | |
| | Number of vessels | Capacity (TEU) | % of total capacity | Number of vessels | Capacity (TEU) | % of total capacity | Number of vessels | Capacity (TEU) | % of total capacity | Number of vessels | Capacity (TEU) | % of total capacity |
| Self-owned . . . | 12 | 9,509 | 37.7% | 12 | 9,509 | 29.8% | 15 | 12,557 | 34.9% | 15 | 12,557 | 33.7% |
| Chartered . . . | 20 | 15,735 | 62.3 | 26 | 22,413 | 70.2 | 25 | 23,450 | 65.1 | 27 | 24,699 | 66.3 |
| Total . . . | <u>32</u> | <u>25,244</u> | <u>100.0%</u> | <u>38</u> | <u>31,922</u> | <u>100.0%</u> | <u>40</u> | <u>36,007</u> | <u>100.0%</u> | <u>42</u> | <u>37,256</u> | <u>100.0%</u> |

We plan to expand our fleet to 60 vessels with a total capacity of approximately 55,000 TEU by 2013, and further expand our fleet to approximately 80 vessels within two to three years thereafter. We also intend to purchase additional vessels and increase the percentage of vessels that are self-owned, including by using proceeds of the Global Offering. See “— Our Strategy — Expand Fleet and Optimize Composition” and “Future Plans and Use of Proceeds from the Global Offering.”

Joint Services and Slot Exchange

We have entered into a number of alliance arrangements with other container shipping companies including joint service with two companies and slot exchange with nine companies as of June 30, 2010, all of which were independent third parties. Under the joint service agreements, we and our partners designate a specific number of vessels to jointly provide shipping services for specific routes for a period of time, typically 12 months. Each partner of a joint service arrangement bears the operational cost and expenses of its own vessels and is entitled to container slots on each designated vessel in proportion to the shipping capacity it contributes. Slot exchange is an arrangement in which two or more shipping companies exchange certain container slots in their trade lanes for a particular period of time, typically 12 months. Joint service and slot exchange arrangements allow shipping companies to increase route coverage and frequency of services with less investment.

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As of December 31, 2007, 2008, 2009 and June 30, 2010, we operated five, four, six and six trade lanes on a joint service basis, respectively, and exchange slots with other shipping companies in 20, 19, 20 and 18 trade lanes, respectively.

Containers

As of 2007, 2008, 2009 and June 30, 2010, we operated 70,162 TEU, 92,022 TEU, 93,828 TEU and 100,590 TEU containers, respectively, of which 10,975 TEU, 10,837 TEU, 10,791 TEU and 10,891 TEU containers were self-owned, respectively, and 59,187 TEU, 81,185 TEU, 83,037 TEU and 89,699 TEU containers were leased, respectively. In 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, our container leasing expenses were US\$19.3 million, US\$28.1 million, US\$31.1 million, US\$15.1 million and US\$16.2 million, respectively. A substantial majority of these containers were standard containers. In addition, we also use special containers, including temperature-controlled containers to transport fresh food.

In general, new containers are more reliable compared to older ones, and as a result, we generally only lease newly manufactured containers, typically for a term of five years. As of June 30, 2010, the average age of the containers we operate was 3.6 years.

We plan to apply part of the proceeds from the Global Offering to purchase additional containers. See “Future Plans and Use of Proceeds from the Global Offering — Use of Proceeds from the Global Offering.”

Bunkers

In 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, we consumed approximately 167,782 tonnes, 205,910 tonnes, 232,758 tonnes, 114,435 tonnes and 123,169 tonnes of bunkers, respectively, at a cost of approximately US\$407 per tonne, US\$578 per tonne, US\$386 per tonne, US\$313 per tonne and US\$502 per tonne, respectively. The fluctuation of cost per tonne in 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010 was primarily a result of the fluctuation of the price of crude oil in these periods. We have entered into agreements with a number of bunkers suppliers. While the suppliers have agreed to supply us with bunkers upon our request, no fixed price is specified in such agreements and the bunker price will be based on market price.

Land-Based Logistics

A key part of our business model is to provide integrated logistics services covering both sea freight and land-based logistics. In 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, revenue generated by our land-based logistics services before inter-segment elimination was US\$225.7 million, US\$278.8 million, US\$271.6 million, US\$106.8 million and US\$177.3 million, respectively, accounting for 35.6%, 32.5%, 33.7%, 31.5% and 35.9% of our revenue before inter-segment elimination.

In response to our customers’ evolving demands, we plan to broaden the coverage of our integrated logistics services by establishing additional offices in selected ports and entering into new lines of business. For example, we are exploring opportunities to collaborate with partners to develop container berths in Qingdao and other ports to provide speedier services to our customers.

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Our land-based logistics services include freight forwarding, shipping agency, depot and warehousing, trucking and ship brokerage services. The following table sets forth the components of our revenue from land-based logistics business before inter-segment elimination and the corresponding percentages (relative to our total revenue from land-based logistics business before inter-segment elimination) by category for the periods indicated:

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|--|-------------------------|----------------------|------------------|----------------------|------------------|----------------------|---------------------------|----------------------|------------------|----------------------|
| | 2007 | | 2008 | | 2009 | | 2009 | | 2010 | |
| | Amount | % of segment revenue | Amount | % of segment revenue | Amount | % of segment revenue | Amount | % of segment revenue | Amount | % of segment revenue |
| (unaudited) | | | | | | | | | | |
| (in thousands of US\$, except percentages) | | | | | | | | | | |
| Freight forwarding and shipping agency | \$207,451 | 91.9% | \$254,613 | 91.3% | \$253,185 | 93.2% | \$ 97,671 | 91.4% | \$164,137 | 92.6% |
| Warehousing and others | 18,247 | 8.1 | 24,199 | 8.7 | 18,424 | 6.8 | 9,172 | 8.5 | 13,204 | 7.4 |
| Total | <u>\$225,698</u> | <u>100.0%</u> | <u>\$278,812</u> | <u>100.0%</u> | <u>\$271,609</u> | <u>100.0%</u> | <u>\$106,843</u> | <u>100.0%</u> | <u>\$177,341</u> | <u>100.0%</u> |

Freight Forwarding

In 1991, SITC Corp, our predecessor, commenced its business as a freight forwarding company. Today, we provide a comprehensive range of freight forwarding services to a wide range of customers, including multinationals, blue-chip PRC companies as well as small businesses. We provide sea and land freight forwarding in response to the customers' distinctive needs. However, sea freight forwarding, particularly intra-Asia sea freight forwarding, continues to constitute a predominant part of our freight forwarding business. As of June 30, 2010, our freight forwarding network consisted of branches and liaison offices in 22 key cities in Northeast Asia, including Shanghai, Qingdao, Suzhou, Wenzhou, Nanjing, Weihai, Shenzhen, Xiamen, Ningbo, Yiwu, Shaoxing, Tianjin, Dalian, Yantai, Guangzhou, Zhuhai, Foshan and Dongguan in the PRC, Seoul in Korea and Kobe, Tokyo and Osaka in Japan. In 2007, 2008 and 2009, our freight forwarding business arranged shipping for approximately 405,346 TEU, 471,190 TEU and 540,875 TEU of cargos, respectively. Our freight forwarding services benefit significantly from our sea freight logistics business. We operate under a single brand of "SITC" for both our container shipping and freight forwarding services, and many of our customers select our freight forwarding services in order to secure the service of our container vessels. In 2007, 2008 and 2009, 81.9%, 87.4% and 95.5%, respectively, of cargos arranged by our freight forwarding services used our container shipping services.

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Typically, our freight forwarding services commence when customers request to arrange transportation of goods from one location to a consignee at another location. Based on the specific needs of the customers, we compare freight rate quotations, carriage conditions and shipping schedules, and we then arrange the cargos to be collected and delivered for shipment. We also offer a variety of ancillary and value-added services to our customers, including the following:

- *LCL consolidation.* Some of our customers, mainly small businesses, ship small amounts of goods that cannot fill a single container. To satisfy their needs, we have developed substantial experience in providing LCL consolidation services. We have LCL warehouses with modern equipment to pack the goods for containers, tracking systems to timely locate shipped goods and efficient devanning services.
- *NVOCC.* Many of our customers increasingly desire to receive integrated services from a single provider. Responding to such needs, we also operate as a NVOCC in addition to serving as an agent for shippers.
- *Customs clearance.* Our customs clearance business is a key component of our integrated logistics carriers. Our customs clearance is carried out in Qingdao, Shanghai and Yantai. We have extensive experience in customs clearance and have direct access to the information system of the customs. We plan to develop country-wide customs clearance capability and establish branches in Shanghai, Dalian, Ningbo, Tianjin, Xiamen and Shenzhen and eventually in all main ports in the PRC and overseas ports along our container shipping trade lanes.
- *Project logistics.* Based on customer demand, we from time to time provide logistics services in connection with special projects, such as equipment transportation and land-bridge transportation.

Shipping Agency

As of June 30, 2010, we provided shipping agency services to our vessel fleet and independent third parties in 27 key cities in the PRC, Hong Kong, Japan, Korea, Vietnam, Philippines and Thailand, including Shanghai, Qingdao, Qinhuangdao, Dalian, Tianjin, Tanggu, Yantai, Shidao, Lianyungang, Nanjing, Ningbo, Xiamen, Wuhan, Shenzhen, Hong Kong, Tokyo, Osaka, Seoul, Busan, Incheon, Pyeongtaek, Hai Phong, Ho Chi Ming City, Hanoi, Manila, Leam Chabang and Bangkok.

Our services for shipping companies typically include:

- attending to formalities of a vessel's entry into or departure from ports;
- arranging pilotage, berthing, loading and discharge of vessels;
- arranging cargo booking and shipping documentation on behalf of carriers;
- signing bills of lading;
- arranging shipment and transshipment of cargos and containers;
- managing container control; and
- collecting freight and settling payment on behalf of carriers.

Our shipping agency services handle both container and dry bulk shipping, and we have established relationships with both PRC-based and international carriers.

Depot and Warehousing Services

We provide depot and warehousing services through a number of joint ventures we formed with international and PRC-based companies. Our joint-venture partners include Maersk Logistics,

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Itochu, Tsingtao Beer, Singamas, Hanjin and Yamate Reizo Co., Ltd., and our interest in the joint venture ranges from 25% to 51%. As of June 30, 2010, these joint ventures operated approximately 480,000 square meters of depot and approximately 47,000 square meters of warehouses with facilities located in Qingdao and Shanghai.

The warehouses of these joint ventures generally are equipped with computer systems. The computer systems enable the management of warehousing operations on a real-time basis and allow customers to check services and make inquiries online. i-Logistics, a joint venture in which we hold a 25% interest, provide refrigerated warehousing services. Furthermore, these joint ventures provide a number of valued added services tailored to specific customer needs, including coding, sorting, copying, packing and quality inspection upon customer's request. In 2007, 2008, 2009 and the six months ended June 30, 2010, our largest five depot and warehousing customers accounted for 34.6%, 34.7%, 34.6% and 28.5% of the total revenue of our depot and warehousing business, respectively.

Our joint ventures providing depot and warehousing business, which are located in Qingdao Logistics Park, is an integral part of our "one-stop shop" logistics services. Qingdao Logistics Park was designed as a customer-oriented integrated logistics park located near Qingdao port, highways and a train station. Qingdao Logistics Park facilitates interaction and coordination among different parties involved in the logistics supply chain. The close proximity and mix of these businesses were designed to enhance the integration of traditional logistics services including sea, land and air freight, warehousing and processing as well as distribution and delivery, which would significantly reduce the costs and increase the efficiency for each party involved in the logistics supply chain.

We contributed significantly to the development of the Qingdao Logistics Park. In particular, we designed and planned the development of the park and helped to solicit potential tenants for the park. As a result of our efforts, we were awarded the "PRC Logistics Awards — Best Solution Design" prize by China Communications and Transportation Association in 2009.

Trucking

We provide trucking services in the PRC, primarily in Shandong province. As of June 30, 2010, we owned 37 trucks. We plan to expand our trucking services, including adding services outside Shandong province, as part of our expansion of our integrated logistics services into new locations.

Ship Brokerage

Our ship brokerage business provides solutions and consultancy services for shipping companies, including vessel chartering, vessel sales and purchase, vessel building and marine insurance. We are a member of the Baltic and International Maritime Council.

SALES AND MARKETING

As of June 30, 2010, our sales and marketing team consisted of 110 employees. The sales network for our sea freight logistics services covers all the countries and regions where our shipping routes reach, including the PRC, Japan, Korea, Hong Kong, Taiwan and ASEAN countries. Our sales channels generally consist of the following:

- *Direct sales department.* We have an internal sales force to conduct direct sales, and we have established long-term relationships with a number of customers.

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- *Freight forwarding and shipping agency businesses.* Sales are also conducted through our freight forwarding and shipping agency businesses, with a network of 21 sales and service offices located in the PRC, Hong Kong, Korea, Japan, Philippines and Vietnam.
- *Third-party agents.* We also engage third-party shipping agency and freight forwarding companies as our sales agents.

Our freight forwarding and shipping agency services conduct sales for both our sea freight logistics business and third-party carriers.

We believe our marketing strength comes from the provision of high-quality services, and we do not conduct mass advertising or similar campaigns to increase our visibility. However, we do have an advertising budget and publish our shipping schedules in shipping magazines, including *Shipping Gazette* (船務公報), *China Shipping Gazette* (中國航務週刊) and *Shipping Exchange Bulletin* (航運交易公報), to promote our business and strengthen our brand name. In 2007, 2008, 2009 and the six months ended June 30, 2010, our advertising expenses were US\$0.4 million, US\$0.4 million, US\$0.4 million and US\$0.1 million, respectively. We also organize promotional events, such as press conferences and receptions.

CUSTOMERS

The customers for our sea freight logistics services include freight forwarding agencies, shipping agencies and direct customers. Our end-customers range from multinationals and large PRC-based companies to small businesses, including many manufacturers of consumer, primary and mechanical products. While most customers enter into shipping contracts with us through freight forwarding or shipping agencies, we have established long-term relationships with some of our blue-chip end-shippers, such as Toyota, Mitsui Chemicals and Itochu. Our targeted customers generally consist of those with sound reputations in the international shipping market and good credit records.

Customers for our land-based logistics business include companies that engage in a variety of businesses, such as manufacturers, trade companies, ship operators/charterers and shipowners. Other than in the case of our warehousing business, where a small number of multinationals and major PRC-based companies constitute a significant portion of our customer base, our land-based logistics business does not concentrate on any particular customer.

The Unlisted Group provided us with shipping agency services in 2007, 2008, 2009 and up to late May 2010 and was our largest customer in these periods. In 2007, 2008, 2009 and the six months ended June 30, 2010, it accounted for approximately 14.6%, 19.2%, 20.1% and 19.6% of our revenue, respectively. The Unlisted Group ceased to provide such services to us in May 2010 after we established our shipping agency subsidiary. Our five largest customers accounted for 45.8%, 50.2%, 52.2% and 49.2% of our revenue, respectively, in the same periods. Our large customers, including the largest, are primarily freight forwarding and shipping agencies. Other than as disclosed above, none of our Directors, their respective associates or any of our Shareholders holding more than 5% of our issued share capital had any interest in any of our five largest customers in 2007, 2008, 2009 or the six months ended June 30, 2010.

SUPPLIERS

Our suppliers mainly include shipping agencies, bunkers suppliers, container leasers, vessel repairers and third-party carriers. In 2007, 2008, 2009 and the six months ended June 30, 2010, purchases from our largest supplier accounted for approximately 10.4%, 13.6%, 10.3% and 12.0% of our cost of sales, respectively, and purchases from our five largest suppliers accounted for approximately 24.0%, 28.0%, 27.3% and 33.5% of our cost of sales, respectively. The Unlisted Group provided us with shipping agency services in 2007, 2008, 2009 and up to late May 2010 and was our largest supplier in these periods. Our purchases from the Unlisted Group accounted

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for 3.9%, 3.9%, 4.6% and 4.8% of our cost of sales in 2007, 2008, 2009 and the six months ended June 30, 2010, respectively. The Unlisted Group ceased to provide such services to us in May 2010 after we established our shipping agency subsidiary. Other than as disclosed above, none of our Directors, their respective associates or any of our Shareholders holding more than 5% of our issued share capital had any interest in any of our five largest suppliers in 2007, 2008, 2009 or the six months ended June 30, 2010. We normally settle trade payable obligations with respect to our suppliers on terms ranging from 15 to 45 days.

Consistent with industry practice, we collect a portion of freight charges and pay a portion of port charges through shipping agencies. Accordingly, each of our 17 external shipping agencies (including Shandong SITC) in 2009 was both a customer and a supplier of our Company. In addition, four of our five largest customers in 2009 were also among our five largest suppliers in the same year. In 2009, these 17 shipping agencies in the aggregate accounted for 62.2% and 20.5% of our revenue and cost of sales, respectively.

JOINT VENTURES

We have established six joint ventures in the PRC with certain blue-chip customers to focus on providing depot and warehousing services to these customers and our Company, as well as third parties. In 2007, 2008, 2009 and the six months ended June 30, 2010, we derived 2.2%, 1.9%, 2.2% and 2.2% of our revenues from these joint ventures.

We established these joint ventures mainly for the purpose of expanding the service lines we provide within our integrated logistics network and strengthening our relationship with these customers. We believe we can achieve these purposes in most of such joint ventures by holding minority interests other than controlling stakes.

In addition, through joint venture arrangements with our customers, we have maintained a stable customer base for these depot and warehousing businesses. For example, 15.6%, 18.0%, 16.5% and 22.7% of revenues of our depot and warehousing business were attributable to the sales to these joint venture partners in 2007, 2008, 2009 and the six months ended June 30, 2010, respectively.

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The following table sets forth certain information of these joint ventures and the relevant joint venture agreements:

| Joint venture ⁽¹⁾ | Joint venture partner | Duration ⁽²⁾ | Our ownership interest and share of profit (%) | Board representation right ⁽³⁾ |
|--|--|--------------------------|---|---|
| SITC Tsingtao Beer Warehouse Co., Ltd. | Tsingtao Brewery Imp. & Exp. Co., Ltd. (holding 55% equity ownership) | 30 years (until 2032) | 45% | 2 out of 5 directors |
| Singamas Logistics (Qingdao) Co., Ltd. | Singamas Depots Holdings Limited (holding 60% equity ownership) | 20 years (until 2014) | 40 | 2 out of 5 directors |
| Shandong Hanjin Logistics Co., Ltd. | Hanjin Shipping Co., Ltd. (holding 60% equity ownership) Qingdao SITC Investment (holding 10% equity ownership) | 20 years (until 2015) | 30 | 2 out of 5 directors ⁽⁴⁾ |
| Smart Logistics | Maersk Logistics (holding 49% equity ownership) | 30 years (until 2032) | 51 | 3 out of 6 directors |
| i-Logistics | Itochu (holding 70% equity ownership) Yamate Reizo Co., Ltd. (holding 5% equity ownership) | 30 years (until 2032) | 25 | 2 out of 8 directors |
| Bright Logistic (Shanghai) Co., Ltd. | Maersk Logistics (holding 50% equity ownership) | 20 years (until 2024) | 50 | 3 out of 6 directors |

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- (1) We account for these joint ventures as jointly-controlled entities, with the exception of i-Logistics, for which we account as an associate. See Appendix I — “Accountants’ Report” to this prospectus.
 - (2) The duration of each joint venture may be extended upon expiration, subject to consent of the shareholders or determination of the board of directors and approval of the relevant government authority.
 - (3) The board of directors of each joint venture, which consists of members designated by each shareholder, has the power to determine all major matters of the joint venture.
 - (4) Include one board representative who our Company is entitled to appoint and one board representative who Qingdao SITC Investment is entitled to appoint. Qingdao SITC Investment has instructed its board representative to vote at any board meeting pursuant to our board representative’s instructions since August 2006.

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We have also entered into three joint ventures in the PRC with Shandong SITC to engage in international shipping agency business, namely Qingdao SITC, SITC Shipping Agency (Shanghai) Co., Ltd. and SITC Shipping Agency (Tianjin) Co., Ltd. We hold a 49% equity interest in each of these joint ventures due to then-effective PRC regulatory requirements for the establishment of such joint ventures that restricted foreign investors from acquiring a controlling stake in a PRC company engaging in international shipping agency business. See “Supervision and Regulation — Regulations on the Ancillary Business of the International Maritime Transportation.” These three joint ventures collectively contributed to 0.8%, 0.6%, 1.2% and 0.3% of our total profit in 2007, 2008, 2009 and the six months ended June 30, 2010. We account for these joint ventures as subsidiaries. See Appendix I — “Accountants’ Report.”

In addition, to expand our integrated shipping logistics network outside the PRC, we have established four joint ventures in Korea, Vietnam, Philippines and Thailand in which we own 51%, 49%, 40% and 49% interest, respectively, to provide shipping agency services. These four joint ventures collectively contributed 0.5%, 0.8%, 0.5% and 0.3% of our total profit in 2007, 2008, 2009 and the six months ended June 30, 2010. We account for the Korean, Vietnam, Philippines and Thailand joint ventures as a subsidiary, a jointly-controlled entity, an associate and a jointly-controlled entity, respectively. See Appendix I — “Accountants’ Report.” Furthermore, we are exploring opportunities to collaborate with certain business partners to develop container berths in Qingdao and other ports to provide speedier services to our customers.

PRICING AND PAYMENT TERMS

Pricing

The freight charges for our container shipping services generally consist of freight fees and surcharges (including, among others, fuel surcharges, currency adjustment surcharges, terminal handling charges and documentation fees). We refer to the per unit rate of such freight charges as the “freight rate.”

Our freight rates are generally determined based on prevailing market rates as adjusted mainly by the following factors:

- *Customer type.* Our customer base can generally be divided into three categories for the purpose of determining our freight rates:
 - *Direct customers with fixed-term agreements.* Our agreements with these customers are generally for a fixed term of three months to one year, with fixed rates (which are generally lower than current market rates) negotiated based on factors such as the customer’s credit profile, expected business volume and the length and depth of our relationship. Some of these agreements allow for rate adjustments during the term of the agreement.
 - *Freight forwarding agency customers with fixed-term agreements.* Under the agreements with freight forwarding agency customers, which generally have a fixed term of one year, we offer discounted freight rates with reference to market rates, in exchange for committed shipping volume.
 - *Other customers.* For other customers, our freight rates are market-based and are generally higher than rates for customers with whom we have fixed-term agreements.
- *Freight type.* We charge premium rates for certain type of freight. For example, we generally charge higher freight rates for perishable food, which needs to be shipped via temperature-controlled containers, and engineering equipment, which typically needs special attention and care.

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- *Voyage schedule.* The demand for our services also varies among the days of the week for departure in part due to the voyage schedules of our competitors, which demand in turn affects our freight rate.

We are currently a member of the Intra-Asia Discussion Agreement (consisting of Chinese and Southeast Asian carriers) and the Yellow Sea Association (consisting of Chinese and Korean carriers). Members of these organizations hold conference from time to time to discuss developments in applicable container shipping market and the expected trends of freight rates. Although the results of these discussions are not binding on members, we generally follow the freight rates guidelines suggested by these organizations.

With respect to our freight forwarding business, we charge customers either a premium or commission previously agreed by us and the carriers, or a premium or commission determined by us.

Payment Terms

We generally offer two payment terms for our container shipping services: freight prepaid and freight collect. Under freight prepaid terms, the shipper typically prepays the freight charges, loading terminal handling charge and other expenses associated with the cargos before the arrival of the destination port. Fees and expenses at the destination port, including documentation fees and terminal handling charge, are paid by the consignee at the destination port. Under freight collect terms, the shipper typically prepays only the loading terminal handling charge, and the freight charges and other expenses are paid by the consignee upon taking delivery of the cargos at the destination port.

Our trade terms with our customers are generally on credit, except for new customers, from whom we normally require advance payment. For our sea freight logistics business, we generally grant our customers a credit period of 15 days. For our freight forwarding and shipping agency business, we generally grant our customers a credit period of one month. We determine the credit period granted to our customers and shippers based on the length and depth of business relationship, their credit profile and business volume. Based on these factors, we have granted credit periods of up to three months to a small number of long-term and creditworthy customers of our freight forwarding and shipping agency business. For more details, see Note 20 to the Accountants' Report set forth in Appendix I to this prospectus.

AWARDS

We have received a number of awards and commendations for both sea freight and land-based logistics businesses.

In relation to the sea freight logistics business, we have received various awards from *China Shipping Gazette* in the past few years. SITC Container Lines received, among other awards, the "Best Overall Container Shipping Service Provider" (最佳集裝箱班輪公司綜合服務獎) in 2010.

In relation to our land-based logistics business, our subsidiary, SITC Logistics has received from *China Shipping Gazette* awards of "Outstanding Freight Forwarding Company" (優秀貨運代理公司獎) and "Outstanding Logistics Company" (優秀物流公司獎) in 2008, as well as the "Best Integrated Freight Forwarding Service Provider" (最佳貨運代理公司綜合服務獎) in 2010.

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COMPETITION

The international container shipping industry is highly competitive. Although, as of December 31, 2009, the world's top ten carriers accounted for approximately 50% of the container shipping capacity of the entire world, the industry remains highly fragmented with more than 400 carriers.

As for the intra-Asia container shipping market, the entry barrier is relatively low as services can be provided by relatively small vessels. Major participants in the intra-Asia market include long-haul, regional and niche carriers. Long-haul carriers that are based in Asia, such as COSCO, CSCL, Evergreen Marine Corp. and Orient Overseas (International) Lines generally operate intra-Asia services. In addition to our company, other regional carriers, including Sinotrans, Regional Container Lines and TS Lines Limited (HK), have significant container shipping operations in the intra-Asia market. We compete with other carriers on freight rates and quality of services. Quality of services generally includes the frequency, reliability and speed of shipping services and the completeness and geographic coverage of integrated logistics services.

The land-based logistics industry is also highly competitive. The industry is highly fragmented, with more than 700,000 companies registered as logistics services providers in the PRC. However, most of these providers do not have their own sea freight logistics business to complement their land-based logistics services. Some of the providers, like us, have a broad scope of services, extensive services network and the capacity to provide integrated logistics services. These providers include COSCO and Sinotrans.

INFORMATION TECHNOLOGY

Our current information technology framework consists of a management system, a business operation system and a customer portal.

A key component of our information technology upgrade is the development and implementation of a new business operation system. Our existing business operation system, SLMIS system, has successfully managed our sea freight logistics business and shipping agency operations. Our freight.net system supports our freight forwarding services. Customs clearance services are supported by separate systems. However, in light of our growth and expansion, we are developing a new business operation system jointly with Gillion New Software Co., Ltd. (上海吉聯新軟件股份有限公司, formerly known as 上海吉聯新軟件有限公司), a logistics information technology service provider with respect to our sea freight logistics. Under the relevant agreement, we are required to pay development fees to Gillion New Software Co., Ltd. in the aggregate amount of RMB9.9 million (US\$1.5 million). In addition to the development fees, we currently expect to incur US\$1.7 million in expenses in connection with the development of the system, mainly for the acquisition of equipment and salaries of our in-house IT staff designated to this project. We are entitled to use the system without royalty or other payments after the completion of the system. Key intellectual property rights of the new business operation system will be jointly owned by us and Gillion New Software Co., Ltd.

The development of the new system is expected to be completed and replace our current SLMIS system by the end of 2010. The new system is expected to further enhance our operational efficiency, improve our customer service quality and reduce our operational costs. For example, it is expected to have a better technology framework and improve the customer service function. It is expected to also have more management modules to calculate potential costs and freight charges for shipping route design purpose and to conduct business and financial projections.

As part of our business strategy, we intend to improve our information technology framework, upgrade and expand our database, hire and train additional information technology professionals and integrate our existing information technology systems. See “— Our Strategy — Enhance Our Information Technology Systems.”

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INSURANCE

As a container shipping service provider, we face a number of inherent risks in our ordinary course of business, such as vessel mechanical failure, collision, property loss, cargo loss or damage, business interruption due to political circumstances in foreign countries, hostilities (including war and terrorism), tsunamis or other natural disasters, and labor strikes. In addition, certain marine disasters, including oil spills and other environmental mishaps, may subject us to liabilities. In order to mitigate those risks and unexpected liabilities associated with them, we maintain various insurance policies to cover risks on our self-owned and chartered vessels, crew, cargos and other properties. In 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, our aggregate insurance premium amounted to US\$2.1 million, US\$2.8 million, US\$2.6 million, US\$1.0 million and US\$1.5 million, respectively. We believe that the insurance coverage we currently have is in line with relevant industry standards and is adequate for us to conduct normal business operations. See “Risk Factors — Risks Relating to Our Business and Industry — Our insurance may be insufficient to cover all losses associated with our business operations.”

Hull and Machinery Insurance

We maintain marine hull and machinery insurance, provided by PICC Property and Casualty Company Limited, for our self-owned vessels. Hull and machinery insurance mainly covers the risk of partial or total loss of a vessel’s hull and machinery, general average, collision, liability arising from collision, assistance and salvage. Each of our self-owned vessels is covered up to at least fair market value (the value of which is reviewed on a regular basis). To obtain sufficient coverage while controlling our cost in respect of our hull and machinery insurance, we value and adjust the insurance value of our self-owned vessels from time to time.

Protection and Indemnity Insurance

We maintain different types of protection and indemnity insurance, or P&I Insurance, for our self-owned and chartered vessels. P&I Insurance generally covers claims against shipowners or charterers, as the case may be, arising from (i) third-party claims arising from carriage of goods for which a carrier is responsible, including loss of or damage to cargos, (ii) claims arising from cargos loss when using slots obtained from other shipowners through slot exchange or purchasing, (iii) wrecks removal, (iv) pollution arising from oil and other substances, (v) liability of a shipowner arising from crew injury or death during the operation of a vessel, (vi) damages to chartered vessel’s hull and machinery for which a charterer is responsible and (vii) fines paid to competent authorities and other related costs.

Our P&I Insurance is provided by The London Steam-Ship Owners’ Mutual Insurance Association Limited and North of England P&I Association Limited, both of which are members of the International Group Agreement of P&I Clubs. Members of the International Group Agreement arrange pooling insurance and substantive re-insurance programs, and insure a large number of the world’s ocean merchant fleets.

Container and Chassis Insurance

We currently maintain container total loss insurance policies with Ping An Property & Casualty Insurance Company of China, Ltd. and TT Club Mutual Insurance Ltd. These policies cover different geographical regions and provide coverage for property loss and damage and third-party liability. We have also purchased insurance policies for our chassis, providing coverage for property loss and damage and third-party liability.

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Other Insurance

We maintain property insurance policies for our properties and fixed assets to cover risks relating to physical damage caused by natural disasters or accidents and third-party liability. We also maintain insurance to cover risks relating to our logistics business, for example, insurance for transportation vehicles and insurance for logistics liabilities, among others.

For a discussion of the risks associated with our insurance coverage, see “Risk Factors — Risks Relating to Our Business and Industry — Our insurance may be insufficient to cover all losses associated with our business operations.”

EMPLOYEES

As of December 31, 2007, 2008, 2009 and June 30, 2010, we had a total of 509, 505, 538 and 792 full-time employees. Our jointly-controlled entities and associates had in aggregate 617 employees as of June 30, 2010. As of December 31, 2007, 2008, 2009 and June 30, 2010, we engaged 165, 177, 211 and 215 onboard crewmembers, respectively. We paid US\$0.5 million, US\$0.9 million, US\$0.9 million, US\$0.4 million and US\$0.5 million to Shandong Shipping Management in 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, respectively, for its supply of crewmembers and related services, and incurred salaries and benefits expenses of US\$2.8 million, US\$4.7 million, US\$4.6 million, US\$2.3 million and US\$2.9 million on the onboard crew members in the same periods, respectively. We do not enter into employment agreements with these onboard crewmembers. Instead, we have an arrangement with Shandong Shipping Management, a company controlled by Mr. YANG Shaopeng, to supply us with crewmembers who meet our requirements to comply with regulatory requirements that restrict an offshore shipping company from directly hiring crewmembers in the PRC and shall make such recruitment through qualified domestic crewmember service suppliers. See “Connected Transactions — Continuing Connected Transactions Exempt from Independent Shareholders’ Approval Requirement But Are Subject to the Reporting and Announcement Requirements — Provision of Ship Management Services by Shandong Shipping Management.” Shandong Shipping Management is also responsible for, among other things, conducting a check and assessment of the crewmember’s background and ability and providing necessary pre-employment training.

Haiwen & Partners, our PRC counsel, has advised us that: (i) as there is no employment relationship between our Company and these crewmembers under the foregoing arrangement, and hence the Company is not deemed the employer of the crewmembers under the relevant PRC laws and regulations; and (ii) as Shandong Shipping Management is a qualified domestic crewmember service supplier, such arrangement with Shandong Shipping Management is in compliance with the relevant PRC laws and regulations regulating the management of domestic crewmembers. Although we are not the employer of onboard crewmembers, we are subject to certain regulatory requirements under the relevant PRC labor laws and regulations. Accordingly, we are required to inform the crewmembers of their scope of work, maintain adequate safety and health insurance for the crewmembers and adopt sufficient protection measures for crewmembers who work under high-risk environment.

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The table below shows the numbers and percentages of our full-time employees by function as of June 30, 2010:

| | As of June 30, 2010 | |
|--|---------------------|----------------------|
| | Number of employees | % of total employees |
| Management | 186 | 23.5% |
| Operations | 377 | 47.6 |
| Sales and marketing | 110 | 13.9 |
| Finance | 79 | 10.0 |
| Administration and human resources | 24 | 3.0 |
| Information technology | 12 | 1.5 |
| Others | 4 | 0.5 |
| Total | <u>792</u> | <u>100.0%</u> |

We have made contributions to mandatory social security funds for our PRC employees to provide for retirement, medical, work-related injury, maternity and unemployment benefits, as well as housing funds, as required by the applicable PRC laws and regulations.

We have adopted a share option scheme for our senior management and employees. For more information, see Appendix VIII — “Statutory and General Information — D. Other Information — 1. Share Option Scheme” to this prospectus. As of the date of this prospectus, we have not granted any share option under our Share Option Scheme to any person.

Under the Pre-IPO Share Option Scheme, certain members of our management have been granted options to subscribe for Shares. The principal terms and particulars of grantees of the Pre-IPO Share Option Scheme are summarized in Appendix VIII — “Statutory and General Information — D. Other Information — 2. Pre-IPO Share Option Scheme” to this prospectus.

PROPERTY

Our PRC principal executive offices are located in Shanghai, China. We also have offices in 31 cities across the PRC, Hong Kong, Japan and Korea. We have contracted to purchase the land use right and buildings of our principal executive offices, and leased most of our other offices from Shandong SITC and unrelated third parties.

Owned Property

We have contracted to purchase from Shanghai Zhangjiang Semiconductor Industry Park Co., Ltd. (上海張江集成電路產業區開發有限公司), an independent third party, the land use right of the premises and the buildings of our principal executive offices located in Shanghai, with an aggregate gross floor area of approximately 3,526 square meters. We have paid RMB56.6 million (US\$8.3 million), representing approximately 80% of the total purchase price. Pursuant to the relevant purchase agreement, we expect to obtain the relevant long-term title certificates by the end of 2010 upon payment of the 20% remaining purchase price. Haiwen & Partners, our PRC counsel, has advised us that there is no legal impediment for us to obtain the relevant long-term title certificates after such payment is made. In addition, we own one property with an aggregate gross floor area of approximately 47 square meters in Japan for residential use.

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Leased Property

As of the Latest Practicable Date, we leased one parcel of land with an aggregate site area of approximately 5,000 square meters. We also leased three buildings and 55 units with an aggregate floor area of approximately 15,413 square meters from various third parties and Shandong SITC in the PRC, Hong Kong, Japan and Korea. These properties are used primarily for offices, residential and related purposes.

Of the properties we lease from Shandong SITC, Shandong SITC does not hold the building ownership certificate for office buildings with an aggregate gross floor area of approximately 548 square meters, representing 3.6% in terms of floor area of total leased properties. However, Shandong SITC has obtained the land use right certificate for the premises of the office building. In addition, we have obtained an undertaking from Shandong SITC to indemnify our loss resulting from any dispute in relation to its title to the leased property.

Of all the properties we lease from third-party lessors, the lessors of four leased properties, which are used as offices, with a total gross floor area of approximately 363 square meters, representing 2.4% in terms of floor area of total leased properties, have not provided or have not been able to produce the proper building ownership certificate to these properties. We have obtained letters from each of these lessors confirming its rights on these leased properties and their undertakings to indemnify our loss resulting from any dispute in relation to its title to the leased property. We currently have no contingency plan if we are ordered to relocate our operations from the relevant buildings, as we believe that these four leased properties are not crucial to our operation and the lack of the building ownership certificate to these properties does not and will not have a material adverse effect on our business, results of operations and financial condition for the following reasons: (i) such properties are not used directly in any revenue generating activities; (ii) they represent only 2.4% of our total leased properties; and (iii) we believe we can, if necessary, relocate to alternative premises without incurring material expense or significantly affecting our operations.

Property Valuation and Valuation Report

Jones Lang LaSalle Sallmanns Limited, an independent valuer, has valued the property interests we owned as of July 31, 2010 at RMB783,000 (US\$0.1 million). See Appendix IV — “Property Valuation Report” to this prospectus for the basis and methodologies used for the valuation.

SHIP SAFETY AND MANAGEMENT

Safety Management System

We have complied with international treaties that govern transportation safety and environmental protection. Among other international treaties, the International Management Code for the Safe Operation of Ships and for Pollution Prevention, or the ISM Code, provides an international standard for the safe management and operation of vessels and for pollution prevention. The ISM Code requires international shipping management companies to be granted a document of compliance. It also requires every vessel engaged in international trade to be issued with a Safety Management Certificate, verifying that the shipping company and its shipboard safety management operate in accordance with the approved safety management system.

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Our vessels are currently being managed by Shandong Shipping Management. As of June 30, 2010, Shandong Shipping Management had obtained the document of compliance and each of our self-owned vessels has obtained the Safety Management Certificate. To monitor safety management and environmental compliance of our company, Shandong Shipping Management has implemented a number of measures, including:

- placing a number of departments in charge of safety and environmental compliance;
- conducting periodic inspections based on the requirements of the ISM Code; and
- regularly updating staff members responsible for safety management and environmental compliance to keep them abreast of the latest regulatory developments.

We are in the process of applying for all necessary qualifications for our newly established ship management subsidiary to manage our vessels, including the document of compliance. See “Our History and Reorganization — Reorganization in Anticipation of the Global Offering — Restructuring of Subsidiaries and Joint Ventures in the PRC — Ship Management Services.” We currently expect to obtain the document of compliance by the end of 2010. We plan to adopt safety management and environmental compliance policies similar to Shandong Shipping Management when our own ship management subsidiary is established.

Repair and Maintenance

As of June 30, 2010, each of our 15 self-owned container vessels has been granted classification by the China Classification Society, Nippon Kaiji Kyokai, American Bureau of Shipping or International Ship Classification. In order to maintain the safe operation of our vessels, we arrange regular and ad-hoc inspections by approved surveyors in accordance with the requirements for granting the relevant classification. These inspections include special inspections every five years, interim inspections about every two and a half to three years, annual inspections and ad-hoc inspections following an accident or whenever necessary. A special inspection and an interim inspection will usually render the vessel out of operation and dry-docked for two weeks for below water-line inspection, while an annual inspection can be carried out when our vessels call at ports. Generally, the strictness and thoroughness of the ad-hoc inspection procedures depend on the vessel’s condition at the time of inspection and the reason for carrying out such inspection. We conducted special or interim inspection of four, two and seven vessels in 2007, 2008 and 2009, respectively. Our repair and maintenance expenses were US\$2.8 million, US\$2.9 million and US\$4.5 million, respectively, in the same periods. Six of our 15 self-owned vessels are subject to special or interim inspection in 2010. In addition, under certain regional and international port state control memoranda of understanding, our vessels are required to be inspected by the port state and repaired immediately if necessary to comply with the relevant international regulations.

ENVIRONMENTAL PROTECTION

Our operations are subject to various environmental laws and regulations that regulate sewage, oil, air and other types of pollutions in connection with our business. As discussed in “— Ship Safety and Management,” our safety and environmental protection policies are compliant with the provisions of ISM Code. Each of our 15 self-owned container vessels has been granted International Sewage Pollution Prevention Certificate, International Oil Pollution Prevention Certificate and International Air Pollution Prevention Certificate. We have also obtained insurance against liability arising from potential oil spills and other environmental accidents. In particular, we are subject to PRC environmental laws and regulations. See “Supervision and Regulations — Regulations on Environmental Protection” in this prospectus. Since the commencement of our operations, we have not been subject to any material fines or legal action arising from non-compliance with environmental regulations. In 2007, 2008, 2009 and the six months ended

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June 30, 2009 and 2010, our expenses for compliance with environmental laws and regulations were US\$0.2 million, US\$0.5 million, US\$0.4 million, US\$0.2 million and US\$0.2 million, respectively. We currently expect to incur US\$0.4 million of such expenses in 2010. As of the Latest Practicable Date, our Directors confirm that we have not received any written notice from any environmental regulatory authority in respect of any action in the jurisdictions where we operate.

INTELLECTUAL PROPERTY RIGHTS

We own trademark “SITC” registered in Australia and Turkey, trademarks “海豐” and “海丰” registered in Hong Kong and trademark “海丰” in Singapore. We also have a non-exclusive license to use “SITC,” “新海丰” and the “SITC” logo which have been registered as trademarks by Shandong SITC in the PRC and ten other countries and regions.

In addition, we have 61 registered domain names, including www.sitc.com, www.sitc.com.cn, and www.sitc.cn. We own software copyright to our existing business operation IT system, SLMIS system. See the paragraph headed “Intellectual Property Rights of the Group” in Appendix VIII — “Statutory and General Information” to this prospectus and “Connected Transactions.”

LEGAL PROCEEDINGS

The shipping logistics business carries the inherent risks of marine and other accidents, which could result in property loss as well as bodily injuries or loss of lives. As a result, from time to time, we have been involved in litigations and arbitrations relating to claims associated with the carriage of cargos, such as damaged or lost cargos or delayed delivery and collisions of vessels, among other things, during the course of our business. See “Risk Factors — Risks Relating to Our Business and Industry — Major litigation may affect our business.”

In May 2008, our vessel, SITC Yantai, collided with a Japanese vessel, Kaiju Maru, at Hakata Port of Japan. The accident was investigated by the Marine Accident Inquiry Agency of Japan, and its branch in Moji preliminarily determined in November 2008 that we are fully liable for the accident. We appealed to its appellate division in Tokyo, and the final ruling has not yet been announced. The claims raised by the plaintiffs against our Company totaled JPY445.6 million (US\$5.3 million). Each of The London Steam-Ship Owners’ Mutual Insurance Association Limited, our P&I insurer, and PICC Property and Casualty Company Limited, our hull and machinery insurer, has undertaken in writing to settle these claims, should we lose the case, subject to the aggregate deductibles of US\$20,500. See “Risk Factors — Risks Relating to Our Business and Industry — Our insurance may be insufficient to cover all losses associated with our business operations.” The Directors confirm that the claim would be covered by insurance even if we lose the appeal, pursuant to the terms of the insurance policies and the undertaking letters issued by the insurance companies. As of the Latest Practicable Date, we were also involved in two other pending legal proceedings, both of which were initiated by our Company. The aggregate amount of these two other pending claims was US\$0.1 million. However, we believe that these legal proceedings will not have a material adverse effect on our business, financial condition or operating results.

We have appointed legal specialists to supervise our overall legal compliance. We also from time to time provide training on regulatory requirements to our employees, and remain in close contact with the relevant regulatory authorities with a view to keeping updated on any major regulatory developments that may have a significant impact on our business and operations.

We are subject to a wide variety of laws and regulations in the ordinary course of our business operations. See “Supervision and Regulation.”

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately after completion of the Global Offering, Mr. YANG Shaopeng, our Chairman, will through Better Master and Resourceful control the exercise of voting rights with respect to more than 30% of the Shares eligible to vote in the general meetings of our Company (assuming the Over-Allotment Option is not exercised). Apart from our Company, Mr. YANG Shaopeng controls a number of companies, which, other than Shandong SITC (in which he and his spouse have a 62.5% interest as of the Latest Practicable Date) are primarily engaged in the business of property development. Our Directors are of the view that the businesses conducted by these other companies controlled by Mr. YANG Shaopeng are not in competition with the business of our Company.

The following table sets forth the companies in which Mr. YANG Shaopeng holds an equity interest, the principal business of these companies and the beneficial interest held by Mr. YANG Shaopeng in these companies as of the Latest Practicable Date:

| <u>Name</u> | <u>Principal business</u> | <u>% of beneficial interest held by YANG Shaopeng</u> |
|---|---|---|
| Better Master | Investment holding | 100.0% ⁽¹⁾ |
| Resourceful | Investment holding | 76.7 |
| Qingdao Pengli Industrial Co., Ltd. (青島鵬利實業有限公司) | Investment holding | 100.0 ⁽²⁾ |
| Laiwu Xueye Laguna Hills Holiday Resort Co., Ltd. (萊蕪雪野海逸山莊度假有限公司) | Property and resort development | 100.0 ⁽²⁾ |
| Shandong Hua Chuang Investment Co., Ltd. (山東華創投資有限公司) | Property development | 100.0 ⁽²⁾ |
| Shandong SITC | Dry bulk, ship owning and management, and crew management | 62.5 ⁽²⁾ |

(1) Held through the family trust of Mr. YANG Shaopeng.

(2) Held jointly with Ms. LIU Rongli, Mr. YANG Shaopeng's spouse.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, we are satisfied that we can carry on our business independently of the companies controlled by Mr. YANG Shaopeng (other than our Company) after completion of the Global Offering.

Delineation of Businesses

Shandong SITC is primarily engaged in investment holding, ship owning, ship management, crew management and the operation of bulk vessels. The Directors confirm that other than the continuing connected transactions which were entered into at our request to comply with regulatory requirements, Shandong SITC is not engaged in any business which is in competition with the business of our Company. All other companies controlled by Mr. YANG Shaopeng are engaged in businesses which are not related to our businesses.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Shandong SITC and the other companies controlled by Mr. YANG Shaopeng were not injected into our Company as part of the Reorganization, as such businesses neither form part of our core business nor are in line with our overall strategy as being a leading shipping and logistics company, nor are restricted from being injected into our Company due to regulatory reasons.

Independent Business Operations

Our Company holds the relevant licences that are material to our business operations and we have such operation capacity of our own whether in terms of capital, equipment or employees, or customers and suppliers, which allow us to operate our businesses independently.

During the Track Record Period, our revenue attributable from the Unlisted Group comprises primarily freight charges collected by the shipping agencies of the Unlisted Group from the shippers, general services income from the sharing of IT services, and the charter fees from the mainland China-Taiwan route. At the same time, we have paid ship management fees, charter fees, property leases and management fees and shipping agency fees to the Unlisted Group.

We have entered into long-term leases and property management agreements with the Unlisted Group to ensure our continuous use and service of the relevant properties. As we have established our own shipping agency and are in the process of establishing a ship management company to provide shipping agency services and ship management services to the vessels we own and operate, we will not be relying on the Unlisted Group for such services going forward. Although Shandong Shipping Management will continue to provide us with crew management services, we are not bound to only use the services of Shandong Shipping Management. We can hire Chinese crew through other qualified PRC domestic crewmember service suppliers or we can explore the feasibility of hiring crews of other nationalities.

We also have a long-term agreement with the Unlisted Group on the operation of the mainland China-Taiwan route. Given that the charter fee under the vessels charter agreement for the mainland China-Taiwan route only accounted for approximately 4.32% of our revenue for 2009, our Directors are of the view that the fees generated from this route is not of material importance to our operation.

Based on the above, our Directors are of the view that our Company is capable of operating independently of the Unlisted Group notwithstanding the various services being provided by and to the Unlisted Group.

Save as disclosed above, none of the Directors has any interest in a business which competes or is likely to compete, whether directly or indirectly, with our Company's business.

Financial Independence

We have an independent financial system and make financial decisions according to our own business needs. The Directors confirm that as of the Latest Practicable Date, there are no loans or guarantees provided by the Controlling Shareholders or their associates to us or for our benefit, and there are no loans or guarantees provided by us to the Controlling Shareholders or their associates. Therefore, there is no financial dependence on the Controlling Shareholders or their associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Management Independence

The Board currently comprises five executive Directors, one non-executive Director and four independent non-executive Directors. Other than Mr. YANG Shaopeng and Mr. LIU Kecheng, none of the other executive Directors holds any directorship or senior management role in the Unlisted Group. The executive Directors and non-executive Director of our Company and the directors of Shandong SITC are as follows:

| Name | Directorship in our Company | Directorship in Shandong SITC |
|-------------------|-----------------------------|-------------------------------|
| YANG Shaopeng | Executive Director | Director |
| YANG Xianxiang | Executive Director | — |
| LIU Kecheng | Executive Director | Director |
| LI Xuexia | Executive Director | — |
| XUE Peng | Executive Director | — |
| LIU Rongli | Non-Executive Director | Director |
| LV Jianying (吕剑瑛) | — | Director |

Mr. YANG Shaopeng is the chairman and majority shareholder of Shandong SITC and our Company, and Ms. LIU Rongli is the spouse of Mr. YANG Shaopeng. Going forward, Mr. YANG Shaopeng expects to spend substantially all of his working hours on the business and affairs of our Company and will only spend a minimal amount of time in the Unlisted Group. Mr. LIU Kecheng is the CFO of Shandong SITC and is at the same time our executive Director. Given that the daily financial and accounting matters in relation to Shandong SITC are being taken care of by the accounting staffs of Shandong SITC and Mr. LIU is only required to provide supervision and guidance on more important matters, Mr. LIU expects that he will be able to spend substantially all of his working hours on the business and affairs of our Company and will only spend a minimal amount of time in the Unlisted Group to maintain a degree of continuity.

Since the day-to-day management of our Company is delegated to a team of executive Directors and senior management, comprising, apart from Mr. YANG Shaopeng and Mr. LIU Kecheng, our three executive Directors Mr. YANG Xianxiang, who as our chief executive officer is in charge of the management and the decision-making process of our Company, Ms. LI Xuexia who is our Director of Human Resources & IT and Mr. XUE Peng who is our chief financial officer, and our six senior management team members comprising Mr. XU Weili, our director of safety operations and person-in-charge of our internal audit, Mr. XIAO Senyuan, president of SITC Development Group Co., Ltd., Mr. XUE Mingyuan, president of SITC Container Lines, Mr. JI Bin, president of SITC Logistics, Mr. YU Jian, general manager of SITC Shipping Agency (Shanghai) Co., Ltd. and Mr. JI Wenguang, general manager of SITC Brokers Co., Ltd., we are of the view that the fact that Mr. YANG Shaopeng and Mr. LIU Kecheng spend a minimal amount of time in the Unlisted Group will have no material effect on the efficient and effective management of our Company.

With respect to their duties as Directors of our Company, both Mr. YANG Shaopeng and Mr. LIU Kecheng, and Ms. LIU Rongli, our non-executive Director, the spouse of Mr. YANG Shaopeng, will not participate in the deliberations and voting at the Board on those occasions where the Board may have to consider transactions or matters where the counterparty involved is a member of the Unlisted Group. However, such situations will not often arise, and if they do occur, there will be sufficient other members on our Board, including our three other executive Directors

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

and our four independent non-executive Directors, with the requisite qualifications, integrity and experience and impartiality and absence of any conflict of interest or duty, who would be able to fully discharge their duties to the Company as directors of the Company. Please refer to the section entitled “Directors and Senior Management” for a summary of the relevant experience and qualifications of our Directors.

Mr. YANG Shaopeng and Mr. LIU Kecheng have each confirmed to us, as Directors of the Company, that they will not use any information obtained as Directors of our Company so as to further the business of any member of the Unlisted Group and will maintain strict confidentiality of such information vis-à-vis members of the Unlisted Group.

DEED OF NON-COMPETITION

We entered into the Deed of Non-Competition with our Controlling Shareholders, Mr. YANG Shaopeng, Better Master and Resourceful on September 10, 2010 to clearly delineate the businesses of our Company and the businesses of the Unlisted Group with effect from the Listing Date and with a view to enhancing the corporate governance of our Company in connection with its listing on the Hong Kong Stock Exchange. The Deed of Non-Competition also provides us with option rights over certain retained shareholding stakes and assets which we are currently unable to acquire under applicable laws and regulations.

Pursuant to the Deed of Non-Competition, our Controlling Shareholders have undertaken to us that they will not, and that they will procure that their associates will not, solely or jointly or in cooperation with other parties, without our prior written consent based on an affirmative vote of a majority of the members of an Independent Board Committee comprising the then-serving independent non-executive Directors who do not and are not deemed to have any material interest in the relevant matter (i) hold and/or be interested in, either directly or indirectly, any shares or securities or interest in any company or other business entity which engages or is involved in, directly or indirectly, any Restricted Shipping Business; or (ii) otherwise directly or indirectly engage or be involved or participate or invest in or provide other support, financial or otherwise, to any company or other business entity which engages or is involved in, directly or indirectly, any Restricted Shipping Business.

The following businesses in which Mr. YANG Shaopeng, a Controlling Shareholder, or his associates is interested have not been included in our Company and are excluded from the non-compete covenants under the Deed of Non-Competition on the following terms.

- (a) 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,” these vessels are being used to operate such routes on terms that permit us to enjoy the charter fee revenues derived from such operation.

Under the Deed of Non-Competition, we have agreed to an exemption from the non-compete covenants in respect of such operation of the two vessels but only to the extent they continue to be leased from us in such manner or they continue to be operated in any other manner from time to time agreed by us in accordance with all relevant requirements under the Listing Rules. Our Controlling Shareholders have, with respect to the mainland China-Taiwan routes, also covenanted to us that as and when applicable laws and regulations permit us ourselves directly to operate such routes and we elect to do so, they will, from such time, cease to participate in any manner in the provision of any container marine transportation services in relation to Taiwan.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) Shandong Steamship, a 100% subsidiary of Shandong SITC, 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 June 2, 1994 and effective as of January 1, 1995, only Chinese enterprises which are owned by Chinese 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 December 31, 2012. See “Connected Transactions” for details.

Under the Deed of Non-Competition, we have agreed to an exemption from the non-compete covenants in respect of such continued ownership of this vessel but only to the extent it continues to be leased to us in such manner or it continues to be held in any other manner from time to time agreed by us in accordance with all relevant requirements under the Listing Rules. Shandong Steamship and its controlling shareholder, Shanghai Steamship have also granted to us a pre-emptive right to purchase Shandong Steamship’s assets, or all of Shanghai Steamship’s entire equity interest in Shandong Steamship as the case may be, at a fair market value, being a right exercisable by SITC Container Lines at any time when the applicable laws and regulations have been liberalized so as to permit SITC Container Lines to carry out such acquisition, and subject to our compliance with the relevant requirements under the Listing Rules and obtaining all other necessary approvals and consents required for such acquisition.

- (c) Yellow Sea Ferry Co., Ltd., a company in which Shandong SITC has a 4% interest and which has discontinued its business and is currently being dissolved, and Xiaguan 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.

With respect to Xiaguan Ferry, we consider that that there is no business reason for such business to be injected into our Company for the following reasons: (i) there is no natural fit between our business which is focused on container shipping services and the business of providing ferry services to individual travelers; (ii) we understand that no dividends have been received from Xiaguan Ferry; (iii) Shandong SITC has only a 20% stake in Xiaguan Ferry, and is not in a position to control or influence its business strategy or decisions, and if we took over such position we would likewise be unable to align its operations with the operations of the rest of our Company; (iv) the percentage level of investment would not permit consolidation of its results; and (v) Shandong SITC does not participate in the management of Xiaguan Ferry.

Under the Deed of Non-Competition, we have agreed to an exemption from the non-compete covenants in respect of such continued ownership. However, this is subject in the case of Xiaguan Ferry to the requirement, and the Controlling Shareholders have under the Deed of Non-Competition covenanted, that in the event that Xiaguan Ferry commences to carry on business that will compete with the Restricted Shipping Business of our Company, they will use commercially reasonable efforts to divest their investment in Xiaguan Ferry including to obtain the necessary approvals and consents for the divestment.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (d) Shandong Shipping Management, a subsidiary of Shandong SITC, which is principally engaged in ship management services, will continue to provide ship management services to us until our own ship management subsidiary, Shanghai SITC Shipping Management, is established and obtained all necessary qualifications and registrations for operating ship management business whereupon Shandong Shipping Management will focus on the provision of crew management services to our Company and ship management services to Shandong SITC. See “Connected Transactions” of this prospectus for details.

Under the Deed of Non-Competition, we have agreed to an exemption from the non-compete covenants in respect of such continued provision of ship management services. Our Controlling Shareholders have covenanted to us that as and when applicable laws and regulations permit us ourselves directly to provide crew management services and we elect to do so, they will, from such time, cease to participate in any manner in the provision of such services.

- (e) We have invested in companies in which Shandong SITC currently also has shareholding (whether or not such companies are our subsidiaries). These companies are companies in which we have already, to the extent economically meaningful, maximized our shareholding percentage to the highest extent permitted under current laws and regulations.
- (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 majority PRC-owned companies. 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. The establishment of the joint venture is being approved by the relevant PRC authorities and we expect to complete the establishment of SITC Shipping (Shanghai) Co., Ltd. by the end of 2010. Subject to obtaining approvals from the MOT, SITC Shipping (Shanghai) Co., Ltd. will engage in businesses, including domestic container shipping business, which may only be carried out by majority PRC-owned companies. Due to current PRC regulations restricting the operation of domestic container shipping business within the PRC to majority Chinese-owned companies, we are only able to take a minority interest in SITC Shipping (Shanghai) Co., Ltd.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The following table sets forth the respective interests of our Company and Shandong SITC in the companies in which each of our Company and Shandong SITC owns interest, and the revenue and net profit contributions of these companies to us in the periods indicated:

| Company | Our interest ⁽¹⁾ (%) | Shandong SITC's interest ⁽²⁾ (%) | Year ended December 31, | | | | | | Six months ended June 30, | |
|---|------------------------------------|--|-------------------------|--------|---------|--------|---------|--------|---------------------------|--------|
| | | | 2007 | | 2008 | | 2009 | | 2010 | |
| | | | Revenue | Profit | Revenue | Profit | Revenue | Profit | Revenue | Profit |
| (in thousands of US\$, except percentages) | | | | | | | | | | |
| SITC Shipping (Shanghai) Co., Ltd. ⁽³⁾ (上海海嵐豐航運有限公司) | 49 | 51 | — | — | — | — | — | — | — | — |
| SITC Shipping Agency (Qingdao) Co., Ltd. ⁽⁴⁾ (青島新海豐國際船舶代理有限公司) | 49 | 51 | 55,816 | 66 | 41,655 | 116 | 32,984 | 55 | 15,373 | 7 |
| SITC Shipping Agency (Shanghai) Co., Ltd. ⁽⁴⁾ (上海新海豐國際船舶代理有限公司) | 49 | 51 | 7,102 | 263 | 11,690 | 319 | 537 | 216 | 347 | 94 |
| SITC Shipping Agency (Tianjin) Co., Ltd. (天津新海豐國際船舶代理有限公司) ⁽⁴⁾ | 49 | 51 | 20,014 | (14) | 30,675 | (172) | 20,502 | 121 | 11,687 | 75 |
| Shandong Hanjin Logistics Co., Ltd. ⁽⁵⁾ (山東韓進集裝箱儲運有限公司) | 30 | 10 | 1,085 | 348 | 1,264 | 406 | 1,189 | 365 | 721 | 229 |
| Total contribution (%) | | | 14.6% | 1.7% | 11.0% | 1.9% | 8.0% | 2.3% | 7.0% | 0.8% |

- (1) Held through SITC Container Lines, except for our interest in Shandong Hanjin Logistics Co., Ltd., which is held through SITC Logistics (HK) Limited.
- (2) Held through Shanghai SITC Investment, except for Shandong SITC's interest in Shandong Hanjin Logistics Co., which is held through Qingdao SITC Investment.
- (3) The company is in the process of being established. The Catalogue of Industries for Guiding Foreign Investment (Revised 2007) (外商投資產業指導目錄(2007年修訂)) was jointly promulgated by the MOFCOM and the State Development and Reform Commission on October 31, 2007 and came into effect as of December 1, 2007, which stipulated that the majority equity interest of the foreign investment enterprise (FIE) that engaged in the shipping business within the territory of the PRC, including the operation of domestic container shipping business, shall be controlled by the PRC partner(s). As SITC Shipping (Shanghai) Co., Ltd. (上海海嵐豐航運有限公司) plans to engaged in the operation of domestic container shipping business, Haiwen & Partners, our PRC counsel, has advised us that the Company is restricted from holding or acquiring the remaining 51% equity interests in SITC Shipping (Shanghai) Co., Ltd. (上海海嵐豐航運有限公司) held by the Unlisted Group under the current relevant PRC regulations.
- (4) According to the IMT Regulations and the Administrative Provisions for Foreign Investment in the International Maritime Transportation Industry (外商投資國際海運業管理規定) jointly promulgated by the MOFCOM and the MOT on February 25, 2004 and came into effect as of June 1, 2004 and the relevant terms of the effective CEPA upon the establishment of the joint ventures engaged in the international shipping agency business, any FIE that engaged in the international shipping agency shall be an equity joint venture or a contractual joint venture, and the majority of such FIE shall be held by its Chinese partner(s). Therefore, Haiwen & Partners, our PRC counsel, has advised us that, based on the effective regulations upon the establishment of such joint ventures, our Company was not allowed to acquire any further interests in Qingdao SITC, SITC Shipping Agency (Shanghai) Co., Ltd. and SITC Shipping Agency (Tianjin) Co., Ltd.
- (5) As a condition for Hanjin Shipping Co., Ltd., the 60% shareholder in Shandong Hanjin Logistics Co., Ltd., granting to us its consent for our Company to acquire a 30% interest in Shandong Hanjin Logistics Co., Ltd., Shandong SITC is required to maintain a 10% interest in Shandong Hanjin Logistics Co., Ltd. to keep it as a Chinese-foreign joint venture.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Under the Deed of Non-Competition, we have agreed to an exemption from the non-compete covenants in respect of such continued ownership subject to, and the Controlling Shareholders have under the Deed of Non-Competition granted us, a right to acquire the shareholding of Shandong SITC in such companies, exercisable at any time when the applicable laws and regulations have been liberalized so as to permit us to carry out such acquisition, and subject to our compliance with the relevant requirements under the Listing Rules and obtaining all other necessary approvals and consents required for such acquisition.

Pursuant to the Deed of Non-Competition, our Controlling Shareholders have also undertaken that if they or any of their associates becomes aware of any business opportunity relating to any Restricted Shipping Business, they will use commercially reasonable efforts to notify us of such business opportunity as soon as they become aware of the same, and will assist our Company in pursuing such business opportunity. To the extent that such business opportunity relating to any Restricted Shipping Business is being made available by a third party to any of our Controlling Shareholders or their associates, they will use commercially reasonable efforts to procure that such business opportunity is offered to us or (as the case may be) another member of our Company on such terms and conditions which are no less favorable than those offered to any of the Controlling Shareholders and their associates. A decision not to take up any business opportunity referred to us must be approved by an affirmative vote of a majority of the members of an Independent Board Committee constituted in the manner described above. The decision on whether or not to accept a business opportunity or on any matters arising under the terms of the Deed of Non-Competition will be made solely by the Independent Board Committee, without attendance by any other executive Directors or non-executive Directors (except as invited by our independent non-executive Directors) to assist them. When considering a business opportunity, our independent non-executive Directors will take into account the written proposal prepared by our management regarding such business opportunity and consider the available resources of the Company, the nature of the funding requirement, the anticipated rate of return, the synergies with existing business operations and strategy of our Company and whether the terms are on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole.

Our independent non-executive Directors may from time to time commission at the cost of the Company the assistance of external professional advisors (including independent financial advisors) as they consider necessary or desirable to advise them regarding the terms of any business opportunity or such other matters that may arise under the terms of the Deed of Non-Competition.

For the purposes of the Deed of Non-Competition, the associates of our Controlling Shareholders shall be determined by applying the definition of “associate” in the Listing Rules but, for the avoidance of doubt, disregarding our Company or any of our subsidiaries or the interests of our Company or any of our subsidiaries, and the associates of our Company shall be determined by applying the definition of “associate” in the Listing Rules and shall include any member of our Company but disregarding any holding company of our Company or any fellow subsidiary of any such holding company or the interests of any such holding company or fellow subsidiary.

The undertakings given by our Controlling Shareholders under the Deed of Non-Competition are effective from Listing Date and terminate on the earlier of (i) the date on which our Controlling Shareholders, through shares held directly or through associates, cease to be our controlling shareholders as defined in the Listing Rules and (ii) the date on which our Shares cease to be listed on the Hong Kong Stock Exchange.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our independent non-executive Directors will consider on an annual basis whether or not they consider the Controlling Shareholders have complied with the terms set out in the Deed of Non-Competition. We will disclose in our annual report decisions on or determinations with basis in relation to matters reviewed by any Independent Board Committee constituted in the manner described above regarding (a) the business opportunities offered by any of the Controlling Shareholders to us; and (b) whether any activity or business or proposed activity or business of any of the Controlling Shareholders or their associates, directly or indirectly, competes or may lead to competition with our Restricted Shipping Business.

To ensure our independent non-executive Directors are able to monitor the Deed of Non-Competition, each of our Controlling Shareholders has undertaken in the Deed of Non-Competition to provide and to procure the provision to us (or our independent financial advisers), all information necessary for the enforcement of the undertakings contained therein. Each of our Controlling Shareholders has further undertaken to make a statement in our annual report confirming their compliance with the terms of the Deed of Non-Competition.

CONNECTED TRANSACTIONS

OVERVIEW

We have entered into a number of agreements with Shandong SITC in respect of the licensing of certain Trademarks by Shandong SITC to us, the leasing of certain properties by Shandong SITC to us, the provision and receipt of general services by us to and from Shandong SITC, the operation of joint ventures established by Shandong SITC and us and the chartering of certain vessels by us to Shandong SITC. As Shandong SITC and us are under common control by Mr. YANG Shaopeng, a Controlling Shareholder, it is a connected person of our Company. Therefore, any transactions entered into between Shandong SITC, on the one hand, and our Company, on the other hand, constitute connected transactions for our Company under the Listing Rules upon the listing of our Shares on the Hong Kong Stock Exchange.

Details of the connected transactions of our Company upon the listing of our Shares on the Hong Kong Stock Exchange are as follows:

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

Licensing of Trademarks by Shandong SITC to Our Company

Prior to the Listing Date, our Company has been using the "SITC," "新海丰," "海之丰" and "SITC" logo for our sea freight logistics and land-based logistics businesses. These logos have been registered as trademarks by Shandong SITC.

On September 1, 2010, Shandong SITC and our Company entered into a trademark licence agreement, pursuant to which Shandong SITC has granted a non-exclusive licence to our Company the right of using the Trademarks. Shandong SITC will continue to use the Trademarks for its bulk carrier and other non-competing businesses.

The right to use the Trademarks is granted on a royalty-free basis within the valid registration period of such Trademarks. See Appendix VIII — "Statutory and General Information" to this prospectus. The trademark licence agreement is valid for a term commencing from the Listing Date and ending on December 31, 2012.

Our Company has an option to renew the trademark licence agreement, on one month's notice before the initial (or renewed) expiring date of the trademark licence agreement, for a period of three years. Upon each exercise of a renewal option by our Company, Shandong SITC will be deemed to have granted a new option to our 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 our Company.

Pursuant to the trademark licence agreement, Shandong SITC has agreed to maintain the registration of the Trademarks during the term of the trademark licence agreement, and to permit our Company to use the Trademarks which have been registered in the name of Shandong SITC in other jurisdictions, if any. Shandong SITC has the right to terminate the trademark licence agreement if and when Mr. YANG Shaopeng ceases to be the controlling shareholder of our Company.

The trademark licence agreement enables our Company to use the Trademarks in our sea freight logistics and land-based logistic businesses after the Listing Date. The Trademarks referred to above are not transferred to our Company as these Trademarks will continue to be used by Shandong SITC in relation to its business, which is different from our business.

CONNECTED TRANSACTIONS

Our Company did not pay any trademark licence fees to Shandong SITC for the three years ended December 31, 2009. Full particulars of the Trademarks are set out in Appendix VIII — “Statutory and General Information” to this prospectus.

Our Directors (including our independent non-executive Directors) are of the view that the trademark licence agreement was negotiated on an arm’s-length basis and its terms represent normal commercial terms which are fair and reasonable and in the interests of our Company and our shareholders as a whole.

Given that each of the applicable percentage ratios (other than the profit ratio) under Chapter 14 of the Listing Rules in respect of the above transaction is less than 0.1%, the transaction under the trademark licence agreement will be exempted from the reporting, announcement and the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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

Prior to the Listing Date, Shandong SITC had leased a property to each of Smart Logistics, a 51% owned jointly-controlled entity of our 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 our Company involved | Term (year) | Approximate floor area (square meter) | 2009 annual rental (US\$) |
|----------|-----------------|---|--------------------|---|-------------------------------------|
| Qingdao | Shandong SITC | Smart Logistics | 20 | 149,229.84 | \$744,018 |
| Qingdao | Shandong SITC | SITC Transportation (Qingdao) Co., Ltd. (青島新海豐運輸有限公司) | 10 | 5,000 | 17,822 |
| | | | | Total: | <u><u>\$761,840</u></u> |

The relevant agreements for the leases of the leased properties constitute continuing connected transactions for our Company upon the listing of our Shares on the Hong Kong Stock Exchange.

In 2007, 2008, 2009 and the six months ended June 30, 2010, the rentals payable by our Company to Shandong SITC for the leasing of the properties listed above amounted to US\$511,216, US\$770,136, US\$761,840 and US\$382,609, respectively.

As the leased properties are located in a development zone, our Directors and the Sole Sponsor consider that it is normal for tenants to enter into long-term leases with the landlord in order to secure continuous usage of the properties. Our property valuer is of the view that it is common for tenants to enter into long-term contracts of 10 years or more in the vicinity of the leased properties and confirmed that the rent payable by our Company to Shandong SITC under the long-term leases is below the prevailing market rent as of July 31, 2010. Given that the long-term leases were entered into in 2003 and 2006, respectively, for a term of 10 years or longer with the rents based on the then-prevailing market rates, our Directors (including our independent non-executive Directors) consider that the rent of the leased properties is fair and reasonable, and the leases were entered into under normal commercial terms. It is expected that the annual rentals charged by Shandong SITC in relation to the leasing of the leased properties to our Company for the remaining terms of the leases will not exceed US\$715,320 and US\$17,850 per annum for

CONNECTED TRANSACTIONS

Smart Logistics and SITC Transportation (Qingdao) Co., Ltd., respectively. Given that each of the applicable ratios (other than the profit ratio) is on an annual basis less than 0.1%, the transactions under the long-term leases above constitute continuing connected transactions for our Company which are exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Based on discussions with the property valuer and our Company, the Sole Sponsor considers that the contract term is necessary and is a normal business practice for leases of land in development zones.

Property Management Services

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

Given that our 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 our Company and our 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.

In 2007, 2008, 2009 and the six months ended June 30, 2010, the aggregate amount of property management fees paid by us was US\$41,373, US\$55,786, US\$55,776 and US\$11,233, respectively. It is expected that the annual management fees to be charged by Shandong SITC in relation to the property management services agreement for 2010, 2011 and 2012 will not exceed US\$53,700, US\$40,500 and US\$27,500, respectively. The property management services fees charged by Shandong SITC on the relevant leased properties will be determined based on costs of providing the services.

Our Directors (including our independent non-executive Directors) consider that the property management fees payable for the properties are fair and reasonable, and the property management services agreement was entered into under normal commercial terms.

Given that each of the applicable ratios (other than the profit ratio) of the management fees to be paid under the property management services agreement is in aggregate less than 0.1% on an annual basis, the transactions under the property management services agreement are continuing connected transactions exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Provision of Depot Services

Prior to the Listing Date, Smart Logistics, a jointly-controlled entity which is 51% owned by our Company, had been providing depot services to the Qingdao branch of Damco Logistics, a subsidiary of Maersk, an international shipping conglomerate. As Smart Logistics is 51% owned by our Company and 49% owned by Maersk Logistics, another subsidiary of Maersk, Damco Logistics is therefore a connected person of the Company and transactions between our Company and Damco Logistics will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing.

On September 1, 2010, Smart Logistics and the Qingdao branch of 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 December 31, 2012.

CONNECTED TRANSACTIONS

In 2007, 2008, 2009 and the six months ended June 30, 2010, the service fees received by our Company in respect of the services provided to Damco Logistics amounted to US\$139,030, US\$402,115, US\$423,646 and US\$234,544, respectively. The fluctuation was due to the lower demand for depot services by Damco Logistics in 2007. It is expected that the annual amount of the services fees to be received by us in relation to the provision of the depot services will not exceed US\$425,000, US\$433,500 and US\$442,000, respectively, for 2010, 2011 and 2012. The service fees were determined with reference to the historical transaction amounts and the expected recovery and increases in trade. Our Directors consider that the services agreement has been entered into under normal commercial terms and in the ordinary course of our Company's business.

Given that each of the applicable percentage ratios (other than the profit ratio) under Chapter 14 of the Listing Rules is on an annual basis less than 0.1%, the transaction under the services agreement will be exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Bonded Warehousing Services

Prior to the Listing Date, Qingdao BLP Reko International Warehousing Co., Ltd. (青島保稅物流園區捷奧國際倉儲有限公司), a wholly-owned subsidiary of Smart Logistics, has been providing bonded warehousing services to the Qingdao branch of Damco Logistics. Damco Logistics is a connected person of the Company. See "— Provision of Depot Services." Therefore, transactions between our Company and Damco Logistics will constitute connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing.

On September 1, 2010, Qingdao BLP Reko International Warehousing Co., Ltd. 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 December 31, 2012.

In 2007, 2008, 2009 and the six months ended June 30, 2010, the service fees received by our Company in respect of the services provided to Damco Logistics amounted to US\$122,797, US\$376,295, US\$331,386 and US\$89,997, respectively. As Qingdao BLP Reko International Warehousing Co., Ltd. was established in April 2007, the amount of services fees received by our Company for 2007 was significantly lower than 2008. It is expected that the annual amount of the services fees to be received by us in relation to the provision of the bonded freight forwarding services will not exceed US\$161,100, US\$177,210 and US\$195,000, respectively, for 2010, 2011 and 2012. The service fees were determined with reference to prices of the expected trading volume of the bonded warehousing services. Our Directors consider that the services agreement has been entered into under normal commercial terms and in the ordinary course of our Company's business.

Given that each of the applicable percentage ratios (other than the profit ratio) under Chapter 14 of the Listing Rules on an annual basis less than 0.1%, the transactions under the services agreement will be exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Containers Repair Services

Prior to the Listing Date, Sinokor Engineering Co., Ltd., a subsidiary of Sinokor, had been providing containers repair services to SITC Container Lines. As Sinokor is a substantial shareholder of New SITC Korea, a non-wholly-owned subsidiary of our Company, transactions between our Company and Sinokor Engineering Co., Ltd. will constitute connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing.

CONNECTED TRANSACTIONS

On September 1, 2010, Sinokor Engineering Co., Ltd. and SITC Container Lines 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 December 31, 2012.

In 2007, 2008, 2009 and the six months ended June 30, 2010, the service fees paid by our Company in respect of the services provided by Sinokor Engineering Co., Ltd. amounted to US\$5,565, US\$32,257, US\$66,523 and US\$30,962, respectively, which was based on the number of containers repaired. It is expected that the annual amount of the services fees to be paid by us in relation to the containers repair services will not exceed US\$72,770, US\$80,047 and US\$88,052, respectively, for 2010, 2011 and 2012. The service fees were determined with reference to market prices. Our Directors consider that the services agreement has been entered into under normal commercial terms and in the ordinary course of our Company's business.

Given that each of the applicable percentage ratios (other than the profit ratio) under Chapter 14 of the Listing Rules is on an annual basis less than 0.1%, the transactions under the services agreement will be exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 our 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 our 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.

For each of 2007, 2008 and 2009, the number of our self-owned vessels under management by Shandong Shipping Management was 12.

On September 1, 2010, our Company and Shandong Shipping Management entered into a master management agreement for the provision of the management services by Shandong Shipping Management to our Company in relation to these vessels.

The master management agreement has a term commencing from the Listing Date and expires on December 31, 2012. The ship management services provided under the master management agreement will terminate upon the establishment of our own ship management subsidiary, Shanghai SITC Shipping Management. It is expected that Shandong Shipping Management will continue to provide crew management services to our 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 July 22, 2008 and effective as of October 1, 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 will focus on the provision of crew management services to our Company and ship management services to Shandong SITC.

CONNECTED TRANSACTIONS

For 2007, 2008, 2009 and the six months ended June 30, 2010, the management fees payable by our Company to Shandong Shipping Management amounted to approximately US\$503,500, US\$878,000, US\$876,000 and US\$515,850, respectively. In 2007, the number of vessels under management by Shandong Shipping Management was 9 for the first half of the year, which resulted in the lower aggregate management fee paid for that year. It is expected that the amount of annual management fees charged by Shandong Shipping Management in relation to the provision of the management services to our Company will not exceed US\$1,110,000, US\$1,320,000 and US\$1,550,000, respectively, for 2010, 2011 and 2012. The significant increase in 2010 was due to the addition of three new self-owned vessels to our fleet. The management fees were determined with reference to historical transaction amounts and the expected addition to our fleet for 2010, 2011 and 2012. Our Directors consider that the Master Management Agreement has been entered into under normal commercial terms and in the ordinary course of our Company's business.

Given that each of the applicable percentage ratios (other than the profit ratio) under Chapter 14 of the Listing Rules is on an annual basis more than 0.1% but less than 5%, the transactions under the master management agreement will be exempted from the independent shareholders' approval requirement but are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Chartering of Vessel

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

The charter fee is determined based on the relevant prevailing market rates. Separately, Shandong Steamship and its controlling shareholder, Shanghai Steamship, have also granted to SITC Container Lines a pre-emptive right to purchase Shandong Steamship's assets, or all of Shanghai Steamship's entire equity interest in Shandong Steamship, as the case may be, at a fair market value, being a right exercisable by SITC Container Lines at any time when the applicable laws have been liberalized so as to permit SITC Container Lines to carry out such acquisition, and subject to our compliance with the relevant requirements under the Listing Rules and obtaining all other necessary approvals and consents required for such acquisition. See "Relationship with Our Controlling Shareholders" for a description of the non-compete undertaking provided to us by our Controlling Shareholders, which ultimately also controls Shandong Steamship. Under the undertaking, we agreed to a limited exception in respect of the continued ownership of Hai Feng Lian Fa, subject to the charter arrangements described above or as from time to time agreed by us in accordance with all relevant requirements under the Listing Rules.

In 2007, 2008, 2009 and the six months ended June 30, 2010, charter fees paid were approximately US\$1,383,550, US\$1,395,550, US\$1,336,000 and US\$692,030, respectively, and we expect that the annual charter fee for the vessel Hai Feng Lian Fa for 2010, 2011 and 2012 will not exceed US\$1,387,000, US\$1,500,000 and US\$1,650,000, respectively. Given that each of the applicable percentage ratios (other than the profit ratio) under Chapter 14 of the Listing Rules is on an annual basis more than 0.1% but less than 5%, the transaction under the chartering agreement will be exempted from the independent shareholders' approval requirement but are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

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

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services to our 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 our Company, transactions between our Company and Sinokor will constitute connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing.

On September 1, 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 December 31, 2012.

The following table sets forth the service fees received and paid by our Company in respect of the services provided to and received from Sinokor in the periods indicated:

| Period | Service fees received from Sinokor | Service fees paid to Sinokor |
|--------------------------------------|---|---|
| | (US\$) | (US\$) |
| 2007 | \$501,769 | \$408,747 |
| 2008 | 418,649 | 445,862 |
| 2009 | 561,376 | 386,725 |
| Six months ended June 30, 2010 | 656,829 | 878,664 |

The following table sets forth the expected maximum amount of annual services fees to be received from/paid by us in relation to the mutual container marine transportation services in the years indicated:

| Year | Service fees received from Sinokor | Service fees paid to Sinokor |
|-------------|---|---|
| | (US\$) | (US\$) |
| 2010 | \$1,413,500 | \$2,165,700 |
| 2011 | 1,513,200 | 2,574,000 |
| 2012 | 1,664,520 | 2,831,400 |

The service fees were determined with reference to signed contracts and were based on market prices and anticipated trading volume for 2010, 2011 and 2012. The increases in the annual amount for 2010, 2011 and 2012 compared to that for 2007, 2008 and 2009 were due to the expected recovery in the global economy and the shipping industry. Our Directors consider that the services agreement has been entered into under normal commercial terms and in the ordinary course of our business.

Given that each of the applicable percentage ratios (other than the profit ratio) under Chapter 14 of the Listing Rules is on an annual basis more than 0.1% but is less than 5%, the transactions under the services agreement will be exempted from the independent shareholders' approval requirement but subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Mutual Shipping and Logistics Services with Qingdao SITC

Prior to the Listing Date, Smart Logistics has been providing depot services to Qingdao SITC as part of the normal and ordinary course of business of Smart Logistics. Qingdao SITC has also

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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 will constitute connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing.

On September 1, 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 December 31, 2010. The Company has established its own shipping agency in the PRC to provide the services currently being provided by Qingdao SITC.

The following table sets forth the service fees received and paid in relation to the services in the periods indicated:

| Period | Logistics service fees received from Qingdao SITC | Freight forwarding charges paid to Qingdao SITC |
|--------------------------------------|--|--|
| | (US\$) | (US\$) |
| 2007 | \$5,232,250 | \$ 876,954 |
| 2008 | 5,933,217 | 1,161,214 |
| 2009 | 6,035,937 | 1,028,374 |
| Six months ended June 30, 2010 | 2,259,100 | 495,408 |

The following table sets forth the expected maximum amount of annual services fees to be received and paid in relation to the services in 2010:

| Year | Logistics service fees received from Qingdao SITC | Freight forwarding charges paid to Qingdao SITC |
|-------------|--|--|
| | (US\$) | (US\$) |
| 2010 | \$4,000,000 | \$1,000,000 |

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.

Given that each of the applicable percentage ratios (other than the profit ratio) under Chapter 14 of the Listing Rules is on an annual basis more than 0.1% but less than 5%, the transactions under the services agreement will be exempted from the independent shareholders' approval requirement but subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

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 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 our Company and Maersk Shipping will constitute connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing.

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

The following table sets forth the service fees received and paid by our Company in respect of the mutual services in the periods indicated:

| Period | Logistics service fees received by our Company | Container shipping service fees paid to Maersk Shipping |
|--------------------------------------|--|---|
| | (US\$) | (US\$) |
| 2007 | \$3,239,167 | \$50,129,320 |
| 2008 | 2,873,535 | 40,513,858 |
| 2009 | 2,934,378 | 21,086,377 |
| Six months ended June 30, 2010 | 1,321,515 | 13,640,034 |

The following table sets forth the expected maximum annual amount of the services fees to be received and paid by us under the mutual services agreement in the periods indicated:

| Year | Logistics service fees received by our Company | Container shipping service fees paid to Maersk Shipping |
|------------|--|---|
| | (US\$) | (US\$) |
| 2010 | \$2,914,384 | \$21,235,465 |
| 2011 | 2,994,933 | 21,967,722 |
| 2012 | 3,075,481 | 22,699,979 |

The service fees were determined with reference to the historical transaction amounts between Smart Logistics and Maersk Shipping and the anticipated business volume for 2010, 2011 and 2012. The increases in the annual amount for 2010, 2011 and 2012 compared to that for 2007, 2008 and 2009 was due to the expected recovery in the global economy and the shipping industry. Our Directors consider that the mutual services agreement has been entered into under normal commercial terms and in the ordinary course of our business.

Given that each of the applicable percentage ratios (other than the profit ratio) under Chapter 14 of the Listing Rules is on an annual basis more than 5%, the transactions under the services agreement will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mutual Services Agreement with TVL

Prior to the Listing Date, SITC Container Lines, a subsidiary of our Company, has been providing container shipping services to TVL and TVL has been providing container shipping agency services to our 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 our Company, transactions between our Company and TVL will constitute connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing.

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

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The following table sets forth the service fees received and paid by our Company in respect of the services provided to and received from TVL in the periods indicated. The fluctuation of these amounts was due to changes in demand for shipping services as a result of international economic changes:

| Period | Service fees received from TVL | Service fees paid to TVL |
|--------------------------------------|-----------------------------------|-----------------------------|
| | (US\$) | (US\$) |
| 2007 | \$14,037,000 | \$368,000 |
| 2008 | 18,600,000 | 401,000 |
| 2009 | 14,978,000 | 443,000 |
| Six months ended June 30, 2010 | 8,351,949 | 216,133 |

The following table sets forth the expected maximum amount of annual services fees to be received from/paid by us in relation to the services agreement in the periods indicated:

| Year | Service fees received from TVL | Service fees paid to TVL |
|------------|-----------------------------------|-----------------------------|
| | (US\$) | (US\$) |
| 2010 | \$16,450,000 | \$480,500 |
| 2011 | 18,100,000 | 527,000 |
| 2012 | 20,000,000 | 580,000 |

The service fees were determined with reference to the historical transaction amounts and the anticipated business volume for 2010, 2011 and 2012. The increases in the annual amount for 2010, 2011 and 2012 compared to that of 2007, 2008 and 2009 was due to the expected recovery in the global economy and the shipping industry. Our Directors consider that the services agreement has been entered into under normal commercial terms and in the ordinary course of our Company's business.

Given that each of the applicable percentage ratios (other than the profit ratio) under Chapter 14 of the Listing Rules is on an annual basis more than 5%, the transactions under the services agreement will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 our Company.

On September 1, 2010, our 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 December 31, 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.

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The following table sets forth the fees involved under the agency agreements with the Parent Agencies in the periods indicated, the fluctuation was due to changes in demand for shipping services as a result of international economic changes:

| Period | Freight charges received by our Company | Freight and shipping agency charges paid by our Company |
|--------------------------------------|--|---|
| | (US\$) | (US\$) |
| 2007 | \$119,644,239 | \$18,773,707 |
| 2008 | 198,903,788 | 24,296,575 |
| 2009 | 173,510,641 | 28,220,769 |
| Six months ended June 30, 2010 | 100,229,719 | 17,444,619 |

As we anticipated that most of our subsidiary agencies will be established before December 31, 2010, the following table sets forth the expected maximum amount of annual service fees in 2010, 2011 and 2012:

| Year | Freight charges received by our Company | Freight and shipping agency charges paid by our Company |
|------------|--|---|
| | (US\$) | (US\$) |
| 2010 | \$101,000,000 | \$17,775,370 |
| 2011 | 845,000 | 379,000 |
| 2012 | 970,100 | 436,000 |

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. Our Directors consider that the master agency agreement has been entered into under normal commercial terms and in the ordinary course of our Company's business.

Given that each of the applicable percentage ratios (other than the profit ratio) under Chapter 14 of the Listing Rules is on an annual basis more than 5%, the transactions under the master agency agreement will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

SPECIAL CASE

Vessels Charter Agreement

On October 1, 2009, SITC Container Lines, a wholly-owned subsidiary of our Company, and Shandong Steamship, an indirect wholly-owned subsidiary of Shandong SITC, entered into a vessels charter agreement, pursuant to which our Company chartered two container vessels, "SITC Shanghai" and "SITC Kaohsiung," with capacities of 847 and 938 TEU, respectively, 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 our 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

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operation are passed upon us, and Shandong Steamship will not receive any benefit under the vessels charter agreement. We entered into this arrangement with Shandong SITC because under the Measures on the Administration of Cross-Taiwan Strait Shipping Operation (臺灣海峽兩岸間航運管理辦法) and the relevant rules, only shipping companies incorporated in the PRC or Taiwan by domestic investors, Taiwan investors or jointly by domestic and Taiwan investors (大陸或臺灣的獨資航運公司以及大陸及臺灣的合資航運公司), which are approved by the MOT and obtained the license for the operation of the mainland China-Taiwan route, are permitted to engage in the mainland China-Taiwan route using vessels owned or operated by them, and the shipping companies incorporated outside mainland China and Taiwan, including Hong Kong and Macau, are not allowed to engage in such operation. Vessels used to operate such route must obtain relevant sailing permits issued by the MOT. Haiwen & Partners, our PRC counsel, advised that according to the above rules, although our Company is ultimately controlled and majority owned by Mr. YANG Shaopeng, a PRC citizen, SITC Container Lines, our current operating shipping company, was incorporated in Hong Kong and thus is not allowed to operate such route, and any subsidiary established by SITC Container Lines or other offshore entities of our Company in the PRC is not deemed to have been incorporated by PRC domestic investors. Accordingly, they are also not allowed to operate this route. Pursuant to the terms of the vessels charter agreement, our Company may, by 30 days' advance written notice to Shandong Steamship, terminate the vessels charter agreement. Save for the breach of the terms of the vessels charter agreement by our Company, Shandong Steamship has no unilateral right to terminate the vessels charter agreement.

The operating license of Shandong Steamship for the mainland China-Taiwan route has a validity of three years, expiring on December 31, 2011, and the sailing permits for the vessels is valid for one year. For the two vessels owned by our Company and chartered to Shandong Steamship under the vessel charter agreement, the sailing permit for "SITC Kaohsiung" expired on June 30, 2010 and the sailing permit for "SITC Shanghai" will expire on December 31, 2010. Due to operational reasons in our normal course of business, and the expiry of the sailing permits, we have replaced the charters of "SITC Shanghai" and "SITC Kaohsiung" by two other vessels, "SITC Keelung" and "SITC Pyeongtaek", in mid-2010, and have assigned "SITC Shanghai" and "SITC Kaohsiung" to the operation of our other routes in the Northeast Asia Market. The sailing permits of "SITC Keelung" and "SITC Pyeongtaek" are valid until June 30, 2011. According to the Measures on the Administration of Cross-Taiwan Strait Shipping Operation (臺灣海峽兩岸間航運管理辦法) and its implementation notice, each operating license and sailing permit may be renewed by the submission of a renewal application to the MOT through the local provincial transportation authority 40 days before the expiry date. We expect such renewal application to be routine. If for any reason the operating license or the sailing permit is not renewed, we will terminate the arrangement under the vessels charter agreement. The Directors confirm that since Shandong Steamship began to operate the mainland China-Taiwan route in 2003, Shandong Steamship and the Company have routinely made renewal applications as required by the relevant rules and have not encountered any difficulties in renewing the operating license and shipping permit for this route, respectively.

For 2007, 2008, 2009 and the six months ended June 30, 2010, the charter fees received by us were US\$32.9 million, US\$42.0 million, US\$30.9 million and US\$19.8 million, respectively, which is equivalent to the freight charges and service fees income for operating the mainland China-Taiwan route.

Haiwen & Partners, our PRC counsel, has confirmed verbally with the official in charge of Taiwan affairs of the PRC Waterway Transportation Bureau of the MOT (交通運輸部水運局), which is the competent and relevant PRC governmental authority regulating the mainland China-Taiwan route, that our arrangements with Shandong Steamship with respect to the mainland China-Taiwan route would not violate the relevant laws and regulations so long as the vessels chartered to Shandong Steamship by the Company have been duly authorized by and registered

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with the MOT, and the party which is operating the mainland China-Taiwan route is properly authorized. Since (i) our vessels chartered to Shandong Steamship have been duly authorized and registered, and (ii) Shandong Steamship is operating the mainland China-Taiwan route and it has obtained the proper authorization, our PRC counsel and the Directors are of the view that (i) the charter agreement for the vessels chartered to Shandong Steamship is binding on our Company and Shandong Steamship and we are not the operator of the route, and (ii) our arrangements with Shandong Steamship with respect to the mainland China-Taiwan route are in compliance with the relevant PRC laws and regulations.

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 recent normalization 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 our 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 Hong Kong Stock Exchange for 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. We will ensure that the transactions under the vessels charter agreement will be in compliance with the other requirements of Chapter 14A of the Listing Rules after listing.

CONFIRMATIONS

Director's Confirmation

The Directors (including the independent non-executive Directors) confirmed that the non-exempt continuing connected transactions that are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement and the non-exempt connected transactions that are subject to the reporting, announcement and independent shareholders' approval requirements, and the continuing connected transactions under the mainland China-Taiwan route have been entered into in the ordinary and usual course of business of our Company on normal commercial terms or on terms no less favorable to our Company than those available to or from (as appropriate) independent third parties, and are fair and reasonable to our Company and in the interests of the Company and the shareholders of the Company as a whole. The Directors (including the independent non-executive Directors) further confirmed that the proposed annual caps in respect of all the non-exempt continuing connected transactions are fair and reasonable.

Sponsor's Confirmation

The Sponsor has confirmed to our Company that the Sponsor is of the opinion that the non-exempt continuing connected transactions have been entered into in the ordinary and usual

CONNECTED TRANSACTIONS

course of business of our Company, on normal commercial terms or on terms no less favorable to our Company than those available to or from (as appropriate) independent third parties, and are fair and reasonable to our Company and in the interests of the Company and the shareholders of our Company as a whole. The Sponsor has further confirmed that the proposed annual caps in respect of all the non-exempt continuing connected transactions are fair and reasonable.

WAIVER FROM THE HONG KONG STOCK EXCHANGE

On the basis of the above, the Company has applied to the Hong Kong Stock Exchange for a waiver under Rule 14A.42(3) of the Listing Rules from strict compliance with the announcement and/or independent Shareholders' approval requirements (so far as the requirements are applicable) in respect of each of the non-exempt continuing connected transactions of our Company; and 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 in respect of the continuing connected transactions under the mainland China-Taiwan route.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board consists of ten directors, four of whom are independent non-executive Directors. The powers and duties of our Board include:

- convening shareholders' meetings and reporting the Board's work at shareholders' meetings;
- implementing the resolutions passed at shareholders' meetings;
- determining our business plans and investment plans;
- formulating our annual budget and final accounts;
- formulating our proposals for profit distributions and for the increase or reduction of our share capital; and
- exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association or by-law.

We have entered into service contracts with each of our executive Directors and non-executive Directors, and letters of appointment with our independent non-executive Directors. The table below sets forth the age and designation of each of our directors:

| Name | Age | Position |
|--------------------------------|-----|---|
| YANG Shaopeng | 53 | Chairman and executive Director |
| YANG Xianxiang | 43 | Executive Director and chief executive officer |
| LIU Kecheng | 36 | Executive Director and director for investment and securities |
| LI Xuexia | 39 | Executive Director and director of human resources & IT |
| XUE Peng | 39 | Executive Director and chief financial officer |
| LIU Rongli | 53 | Non-executive Director |
| TSUI Yung Kwok | 41 | Independent non-executive Director |
| YEUNG Kwok On | 49 | Independent non-executive Director |
| LO Wing Yan, William | 49 | Independent non-executive Director |
| NGAI Wai Fung | 48 | Independent non-executive Director |

Executive Directors

YANG Shaopeng (楊紹鵬) has been the chairman of our Company since April 2006. Mr. Yang 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 32 years of experience in the shipping industry through his employment in the shipping and foreign trade companies as detailed herein. 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 SFTC, a state-owned foreign trade corporation. From May 1991 to May 1992, he served as a deputy general manager of SITC Corp and as general manager between May 1992 and December 1996.

DIRECTORS AND SENIOR MANAGEMENT

From December 1996 to January 2002, he served as the general manager in 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 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 April 9, 2010. Save as disclosed, Mr. YANG Shaopeng is not related to any other Directors or senior management of our Company.

YANG Xianxiang (楊現祥) 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 in Fudan University in 2009, which is a course on Chinese heritage classical study, and completed a CEO class at the Cheung Kong Graduate School of Business in 2010, another non-degree course. Mr. Yang has over 23 years of experience in the shipping industry through his employment in the shipping companies as detailed herein. In July 1987, Mr. Yang joined Lufeng Shipping Co., Ltd. (魯豐航運有限公司), 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 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 and as a chief executive officer of Shanghai Steamship. Mr. Yang was appointed an executive Director on April 9, 2010.

LIU Kecheng (劉克誠) has been a director of our Company since December 2006, and is also our director for investment and securities. Mr. Liu is 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 16 years of experience in the shipping industry through his employment in the shipping companies as detailed herein. 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 Holding and Shandong SITC. Mr. Liu was appointed an executive Director on April 9, 2010.

LI Xuexia (李雪霞) 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 16 years of experience in the shipping industry through her employment in the shipping companies as detailed herein. Ms. Li worked in the general office of SITC Corp 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

DIRECTORS AND SENIOR MANAGEMENT

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 April 9, 2010.

XUE Peng (薛鵬) 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 University of Economics in 1997 majoring in accounting. He also obtained an undergraduate degree in accounting from Renmin University of China in 2006. He is attending an executive MBA program at China Europe International Business School and is expected to receive a master's degree in September 2011. Mr. Xue has over 17 years of experience in the shipping industry through his employment in the shipping companies as detailed herein. From March 1993 to March 1996, Mr. Xue worked in Lufeng Shipping Co., Ltd. (魯豐航運有限公司), 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 April 9, 2010.

Non-Executive Director

LIU Rongli (劉榮麗) 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 16 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 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 the 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 April 9, 2010.

Independent Non-Executive Directors

TSUI Yung Kwok (徐容國) 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 17 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 (Hong Kong Stock Code: 02366), the shares of which are listed on the Hong Kong Stock Exchange, from 2003 to 2004. Mr. Tsui has been the chief financial officer and the company secretary of Ju Teng International Holdings Limited (Hong Kong Stock Code: 03336), the shares of which are listed on the Hong Kong Stock Exchange, since 2004. Mr. Tsui became an executive director of Ju Teng International Holdings Limited in June

DIRECTORS AND SENIOR MANAGEMENT

2005. Mr. Tsui has also served as an independent non-executive director of Shenguan Holdings (Group) Limited, a company listed on the Hong Kong Stock Exchange in 2009 (Hong Kong Stock Code: 00829), 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.

YEUNG Kwok On (楊國安) was appointed as our independent non-executive Director in September 2010. He is Associate Dean and Philips Chair Professor of Human Resource Management at China Europe International Business School. He received a Ph.D. of Business Administration from University of Michigan in 1990. Mr. Yeung worked in Acer Group as Chief Human Resources Officer from early 1999 to June 2002. During the same period of time, he simultaneously served as president of Aspire Academy under Acer Foundation. Mr. Yeung is a member of five editorial advisory boards, including Harvard Business Review (PRC), Human Resource 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). Mr. Yeung also serves as independent board director for other three corporations, and advises CEOs of several leading Chinese firms.

Dr. LO Wing Yan, William, JP (盧永仁) was appointed as our independent non-executive Director 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 holding directorships in the following companies listed on the securities markets in Hong Kong or overseas:

| Name of listed company | Securities exchange and stock code | Position held |
|----------------------------------|---|------------------------------------|
| Nam Tai Electronics, Inc. | New York Stock Exchange: NTE | independent non-executive director |
| Westminster Travel Limited | Singapore Stock Exchange: WTL | independent non-executive director |
| South China Land Limited | GEM of the Hong Kong Stock Exchange: 8155 | independent non-executive director |
| Varitronix International Limited | Hong Kong Stock Exchange: 0710 | independent non-executive director |

DIRECTORS AND SENIOR MANAGEMENT

Dr. Lo was an independent non-executive director of Ocean Grand Chemicals Holdings Limited (now known as Hong Kong Resources Holdings Company Limited, the shares of which were listed on the Hong Kong 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 for personal reasons. Ocean Grand Chemical Holdings Limited appointed provisional liquidators on July 24, 2006. In addition, Dr. Lo has held directorships in the following companies listed on the securities markets in Hong Kong or overseas in the three years prior to the date of this prospectus:

| Name of listed company | Securities exchange | Position held | Period of appointment |
|---|---|--|--|
| I.T. Limited | Hong Kong Stock Exchange: 0999 | independent non-executive director | October 2004 to May 2006 ⁽¹⁾ |
| I.T. Limited | Hong Kong Stock Exchange: 0999 | executive director, vice chairman, managing director and the chief financial officer | May 2006 to June 2009 ⁽²⁾ |
| China Unicom (Hong Kong) Limited | Hong Kong Stock Exchange: 0762 and New York Stock Exchange: CHU | executive director | July 2002 to April 2006 |
| Pan Asia Mining Limited (formerly known as Panorama International Holdings Limited) | GEM of the Hong Kong Stock Exchange: 8173 | non-executive director | April 2002 to November 2006 ⁽³⁾ |
| China Renji Medical Group Limited | Hong Kong Stock Exchange: 648 | independent non-executive director | April 2002 to August 2008 ⁽⁴⁾ |

(1) Re-designated as an executive director and appointed vice chairman, managing director and chief financial officer of I.T. Limited.

(2) Resigned to take sabbatical study and pursue his other personal interests.

(3) Resigned from such directorship for personal reasons.

(4) Resigned due to work commitments stemming from his executive appointment with a high-end fashion retailer, which also required extensive traveling abroad.

Mr. NGAI Wai Fung (魏偉峰) was appointed as our independent non-executive Director 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 is also 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 Hong Kong Stock Exchange, in 2005, the company secretary of China Unicom Limited (中國聯通股份有限公司), a company listed on the Hong Kong Stock Exchange, 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 Hong Kong 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

DIRECTORS AND SENIOR MANAGEMENT

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 holding directorships in the following companies listed on the securities markets in Hong Kong or overseas:

| Name of listed company | Securities exchange and stock code | Position held |
|---|------------------------------------|------------------------------------|
| Bosideng International Holdings Limited | Hong Kong Stock Exchange: 3998 | independent non-executive director |
| China Railway Construction Corporation Limited | Hong Kong Stock Exchange: 1186 | independent non-executive director |
| BaWang International (Group) Holdings Limited | Hong Kong Stock Exchange: 1338 | independent non-executive director |
| Powerlong Real Estate Holdings Limited | Hong Kong Stock Exchange: 1238 | independent non-executive director |
| Franshion Properties (China) Limited | Hong Kong Stock Exchange: 817 | independent non-executive director |
| Sany Heavy Equipment International Holdings Company Limited | Hong Kong Stock Exchange: 631 | independent non-executive director |

Mr. Ngai has held directorships in the following companies listed on the securities markets in Hong Kong or overseas in the three years prior to the date of this prospectus:

| Name of listed company | Securities exchange | Position held | Period of appointment |
|---|---|------------------------------------|------------------------------|
| China Life Insurance Company Limited | Hong Kong Stock Exchange: 2628 | independent non-executive director | December 2006 to May 2009 |
| China Chief Cable TV Group Limited (now known as Code Agriculture (Holdings) Limited) | GEM of the Hong Kong Stock Exchange: 8153 | independent non-executive director | October 2004 to October 2007 |

Each of our Directors has not been involved in any of the events described under Rule 13.51(2)(h) to (v) of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The senior management members of our Company include YANG Shaopeng, YANG Xianxiang, LIU Kecheng, LI Xuexia, XUE Peng, XU Weili, XIAO Senyuan, XUE Mingyuan, JI Bin, YU Jian and JI Wenguang. YANG Shaopeng, YANG Xianxiang, LIU Kecheng, LI Xuexia and XUE Peng are also our executive Directors. See “— Directors” for descriptions of their management experience. The table below sets forth certain information in respect of our other senior management members:

| Name | Age | Position |
|------------------------|-----|--|
| XU Weili | 46 | Chief Officer of Safety Operation Centre |
| XIAO Senyuan | 49 | President of SITC Development Group Co., Ltd. |
| XUE Mingyuan | 36 | President of SITC Container Lines |
| JI Bin | 36 | President of SITC Logistics |
| YU Jian | 43 | General manager of SITC Shipping Agency (Shanghai) Co., Ltd. |
| JI Wenguang | 36 | General manager of SITC Brokers Co., Ltd. |

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 24 years of experience in the shipping industry through his employment in the shipping companies detailed herein. 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.

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. Mr. Xiao has over 30 years of experience in the shipping industry through his employment in the shipping companies detailed herein. 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.

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 16 years of experience in the shipping industry through his employment in the shipping companies detailed herein. He worked in the container business department of Lufeng Shipping Co., Ltd. (魯豐航運有限公司) between

DIRECTORS AND SENIOR MANAGEMENT

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.

JI Bin (季斌) has been the president of SITC Logistics 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. He also received a master's degree in business administration from China Europe International Business School in September 2008. Mr. Ji has over 15 years of experience in the shipping industry through his employment in the shipping companies detailed herein. He joined Shandong Foreign Trade Corporation 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.

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 20 years of experience in the shipping industry through his employment in the shipping companies detailed herein. 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.

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 14 years of experience in the shipping industry through his employment in the shipping companies detailed herein. 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

HO Siu Pik (何小碧), aged 46, 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

DIRECTORS AND SENIOR MANAGEMENT

Limited and she has over 23 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 Hong Kong 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 our Company. She is not a full-time employee of our Company.

LIU Kecheng (劉克誠) is our joint company secretary. For details regarding Mr. Liu's experience, see " — Directors — Executive Directors" above. Mr. Liu has over four 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.

BOARD COMMITTEES

Audit Committee

We have established an audit committee in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee will be to review and supervise our financial reporting process and internal control system and provide advice and comments to our Board. The audit committee consists of Messrs. TSUI Yung Kwok, LO Wing Yan, William, and NGAI Wai Fung, all of whom are our independent non-executive Directors. The chairman of the audit committee is Mr. TSUI Yung Kwok.

Remuneration Committee

We have established a remuneration committee which consists of Messrs. YEUNG Kwok On, TSUI Yung Kwok, YANG Shaopeng, YANG Xianxiang and NGAI Wai Fung. Mr. YEUNG Kwok On has been appointed as the chairman of the remuneration committee. The remuneration committee considers and recommends to our Board the remuneration and other benefits paid by us to our Directors and senior management. The remuneration of all our Directors and senior management is subject to regular monitoring by the remuneration committee to ensure that levels of their remuneration and compensation are appropriate.

Nomination Committee

We have established a nomination committee which consists of Messrs. YANG Shaopeng, YEUNG Kwok On, LO Wing Yan, William, YANG Xianxiang and NGAI Wai Fung. Mr. YANG Shaopeng has been appointed as the chairman of the nomination committee. The nomination committee considers and recommends to our Board suitably qualified persons to become our Board members and is responsible for reviewing the structure, size and composition of our Board on a regular basis.

COMPENSATION OF DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

We reimburse our Directors for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. The executive Directors are also our employees and receive, in their capacity as our employees, compensation in the form of salaries and other allowances and benefits in kind.

DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of salaries and other allowances and benefits in kind paid by us to our five highest paid individuals, including our contribution to the pension schemes for such individuals, during the years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010 were approximately US\$598,000, US\$2,723,200, US\$7,808,500 and US\$683,400, respectively.

During the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010, the aggregate amount of salaries and other allowances, pension scheme contributions (including Mandatory Provident Fund contributions in Hong Kong) and benefits in kind paid by us to or on behalf of all of our Directors was US\$380,000, US\$2,535,000, US\$4,639,000 and US\$553,000, respectively.

Except as disclosed above, no other payments have been made or are payable in respect of the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010 by us or any of our subsidiaries to or on behalf of any of our Directors, and no payments were made during the three years ended December 31, 2007, 2008 and 2009 and the six months ended June 30, 2010 by us to any of our Directors as an inducement to join or upon joining our Company.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors payable for the year ending December 31, 2010 to be approximately US\$2,980,000.

COMPLIANCE ADVISOR

We have appointed Citi as our compliance advisor upon listing of our Shares on the Hong Kong Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. We have entered into a compliance advisor's agreement with Citi that contains the following material terms:

- we have appointed Citi as our compliance advisor for the purpose of Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier;
- Citi will provide us with services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines;
- we have agreed to indemnify Citi for certain actions against it and losses incurred by it arising out of or in connection with the performance by Citi of its duties under the agreement; and
- we may terminate the appointment of Citi as our compliance advisor only if its work is of an unacceptable standard as determined under the Listing Rules and the relevant laws and regulations or if there is a material dispute (which cannot be resolved within 30 days) over fees payable to it as permitted by Rule 3A.26 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

- (a) So far as the Directors are aware, immediately following the completion of the Global Offering and the Capitalization Issue and assuming that the options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme have not been exercised, the following persons will have or be 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 |
|--|------------------------------------|------------------|----------------------------|
| YANG Shaopeng ⁽¹⁾ | Beneficiary of the Pengli Trust | 1,431,898,158 | 55.07% |
| LIU Rongli ⁽¹⁾ | Beneficiary of the Pengli Trust | 1,431,898,158 | 55.07% |
| Resourceful ⁽²⁾ | Beneficial owner | 1,431,898,158 | 55.07% |
| Better Master ⁽²⁾ | Interest in controlled corporation | 1,431,898,158 | 55.07% |
| Pengli Holdings Limited ⁽²⁾ . . . | Interest in controlled corporation | 1,431,898,158 | 55.07% |
| Barclays Wealth Trustee (Hong Kong) Limited ⁽²⁾ | Trustee | 1,431,898,158 | 55.07% |
| Watercrest Profits Limited ⁽³⁾ . . | Beneficial owner | 518,101,842 | 19.93% |
| Wang Yanan ⁽³⁾ | Trustee | 518,101,842 | 19.93% |

- (1) YANG Shaopeng is the settlor and a beneficiary of the Pengli Trust, which is a trust set up to hold the interests of YANG Shaopeng and his family in our Company. The Pengli Trust is interested in 76.67% of Resourceful. 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.
- (2) Resourceful 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 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 our Directors to hold their family interests in our Company.
- (3) The sole shareholder of Watercrest Profits Limited is WANG Yanan, who holds such interest as the trustee for certain employees of our Company.

SUBSTANTIAL SHAREHOLDERS

- (b) As of the Latest Practicable Date, so far as is known to our Directors, the following entities were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any of our subsidiaries or had option in respect of such capital:

| <u>Name of shareholder</u> | <u>Name of company</u> | <u>% of shareholding</u> |
|---------------------------------------|-------------------------------------|--------------------------|
| Kookyang Shipping Co., Ltd. | New SITIC Korea | 49% |
| TVL. | SITC Shipping Agency (HK) Co., Ltd. | 30% |
| Maersk Logistics | Smart Logistics | 49% |
| SEDA T&S Co., Ltd. | SITC & SEDA Logistics Co., Ltd. | 49% |

Except as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering, be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Company, our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and after completion of the Global Offering (without taking into account Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme or the Share Option Scheme):

| | | HK\$ |
|---|--|----------------|
| Authorized share capital: | | |
| 5,000,000,000 | Shares with nominal value of HK\$0.10 each | 500,000,000.00 |
| Issued share capital: | | |
| 98,211 | Shares in issue as at the date of this prospectus | 9,821.10 |
| Shares to be issued: | | |
| 1,949,901,789 | Shares to be issued pursuant to the Capitalization Issue | 194,990,178.90 |
| 650,000,000 | Shares to be issued pursuant to the Global Offering | 65,000,000 |
| Total issued and to be issued share capital: | | |
| 2,600,000,000 | Shares | 260,000,000 |

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and does not take into account any options which may be granted under the Share Option Scheme or the Pre-IPO Share Option Scheme.

RANKING

The Offer Shares will rank equally with all our Shares now in issue or to be issued and will qualify for all dividends, income and other distributions and any other rights and benefits attaching or accruing to our Shares after the completion of the Global Offering.

GENERAL MANDATE TO ISSUE SHARES

Assuming the Global Offering becomes unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares with a total nominal value of not more than HK\$52,000,000, representing 20% of the total nominal amount of our share capital in issue immediately following the completion of Global Offering Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Pre-IPO Share Option Scheme; and the total nominal amount of our share capital repurchased by us under the mandate as mentioned in “— General Mandate to Repurchase Shares.”

SHARE CAPITAL

The general mandate is in addition to the powers of our Directors to allot, issue or deal with Shares under any rights issue, scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend in accordance with our Memorandum and Articles of Association, or pursuant to the exercise of any subscription rights attached to any warrants which may be issued by us from time to time, or upon the exercise of options granted under the Pre-IPO Share Option Scheme or the Share Option Scheme. The general mandate does not include any Shares to be issued pursuant to the exercise of the options granted under the Share Option Scheme or the Pre-IPO Share Option Scheme.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section entitled “Structure of the Global Offering — Conditions of the Global Offering,” our Directors have been granted a general mandate to exercise all our powers to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering, excluding any Shares which may be issued pursuant to the exercise of any options which may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme.

This general mandate only relates to repurchases made on the Hong Kong Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules.

This general mandate to repurchase Shares will expire:

- at the end of our next annual general meeting;
- at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- when varied or revoked by an ordinary resolution of our shareholders in general meeting,

whichever is the earliest.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements included in Appendix I — “Accountants’ Report” to this prospectus, which has been prepared in accordance with HKFRS, together with the accompanying notes. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual result could differ materially from those anticipated in these forward-looking statements due to various factors, including those set forth in the sections headed “Forward-Looking Statements” and “Risk Factors.”

OVERVIEW

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 2009 shipping capacity, according to the Drewry Report. 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 the Drewry Report. Reflecting this focus, we have become 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.

Our sea freight logistics business provides container shipping services that focus exclusively on the fast-growing intra-Asia market. As of June 30, 2010, we operated 48 intra-Asia trade lanes, including six trade lanes through joint services and 18 trade lanes through container slot exchange arrangements. These trade lanes cover key ports in the PRC, Japan, Korea, Taiwan, Hong Kong, Vietnam, Thailand and the Philippines. Our land-based logistics services together with sea freight logistics services constitute our integrated logistics services.

Although our recent operating results were affected by the global industry downturn that unfolded in 2008, we continued to be profitable. In 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, our revenue was US\$576.4 million, US\$771.9 million, US\$694.2 million, US\$286.6 million and US\$400.7 million, respectively, and our profit for the year from continuing operations was US\$34.3 million, US\$35.4 million, US\$32.5 million, US\$8.7 million and US\$51.3 million in the same periods, respectively. Our net profit in 2009 was also impacted by share-based compensation. Excluding the impact of share-based compensation expenses incurred in 2009, our profit from the continuing operations would have been US\$34.3 million, US\$35.4 million, US\$37.1 million, US\$8.7 million and US\$51.3 million in the same periods, respectively.

BASIS OF PRESENTATION

Pursuant to the Reorganization commenced in 2010, SITC International Holdings Company Limited became the parent of the companies now comprising our Company. See “Our History and Reorganization — Reorganization in Anticipation of the Global Offering.” Since we and our subsidiaries were ultimately controlled by Mr. YANG Shaopeng, our Chairman and a Controlling Shareholder, both before and after the completion of the Reorganization, our Company is considered as a continuation of SITC Holding. Therefore, our financial information set forth in this prospectus and Appendix I — “Accountants’ Report” to this prospectus was prepared under the principles of merger accounting.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Company for each reporting period in 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010 include the results and changes in equity and cash flows of all companies now comprising our Company, as if the current structure had been in existence throughout these periods. The consolidated statements of financial

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position of our Company as of December 31, 2007, 2008, 2009 and June 30, 2010 were prepared to present the state of affairs of our Company as if the current structure 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 Mr. YANG Shaopeng and/or our Company as at the respective dates.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Intra-Asia Trade Activities

We are a shipping logistics service provider and our business focuses exclusively on servicing the intra-Asia market. Therefore, the demand for our services is directly affected by the overall level of intra-Asia trade activity. Historically, our routes have primarily been within Northeast Asia. In recent years, we have been increasingly focused on expanding our services in Southeast Asia. As part of our strategy, we intend to expand our sea freight and land-based logistics businesses to meet the anticipated increase in intra-Asia trade volume. In particular, we believe that intra-Asia trade will be fostered by the implementation of lower or zero-tariff treatment in China-ASEAN Free Trade Area in January 2010. However, actual future trends in intra-Asia trade volume will be affected by factors such as economic cycles, changes in political conditions, deterioration of the economical relationships, or the failure to implement the lower or zero-tariff treatment effectively.

PRC Trade Volume and Mix

We are a PRC-based shipping logistics company. Accordingly, the volume of PRC-related trade has a significant effect on our overall business and financial performance. Historically, we have benefited from the rapid growth in the PRC's exports, reflecting an increasing global outsourcing trend with the PRC serving as a key manufacturing base. However, we were also adversely affected by the recent downturn in the global economy as demand for exports from the PRC decreased significantly. In addition, average freight rates for exports from the PRC to other countries in the intra-Asia region have been historically higher than those for imports to the PRC primarily due to export and import trade imbalance. For the three years ended December 31, 2009, export shipping volume from the PRC to the other countries in the intra-Asia region was approximately 30% higher than import shipping volume to the PRC from other countries in the intra-Asia region, according to the Drewry Report. As a result of the difference in export and import average freight rate mainly attributable to such imbalance, the proportion of shipping volume for imports to vis-à-vis exports from the PRC will affect the overall revenue and profitability on a single trade lane.

Container Shipping Industry Cycle

The financial performance of the container shipping industry has historically been highly cyclical. This results from changes in the supply for ship capacity and demand for container shipping services. Historically, our shipping volume, freight rates, vessel acquisition costs and charter rates have been significantly affected by industry cycle. This in turn has had a significant impact on our land-based logistics business, such as average freight forwarding fees and service fees charged by shipping agency business. These factors significantly affect our results of operations, including revenue and profitability. The global economic recession since the 2008 financial crisis has contributed to a decrease in our average freight rate from US\$537 per TEU in 2008 to US\$450 per TEU in 2009 and affected our operating results, reflecting a general downturn

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in the container shipping industry. With the recent recovery of the container shipping industry, our average freight rate increased to US\$491 per TEU for the six months ended June 30, 2010 from US\$430 per TEU for the same period in 2009. We expect that our results of operations will continue to be significantly affected by the container shipping industry cycle in the future.

Fleet Capacity and Mix

Revenue of our sea freight logistics business is driven by shipping volume and freight rates. Our total shipping volume is limited by our fleet capacity. Therefore, our ability to expand fleet capacity to accommodate the expansion of our shipping network while maintaining high space utilization affects the performance of our sea freight logistics business as well as our overall business performance.

In addition, a key component of our business model is to use a single type of vessel to deliver our shipping logistics services. As of June 30, 2010, 85.7% of our vessels were of the 1,000 TEU type, which we believe best suits our business in terms of operating efficiency, capacity and speed. We intend to continue to implement our current model for the foreseeable future. As a result, our future performance will depend on the competitiveness of this type of vessel in the markets that we serve.

Furthermore, as part of our efforts to manage the industry cycle, we must effectively manage our proportion of self-owned vis-à-vis chartered vessels. The success of these efforts will affect our cost structure, results of operation, liquidity and other aspects of our financial condition.

Development of New Routes

The profit margin of our newly-developed routes tends to be lower than others. It usually takes us a period of time to develop customer relationships for newly-launched routes. During such period, space utilization is typically lower than those on our established routes. In addition, we generally have stronger pricing power for routes in which we have better market positions than for those newly-developed routes. Furthermore, we usually need to adjust called ports, fleet capacity and service frequency with respect to our new routes to achieve high operating efficiency. Due to these reasons, entering into new markets may significantly affect the overall profit margin of our sea freight logistics segment.

Vessel Prices, Charter Rate and Bunkers Prices

Depreciation on vessels, chartering expenses and bunkers cost are components of our costs of sales that are most sensitive to cyclical fluctuations. Vessels are depreciated over periods of 15 to 25 years. See “— Critical Accounting Policies.” Therefore, vessel prices have a significant long-term impact on our results of operations. Vessel prices are affected by a number of factors, including mainly the container shipping industry cycle, shipyard capacity and the raw material prices of vessels, such as steel. Vessel prices also have a significant impact on our capital expenditures in the year of acquisition. Moreover, if we dispose our own vessels, we may record significant capital gains or losses based on the purchase and sale prices.

As of June 30, 2010, 27 of our 42 vessels were chartered. We generally seek to charter vessels on a one-year basis. Short-term chartering makes us particularly susceptible to price fluctuations in the charter market. If charter rates increase or decrease in the general market, we may incur higher or lower costs more immediately, respectively, compared to our competitors that enter into longer charter terms, when we extend these existing charters or replace them with new charter parties.

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Bunkers cost is primarily affected by the price of crude oil, which has been volatile in recent years. Fluctuations in bunkers prices directly affect our operating cost and significantly impact our profitability. We currently have not entered into agreements to hedge fluctuation in bunkers prices.

Exchange Rate Fluctuations

The fluctuation of currency exchange rate affects our results of operations in a number of aspects. Historically, a majority of the revenue of our sea freight logistics segment was denominated in Japanese Yen. However, a portion of our cost of sales, such as bunkers cost and vessels chartering expenses, were generally denominated in U.S. dollars. As a result, fluctuations of the currency exchange rates between the Japanese Yen and the U.S. dollar significantly affect our profit margin. To mitigate the impact on our profit margin due to such mismatch, we borrow a majority of our bank loans in Japanese Yen. However, due to the fluctuation of the exchange rate between the Japanese Yen against the U.S. dollar, we incurred losses from net foreign exchange differences of US\$2.2 million, US\$17.8 million and US\$1.1 million in 2007, 2008 and the six months ended June 30, 2010, respectively and had a gain from net foreign exchange difference of US\$1.3 million in 2009, mainly in relation to these Japanese Yen denominated loans. Average exchange rates between the Japanese Yen and the U.S. dollar in 2007, 2008, 2009 and the six months ended June 30, 2010 were JPY117.4525, JPY102.8500, JPY93.6667 and JPY91.0267 per US\$1.0, respectively, based on month-end noon buying rates in The City of New York for cable transfers of Japanese Yen as certified for customs purposes by the Federal Reserve Bank of New York. We currently seek to hedge such risks by borrowing bank loans denominated in Japanese Yen and entering into forward currency contracts. However, these measures may not remove our exchange rate exposures in their entirety. Furthermore, although we do not enter into forward currency contracts for speculative purposes, our results of operations may be significantly affected by fair value fluctuations of these derivative financial instruments. For example, we entered into a 10-year derivative financial instrument in 2006 that is linked to, among other factors, the exchange rates between the Japanese Yen and the U.S. dollar. This instrument, together with certain other derivative financial instruments not qualifying for hedge accounting, resulted in significant fair value losses and gains in 2007, 2008 and 2009 mainly due to the fluctuation of exchange rates in these periods. See “— Derivatives.” We terminated this 10-year derivative financial instrument in August 2010.

In addition, exchange rate fluctuations affect trade volume. Appreciation of a currency generally has a negative impact on the relevant country’s export. For example, appreciation of Renminbi could cause prices of exports from the PRC to increase, thereby adversely affecting export volume from the PRC. Therefore, exchange rates fluctuate among major currencies in Asia, such as Renminbi and Japanese Yen, may significantly affect our shipping volume.

Seasonality

Factors such as the impact of public holidays on the demand for consumer goods render the business of container shipping seasonal. Peak shipping periods may differ to a certain extent in some of the markets in which we currently operate. Nevertheless, the volumes shipped by our container shipping business have been historically lower immediately after major public holidays, particularly Chinese New Year. In each of 2007, 2008 and 2009, our shipping volume during the week of Chinese New Year amounted to only approximately half of average weekly shipping volume during the respective year. Such seasonality also has a similar impact on our freight forwarding business. As a result of the seasonality in our business, our results of operations may fluctuate from period to period. See “Risk Factors — Risks Relating to Our Business and Industry — Seasonal changes could affect our business and financial condition.”

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Expansion of our Integrated Logistics Services

The shipping logistics industry is experiencing a trend of growing demand for integrated logistics services. In response to such trend, we plan to bring the type of comprehensive services and solutions offered by us and our joint ventures in Qingdao, such as depot, warehousing and in-land transportation, to other ports in our intra-Asia service network. See “Our Business — Our Strategy — Strengthen Service Capabilities and Replicate Integrated Service Model Within Network.” Our expansion plan may involve significant capital expenditure and other costs and expenses. As a result, the successful implementation of such a plan may significantly affect our results of operations in the future. In addition, implementation of such a plan may contribute to increases of inter-segment revenue and cost of sales. For instance, inter-segment revenue, as a percentage of our total revenue prior to elimination, has generally increased from 2007 to the six months ended June 30, 2010.

CRITICAL ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Note 3 to Appendix I — “Accountants’ Report” to this prospectus includes a summary of significant accounting policies used in the preparation of our consolidated financial statements. The determination of these accounting policies is fundamental to our results of operations and financial condition, and requires management to make subjective and complex judgments about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involved the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial condition, results of operations or cash flows.

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimates may differ significantly from management’s current judgments. We believe the following represents our critical accounting policies.

Revenue Recognition

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

- from the rendering of container shipping services, when the services have been rendered;
- from the rendering of shipping agency services, freight forwarding services for marine transportation and logistic management services, when the services have been rendered;
- rental income, on a time proportion basis over the lease terms;
- interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- dividend income, when the shareholders’ right to receive payment has been established.

Useful Lives and Residual Values of Vessels, Containers and Buildings

Our management determines the residual values, useful lives and related depreciation charges for our vessels, containers and buildings based on the historical experience of the actual residual values and economic useful lives of vessels, containers and buildings of similar nature and functions. Our management currently estimates economic useful lives of our container vessels to

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be 15 to 25 years, containers to be five to 11 years and buildings to be 14 to 30 years. These estimates could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Our 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 Vessels, Containers and Buildings

Our management tests our vessels, containers and buildings for impairment when there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value-in-use calculation requires our management to estimate the future cash flows expected to arise from the relevant vessels, containers and buildings and a suitable discount rate is used in order to calculate the present value.

Derivative Financial Instruments

The fair value of derivative financial instruments is the estimated amount that we would receive or pay to terminate these derivative instruments at the end of each reporting period, taking into account current market conditions.

If we apply hedge accounting to certain derivative financial instruments, we would so designate when entering into the instruments and document the following: the identification of the derivative financial instrument, the item or specific transaction to be hedged, the nature of the risk to be hedged and the methodology we adopt to assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the fair value of the hedged item or transaction or cash flows attributable to the hedged risk. However, if our management in later reporting period determines that such hedges are not highly effective throughout the financial reporting periods for which they were designated, we may no longer apply hedge accounting for such derivative financial instruments.

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

Impairment of Trade Receivables

Our management maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. Our management makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of our customers deteriorates so that the actual impairment loss might be higher than expected, our management would be required to revise the basis of making the allowance and its future results would be affected.

Income Tax

Significant management judgments on the future tax treatment of certain transactions are required in determining income tax provisions. Our management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. We consider the tax treatment of such transactions periodically to take into account all changes in tax legislation.

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Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Our management is required to exercise significant judgment to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

RECENT ACCOUNTING PRONOUNCEMENTS

See note 2.3 to our consolidated financial statements included in Appendix I — “Accountants’ Report” to this prospectus. We are in the process of making an assessment of the impact of the new and revised HKFRSs set forth in the note. We currently do not expect these new and revised HKFRSs to have a significant impact on our results of operations or financial condition.

CONSOLIDATED RESULTS OF OPERATIONS

The following tables set forth our consolidated results of operations for the periods indicated and the consolidated statements of financial position as of the dates indicated:

| | Year ended December 31, | | | Six months ended June 30, | |
|--|-------------------------|------------------|------------------|------------------------------|------------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| (unaudited) | | | | | |
| (in thousands of US\$) | | | | | |
| CONSOLIDATED STATEMENTS OF | | | | | |
| COMPREHENSIVE INCOME: | | | | | |
| CONTINUING OPERATIONS | | | | | |
| Revenue | \$ 576,359 | \$ 771,900 | \$ 694,173 | \$ 286,611 | \$ 400,668 |
| Cost of sales | (520,208) | (671,540) | (624,150) | (271,392) | (327,679) |
| Gross profit | 56,151 | 100,360 | 70,023 | 15,219 | 72,989 |
| Other income and gains | 12,329 | 4,923 | 4,264 | 8,150 | 1,763 |
| Administrative expenses | (26,713) | (53,427) | (37,040) | (11,480) | (21,538) |
| Other expenses and losses | (81) | (11,178) | (1,614) | (1,654) | (18) |
| Finance costs | (6,479) | (3,966) | (1,745) | (910) | (863) |
| Share of profits and losses of associates . . . | — | — | 74 | — | 53 |
| Profit before tax from continuing operations | 35,207 | 36,712 | 33,962 | 9,325 | 52,386 |
| Income tax expense | (876) | (1,322) | (1,482) | (640) | (1,051) |
| Profit for the year/period from continuing operations | 34,331 | 35,390 | 32,480 | 8,685 | 51,335 |
| DISCONTINUED OPERATION | | | | | |
| Profit for the year from a discontinued operation | 4,858 | — | — | — | — |
| Profit for the year/period | <u>\$ 39,189</u> | <u>\$ 35,390</u> | <u>\$ 32,480</u> | <u>\$ 8,685</u> | <u>\$ 51,335</u> |
| Profit attributable to: | | | | | |
| Owners of the parent | 38,762 | 35,106 | 32,150 | 8,547 | 51,099 |
| Non-controlling interests | 427 | 284 | 330 | 138 | 236 |
| | <u>\$ 39,189</u> | <u>\$ 35,390</u> | <u>\$ 32,480</u> | <u>\$ 8,685</u> | <u>\$ 51,335</u> |

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| | As of December 31, | | | As of |
|--|------------------------|-------------------|-------------------|-------------------|
| | 2007 | 2008 | 2009 | June 30, |
| | 2010 | | | |
| | (in thousands of US\$) | | | |
| CONSOLIDATED STATEMENTS OF FINANCIAL POSITION: | | | | |
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | \$ 157,240 | \$ 150,522 | \$ 166,611 | \$ 163,900 |
| Prepaid land lease payments | 1,461 | 1,513 | 2,026 | 2,012 |
| Investments in associates. | — | — | 2,268 | 2,268 |
| Available-for-sale investment. | 263 | 325 | 384 | 384 |
| Long term prepayment | — | 2,440 | — | — |
| Derivative financial instruments. | — | — | 97 | — |
| Total non-current assets. | <u>\$ 158,964</u> | <u>\$ 154,800</u> | <u>\$ 171,386</u> | <u>\$ 168,564</u> |
| CURRENT ASSETS | | | | |
| Bunkers | 7,393 | 5,419 | 7,562 | 9,661 |
| Trade receivables. | 58,031 | 29,911 | 35,278 | 73,865 |
| Prepayments, deposits and other receivables. | 7,107 | 7,719 | 6,970 | 10,546 |
| Due from related companies | 5,300 | 19,834 | 30,255 | 2,754 |
| Derivative financial instruments. | — | 548 | 1,201 | 381 |
| Financial assets at fair value through profit or loss. | — | 15,363 | 27,534 | — |
| Pledged deposits | — | 6,779 | — | — |
| Cash and cash equivalents. | 29,142 | 51,364 | 66,251 | 83,752 |
| | 106,973 | 136,937 | 175,051 | 180,959 |
| Assets of a disposal group classified as held for sale | 67,004 | — | — | — |
| Total current assets. | <u>\$ 173,977</u> | <u>\$ 136,937</u> | <u>\$ 175,051</u> | <u>\$ 180,959</u> |
| CURRENT LIABILITIES | | | | |
| Trade payables. | 47,947 | 55,191 | 71,742 | 87,732 |
| Other payables and accruals. | 17,567 | 16,922 | 24,458 | 20,291 |
| Dividends payable | — | — | 40,000 | — |
| Due to related companies | 10,118 | — | 15,208 | 4,109 |
| Derivative financial instruments. | — | 7,758 | 798 | 1,074 |
| Interest-bearing bank and other borrowings | 38,477 | 19,866 | 17,222 | 12,643 |
| Tax payable. | 394 | 576 | 428 | 792 |
| | 114,503 | 100,313 | 169,856 | 126,641 |
| Liabilities directly associated with the assets classified as held for sale. | 52,096 | — | — | — |
| Total current liabilities | <u>\$ 166,599</u> | <u>\$ 100,313</u> | <u>\$ 169,856</u> | <u>\$ 126,641</u> |
| NET CURRENT ASSETS | <u>7,378</u> | <u>36,624</u> | <u>5,195</u> | <u>54,318</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | <u>\$ 166,342</u> | <u>\$ 191,424</u> | <u>\$ 176,581</u> | <u>\$ 222,882</u> |

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| | As of December 31, | | | As of |
|---|------------------------|-----------|-----------|------------|
| | 2007 | 2008 | 2009 | June 30, |
| | 2010 | | | |
| | (in thousands of US\$) | | | |
| NON-CURRENT LIABILITIES | | | | |
| Derivative financial instruments | — | 3,591 | 3,395 | 2,930 |
| Interest-bearing bank and other borrowings | 99,468 | 88,588 | 73,265 | 69,812 |
| Total non-current liabilities | \$ 99,468 | \$ 92,179 | \$ 76,660 | \$ 72,742 |
| Net assets | \$ 66,874 | \$ 99,245 | \$ 99,921 | \$ 150,140 |
| EQUITY | | | | |
| Equity attributable to owners of the parent | | | | |
| Issued capital | — | — | — | 1 |
| Reserves | 62,880 | 97,788 | 98,026 | 148,018 |
| | 62,880 | 97,788 | 98,026 | 148,019 |
| Non-controlling interests | 3,994 | 1,457 | 1,895 | 2,121 |
| Total equity | \$ 66,874 | \$ 99,245 | \$ 99,921 | \$ 150,140 |

DESCRIPTION OF SELECTED COMPONENTS OF RESULTS OF OPERATIONS

Revenue

In 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, our revenue was US\$576.4 million, US\$711.9 million, US\$694.2 million, US\$286.6 million and US\$400.7 million, respectively. Our operations consist of two business segments: sea freight logistics and land-based logistics. The following table sets forth our revenue by business segment for the periods indicated:

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|--|---|-----------|---|------------|---|---------------------------|---|-----------|---|
| | 2007 | | 2008 | | 2009 | | 2009 | | 2010 | |
| | Amount | % of revenue before inter- segment elimination | Amount | % of revenue before inter- segment elimination | Amount | % of revenue before inter- segment elimination | Amount | % of revenue before inter- segment elimination | Amount | % of revenue before inter- segment elimination |
| | (unaudited) | | | | | | | | | |
| | (in thousands of US\$, except percentages) | | | | | | | | | |
| Segment revenue: | | | | | | | | | | |
| Sea freight logistics | \$408,062 | 64.4% | \$580,082 | 67.5% | \$ 534,086 | 66.3% | \$232,612 | 68.5% | \$317,235 | 64.1% |
| Northeast Asia Market | 353,966 | 55.9 | 419,487 | 48.8 | 362,974 | 45.1 | 163,133 | 48.1 | 190,239 | 38.5 |
| Southeast Asia Market | 54,096 | 8.5 | 160,595 | 18.7 | 171,112 | 21.2 | 69,479 | 20.5 | 126,996 | 25.7 |
| Land-based logistics | 225,698 | 35.6 | 278,812 | 32.5 | 271,609 | 33.7 | 106,843 | 31.5 | 177,341 | 35.9 |
| Freight forwarding and shipping agency | 207,451 | 32.7 | 254,613 | 29.6 | 253,185 | 31.4 | 97,671 | 28.8 | 164,137 | 33.2 |
| Warehousing and others | 18,247 | 2.9 | 24,199 | 2.8 | 18,424 | 2.3 | 9,172 | 2.7 | 13,204 | 2.7 |
| Subtotal | 633,760 | 100.0 | 858,894 | 100.0 | 805,695 | 100.0 | 339,455 | 100.0 | 494,576 | 100.0 |
| Inter-segment elimination ⁽¹⁾ | (57,401) | (9.1) | (86,994) | (10.1) | (111,522) | (13.8) | (52,844) | (15.6) | (93,908) | (19.0) |
| Total | \$576,359 | 90.9% | \$771,900 | 89.9% | \$ 694,173 | 86.2% | \$286,611 | 84.4% | \$400,668 | 81.0% |

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- (1) Mainly includes (i) freight charges payable by our freight forwarding business to our sea freight logistics business and (ii) service charges payable by our sea freight logistics business to our shipping agency business.

Sea Freight Logistics

In 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, our sea freight logistics segment revenue was US\$408.1 million, US\$580.1 million, US\$534.1 million, US\$232.6 million and US\$317.2 million, respectively. Revenue of our sea freight logistics business before inter-segment elimination primarily represents freight fees as well as fuel, currency adjustment surcharge, terminal handling charge and other surcharges for our container shipping services, which we collectively refer to as freight rates. The revenue also included charter fees received by SITC in respect of two vessels chartered to Shandong SITC. See “Connected Transactions — Special Case — Vessels Charter Agreement.” As a result, sea freight logistics revenue is essentially a function of shipping volume and freight rates. In addition to those set forth in “— Factors Affecting Our Results of Operations and Financial Condition,” our shipping volume and sea freight rates are generally affected by the following factors.

Shipping Volume

Shipping volume is affected by our fleet capacity, the density of our shipping network, the frequency of our services and our space utilization. The average space utilization of our Northeast Asia Market in 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010 was 69.3%, 75.9%, 70.7%, 64.0% and 70.7%, respectively. The average space utilization of our Southeast Asia Market container shipping route network in 2007, 2008, 2009 and six months ended June 30, 2009 and 2010 was 81.2%, 67.3%, 63.1%, 60.1% and 70.8%, respectively.

The following table sets forth the number of our trade lanes and port calls per week as of the dates indicated:

| | As of December 31, | | | | | | As of June 30, | |
|--|-----------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| | 2007 | | 2008 | | 2009 | | 2010 | |
| | Number of trade lanes | Port calls per week | Number of trade lanes | Port calls per week | Number of trade lanes | Port calls per week | Number of trade lanes | Port calls per week |
| Northeast Asia Market . . . | 36 | 146 | 39 | 163 | 38 | 159 | 37 | 159 |
| Southeast Asia Market ⁽¹⁾ . | 10 | 80 | 10 | 65 | 11 | 74 | 11 | 83 |
| Total ⁽¹⁾ | <u>46</u> | <u>226</u> | <u>49</u> | <u>228</u> | <u>49</u> | <u>233</u> | <u>48</u> | <u>242</u> |

- (1) Include trade lanes operated by Shandong SITC using two vessels chartered from our Company and port calls per week on these trade lanes. See “Connected Transactions — Special Case — Vessels Charter Agreement.”

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The following table sets forth the shipping volume in the regions and for the periods indicated:

| | Year ended December 31, | | | Six months ended June 30, | | | | | | |
|------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|------------------------------|---------------|------------------------------|---------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 | | | | | |
| | % of total Shipping volume | % of total Shipping volume | % of total Shipping volume | % of total Shipping volume | % of total Shipping volume | % of total Shipping volume | | | | |
| | (TEU, except percentages) | | | | | | | | | |
| Northeast Asia | | | | | | | | | | |
| Market | 736,550 | 87.1% | 757,923 | 70.2% | 772,119 | 65.1% | 364,263 | 67.3% | 366,876 | 56.8% |
| Southeast Asia | | | | | | | | | | |
| Market | 108,854 ⁽¹⁾ | 12.9 | 321,856 ⁽¹⁾ | 29.8 | 414,723 ⁽¹⁾ | 34.9 | 176,699 ⁽¹⁾ | 32.7 | 279,078 ⁽¹⁾ | 43.2 |
| Total | <u>845,404⁽¹⁾</u> | <u>100.0%</u> | <u>1,079,779⁽¹⁾</u> | <u>100.0%</u> | <u>1,186,842⁽¹⁾</u> | <u>100.0%</u> | <u>540,962⁽¹⁾</u> | <u>100.0%</u> | <u>645,954⁽¹⁾</u> | <u>100.0%</u> |

(1) Includes 74,998 TEU, 87,851 TEU, 80,924 TEU, 35,291 TEU and 44,534 TEU shipped by Shandong SITC in 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, respectively, using two vessels chartered from our Company. See “Connected Transactions — Special Case — Vessels Charter Agreement.”

Northeast Asia Market. The shipping volume of our Northeast Asia Market increased from 736,550 TEU in 2007 to 757,923 TEU in 2008, and to 772,119 TEU in 2009, representing a CAGR of 2.4%. The increases primarily reflected our improving market position in this market. Our shipping volume was 364,263 TEU and 366,876 TEU in the six months ended June 30, 2009 and 2010, respectively, representing an increase of 0.7%. As part of our strategy, we plan to continue to develop new routes connecting South China and Northeast Asia countries and increase the frequency of our services to maintain our growth in the region.

Southeast Asia Market. The shipping volume of our Southeast Asia Market increased from 108,854 TEU in 2007 to 321,856 TEU in 2008 and 414,723 TEU in 2009, representing a CAGR of 95.2%. The shipping volume was 176,699 TEU and 279,078 TEU in the six months ended June 30, 2009 and 2010, respectively, representing an increase of 57.9%. The high growth rate is a reflection of the resources and efforts that we have allocated to the development of a relatively new market. As part of our strategy, we plan to continue our rapid expansion in this region to cover additional ports in ASEAN countries, such as Vietnam, Thailand and Indonesia, and to offer complementary land-based logistics services at these ports.

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Freight Rates

Freight rates are prices we are able to charge shippers for each TEU shipped by us, and include, for purposes of this prospectus, fuel and other surcharges. The following table sets forth the average freight rates in the regions and for the periods indicated:

| | Year ended December 31, | | | Six months ended June 30, | |
|---------------------------------|-------------------------|-------|-------|---------------------------|-------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | (US\$ per TEU) | | | | |
| Average freight rate | \$483 | \$537 | \$450 | \$430 | \$491 |
| Northeast Asia Market | 481 | 554 | 470 | 448 | 519 |
| Southeast Asia Market | 497 | 499 | 413 | 393 | 455 |

Northeast Asia Market. Our average freight rate rose significantly in 2008, primarily reflecting a decrease in container shipping capacity in the market as a result of the discontinuation of operations by Shandong Province Yantai International Marine Shipping Company, a major competitor in the Northeast Asia Market, in 2008. Our average freight rate for 2009 decreased significantly from that for 2008, primarily reflecting unfavorable market conditions during the recent global economic downturn, and our average freight rate increased in the six months ended June 30, 2010 from the same period in 2009, primarily reflecting the recent recovery of the container shipping industry. In addition, the Japanese Yen generally appreciated against the U.S. dollar during the periods presented. This trend contributed to an increase in our average freight rate in the Northeast Asia Market in 2008 compared to 2007 and the six months ended June 30, 2010 compared to the same period in 2009, and partially mitigated the decline in our average freight rate in the Northeast Asia Market in 2009 compared to 2008.

Southeast Asia Market. Our average freight rate in the Southeast Asia Market remained relatively stable in 2007 and 2008. In 2009, the average freight rate decreased significantly, primarily reflecting unfavorable market conditions during the recent global economic downturn. Our average freight rate increased in the six months ended June 30, 2010 from the same period in 2009, primarily reflecting the recent recovery of the container shipping industry.

Land-Based Logistics

In 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, revenue of our land-based logistics segment was US\$225.7 million, US\$278.8 million, US\$271.6 million, US\$106.8 million and US\$177.3 million, respectively. Revenue of our land-based logistics business primarily consists of service fees received for the provision of freight forwarding services and shipping agency services, as well as depot and warehousing, in-land transportation, ship brokerage and other services.

Freight Forwarding and Shipping Agency

Our freight forwarding business provides sea freight forwarding services, primarily through our own container shipping services, and to a lesser extent, shipping services provided by third parties. Revenue of our freight forwarding business primarily includes freight forwarding fees and other value-added charges, including customs clearance, documentation preparation and consolidation and distribution services. Because freight forwarding fees received are largely affected by freight charges by carriers, our freight forwarding revenue, like revenue of our sea freight logistics business, is cyclical. In addition to revenue from our freight forwarding business, we generate revenue from shipping agency services.

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Warehousing and Others

Revenue of warehousing and others business primarily consists of service fees relating to the handling of containers in depots, the handling of goods in warehouses through our joint ventures as well as our in-land transportation.

Cost of Sales, Gross Profit and Gross Profit Margin

The following table sets forth our revenue, cost of sales, gross profit and gross profit margin by business segment for the periods indicated:

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|--|-------------------------|----------------------------|-----------|----------------------------|-----------|----------------------------|---------------------------|----------------------------|-----------|----------------------------|
| | 2007 | | 2008 | | 2009 | | 2009 | | 2010 | |
| | Amount | % of segment revenue | Amount | % of segment revenue | Amount | % of segment revenue | Amount | % of segment revenue | Amount | % of segment revenue |
| (in thousands of US\$, except percentages) | | | | | | | | | | |
| Sea freight logistics: | | | | | | | | | | |
| Segment revenue | \$408,062 | 100.0% | \$580,082 | 100.0% | \$534,086 | 100.0% | \$232,612 | 100.0% | \$317,235 | 100.0% |
| Segment cost of sale | | | | | | | | | | |
| Equipment and cargos transportation costs | 211,043 | 51.7 | 267,465 | 46.1 | 295,452 | 55.3 | 138,119 | 59.5 | 159,490 | 50.4 |
| Voyage cost | 94,693 | 23.2 | 157,761 | 27.2 | 129,323 | 24.2 | 54,988 | 23.6 | 82,938 | 26.1 |
| Vessel cost | 77,966 | 19.1 | 95,208 | 16.4 | 83,115 | 15.6 | 47,546 | 20.4 | 32,181 | 10.1 |
| Total | 383,702 | 94.0 | 520,434 | 89.7 | 507,890 | 95.1 | 240,653 | 103.5 | 274,609 | 86.6 |
| Segment gross profit | 24,360 | 6.0 | 59,648 | 10.3 | 26,196 | 4.9 | (8,041) | (3.5) | 42,626 | 13.4 |
| Land-based logistics: | | | | | | | | | | |
| Segment revenue | \$225,698 | 100.0% | \$278,812 | 100.0% | \$271,609 | 100.0% | \$106,843 | 100.0% | \$177,341 | 100.0% |
| Segment cost of sale | | | | | | | | | | |
| Freight forwarding and shipping agency | 182,635 | 80.9 | 222,790 | 79.9 | 218,258 | 80.4 | 78,007 | 73.0 | 139,456 | 78.6 |
| Warehousing and others | 11,272 | 5.0 | 15,310 | 5.5 | 9,524 | 3.5 | 5,576 | 5.2 | 7,522 | 4.3 |
| Total | 193,907 | 85.9 | 238,100 | 85.4 | 227,782 | 83.9 | 83,583 | 78.2 | 146,978 | 82.9 |
| Segment gross profit | \$ 31,791 | 14.1% | \$ 40,712 | 14.6% | \$ 43,827 | 16.1% | \$ 23,260 | 21.8% | \$ 30,363 | 17.1% |

Sea Freight Logistics

The total cost of sales of our sea freight logistics business increased by 35.6% from US\$383.7 million in 2007 to US\$520.4 million in 2008, and decreased by 2.4% to US\$507.9 million in 2009. The total cost of sales of the same segment was US\$240.7 million and US\$274.6 million in the six months ended June 30, 2009 and 2010, respectively, representing an increase by 14.1%. In 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, our cost of sales per TEU based on shipping volume was US\$454, US\$482, US\$428, US\$445 and US\$425, respectively. The principal components of our cost of sales include:

- *Equipment and cargos transportation costs.* These costs primarily consist of loading and discharge cost, slot leasing expenses and container expenses. Loading and discharge cost

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is charged based on the total number of loaded and unloaded TEU shipped. It has been generally stable during 2007, 2008, 2009 and the six months ended June 30, 2010 on a per TEU basis in terms of local currency amount. However, as a significant portion of our loading and discharge cost is denominated in Japanese Yen, such cost per TEU fluctuates with the currency exchange rate between the Japanese Yen and the U.S. dollar. The amount of other equipment and cargos transportation costs are relatively insignificant.

- *Voyage costs.* These costs primarily consist of bunkers cost and port charges. Bunkers cost is affected by the amount of consumed bunkers and the prevailing bunkers price. The amount of bunkers consumed is primarily affected by the number of vessels we operate. Bunkers price is largely cyclical. See “ — Factors Affecting Our Results of Operations and Financial Condition — Vessel Prices, Charter Rate and Bunkers Prices.” Our bunkers cost per TEU was US\$81, US\$110, US\$76, US\$66 and US\$96 in 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, respectively. Port charges are charged when a vessel calls at a port. Port charges on a per call basis in terms of local currency amount were generally stable during the Track Record Period.
- *Vessel costs.* These costs primarily consist of vessel chartering expenses and vessel depreciation expenses, crew expenses and repair and maintenance costs. Vessel depreciation expenses primarily related to the number of our self-owned vessels. As of December 31, 2007, 2008 and 2009 and June 30, 2010, we had 12, 12, 15 and 15 self-owned vessels. Vessels charter rates for our sea freight logistic business are cyclical and reflect the market rates when the charter agreements are entered into. See “ — Factors Affecting Our Results of Operations and Financial Condition — Vessel Prices, Charter Rate and Bunkers Prices.”

In 2007, 2008, 2009 and the six months ended June 30, 2010, gross profit of our sea freight logistics business was US\$24.4 million, US\$59.7 million, US\$26.2 million and US\$42.6 million, respectively, and our gross profit margin was 6.0%, 10.3%, 4.9% and 13.4%, respectively. We incurred a gross loss of US\$8.0 million in the six months ended June 30, 2009.

Higher gross profit margin in 2008 compared to 2007 was mainly attributed to higher average freight rate, partially offset by the increase in loading and discharge cost and bunkers cost. The decrease in our gross profit margin in 2009 was mainly attributable to the lower average freight rate as a result of global economic downturn, partially offset by the lower charter rate, bunkers cost and vessels charter cost. The gross profit margin increased significantly in the six months ended June 30, 2010 compared to the same period in 2009 primarily due to higher average freight rate and space utilization, both as a result of the recent recovery of the container shipping industry, and the relatively stable cost of sales on a per TEU basis, as a result of lower per TEU vessel costs offset by the increase in per TEU voyage costs.

Land-Based Logistics

The total cost of sales of our land-based logistics business increased by 22.8% from US\$193.9 million in 2007 to US\$238.1 million in 2008, followed by a decrease by 4.3% to US\$227.8 million in 2009. Total cost of sales of our land-based logistics business was US\$83.6 million and US\$147.0 million in the six months ended June 30, 2009 and 2010, respectively, representing an increase by 75.8%. The principal components of our cost of sales vary based on the services provided:

- *Freight forwarding and shipping agency.* The principal cost component for this business is sea freight cost, which represents the freight charges received by carriers. Other costs of sales are relatively insignificant.

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- *Warehousing and others.* The principal cost component for this business primarily consists of land and warehouse rental expenses, in-land freight paid to third-party in-land transportation service providers, fuel, repair and maintenance costs incurred by our in-house in-land transportation business. In-land transportation cost may be affected by fuel prices and, as a result, may fluctuate over time.

In 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, the gross profit of our land-based logistics business was US\$31.8 million, US\$40.7 million, US\$43.8 million, US\$23.3 million and US\$30.4 million, respectively, and the gross profit margin was 14.1%, 14.6%, 16.1%, 21.8% and 17.1%, respectively, based on revenue before inter-segment elimination.

Other Income and Gains

Our other income and gains primarily consist of bank interest income, gross rental income, amortization of a deferred gain, and net gain on disposal of items of property, plant and equipment. The following table sets forth the principal components of our other income and gains for the periods indicated:

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|-------------------------|-----------------|----------------|-----------------|----------------|-----------------|---------------------------|-----------------|----------------|-----------------|
| | 2007 | | 2008 | | 2009 | | 2009 | | 2010 | |
| | Amount | % of revenue | Amount | % of revenue | Amount | % of revenue | Amount | % of revenue | Amount | % of revenue |
| (unaudited) | | | | | | | | | | |
| (in thousands of US\$, except percentages) | | | | | | | | | | |
| Bank interest income | \$ 337 | 0.1% | \$1,762 | 0.2% | \$ 745 | 0.1% | \$ 60 | — | \$ 234 | — |
| Other investment income | — | — | — | — | 73 | — | 16 | — | 296 | 0.1 |
| Government subsidies. | 398 | 0.1 | 60 | — | 155 | — | 115 | — | 17 | — |
| Gross rental income. | 3,299 | 0.5 | 7 | — | 9 | — | — | — | — | — |
| Amortization of a deferred gain. | 4,125 | 0.7 | 3,094 | 0.4 | — | — | — | — | — | — |
| Foreign exchange differences, net | — | — | — | — | 1,265 | 0.2 | 4,637 | 1.6 | — | — |
| Gain on disposal of items of property, plant and equipment, net | 4,170 | 0.7 | — | — | — | — | — | — | — | — |
| Fair value gains, net: derivative instruments- transactions not qualifying as hedge | — | — | — | — | 2,017 | 0.3 | 3,322 | 1.2 | 671 | 0.2 |
| Cash flow hedges (transfer from equity). | — | — | — | — | — | — | — | — | 545 | 0.1 |
| Total | \$12,329 | 2.1% | \$4,923 | 0.6% | \$4,264 | 0.6% | \$8,150 | 2.8% | \$1,763 | 0.4% |

We recorded amortization of deferred gains of US\$4.1 million and US\$3.1 million in 2007 and 2008, respectively, which represented a gain from disposal in 2005 of two vessels acquired in 1998 under certain sale and lease back arrangements with two independent third parties. As the sales proceeds of these two vessels were higher than their respective fair value at the dates of disposals, the excess of the fair value was recognized as deferred gains and amortized over the lease period of three years. Gross rental income of US\$3.3 million in 2007 related to the

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chartering of a vessel to a third party. The net gain on disposal of items of property, plant and equipment of US\$4.2 million in 2007 primarily related to a disposal of containers in 2007. We recorded a net foreign exchange differences gain of US\$1.3 million in 2009 due to the fluctuation of the Japanese Yen against the U.S. dollar. Our bank interest income primarily reflects the outstanding balance of our deposits.

Administrative Expenses

Administrative expenses primarily consist of change in foreign exchange differences, salaries and benefits of our management and administrative staff, office lease expenses, travel expenses and entertainment expenses. The following table sets forth the principal components of our administrative expenses for the periods indicated:

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------------------|-----------------|-----------------|-----------------|
| | 2007 | | 2008 | | 2009 | | 2009 | | 2010 | |
| | Amount | % of revenue | Amount | % of revenue | Amount | % of revenue | Amount | % of revenue | Amount | % of revenue |
| (in thousands of US\$, except percentages) | | | | | | | | | | |
| Salaries and wages | \$12,127 | 2.1% | \$22,209 | 2.9% | \$27,030 | 3.9% | \$6,429 | 2.3% | \$11,762 | 3.0% |
| Rental expenses | 1,686 | 0.3 | 2,306 | 0.3 | 2,824 | 0.4 | 1,289 | 0.4 | 1,619 | 0.4 |
| Travel & entertainment | 1,648 | 0.3 | 2,255 | 0.3 | 2,152 | 0.3 | 788 | 0.3 | 1,242 | 0.3 |
| Net foreign exchange differences | 2,150 | 0.4 | 17,842 | 2.3 | — | — | — | — | 1,111 | 0.3 |
| Others | 9,102 | 1.5 | 8,815 | 1.1 | 5,034 | 0.7 | 2,975 | 1.0 | 5,804 | 1.4 |
| Total | <u>\$26,713</u> | <u>4.6%</u> | <u>\$53,427</u> | <u>6.9%</u> | <u>\$37,040</u> | <u>5.3%</u> | <u>\$11,480</u> | <u>4.0%</u> | <u>\$21,538</u> | <u>5.4%</u> |

We recorded losses of US\$2.2 million, US\$17.8 million and US\$1.1 million in 2007, 2008 and the six months ended June 30, 2010, respectively, from changes in foreign exchange differences, primarily reflecting exchange rate fluctuations of the Japanese Yen against the U.S. dollar during that year. See “— Factors Affecting Our Results of Operations and Financial Condition — Exchange Rate Fluctuations” and “— Market Risks — Foreign Currency Exchange Risk.” Salaries and wages expenses in 2009 included share-based compensation expenses of US\$4.6 million in relation to the transfer of certain beneficial interests in our Company in form of shares in Resourceful by Better Master, a Controlling Shareholder, to All Precise, a trust which held the interests in Resourceful on behalf of 52 employees, in 2009 at a price lower than fair value. See “Our History and Reorganization — Our History.” Salaries and wages increased significantly in the six months ended June 30, 2010 compared to the same period in 2009, primarily due to the additional employees of our newly established shipping agency subsidiaries, as well as increase in our average salary and bonuses.

Other Expenses and Losses

Other expenses and losses primarily consist of net fair value losses from derivative financial instruments not qualifying for hedge accounting. In 2008, we recorded net fair value losses from certain derivative financial instruments of US\$11.0 million. All these losses related to certain derivative financial instruments, including certain forward currency contracts, interest rate swaps and a 10-year instrument entered into with a commercial bank in September 2006. For more information on these instruments, see “— Derivatives.”

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Finance Costs

Our finance costs consist of interests on bank borrowings, amounts due to related companies and finance leases. The following table sets forth the components of our finance costs for the periods indicated:

| | Year ended December 31, | | | | | | Six months ended June 30, | | | |
|---|-------------------------|-----------------|----------------|-----------------|----------------|-----------------|---------------------------|-----------------|--------------|-----------------|
| | 2007 | | 2008 | | 2009 | | 2009 | | 2010 | |
| | Amount | % of revenue | Amount | % of revenue | Amount | % of revenue | Amount | % of revenue | Amount | % of revenue |
| (in thousands of US\$, except percentages) | | | | | | | | | | |
| Interest on bank loans wholly repayable within five years | \$2,413 | 0.4% | \$2,331 | 0.3% | \$1,339 | 0.2% | \$653 | 0.2% | \$672 | 0.2% |
| Interest on bank loans repayable beyond five years | 1,562 | 0.3 | 1,303 | 0.2 | 399 | 0.1 | 250 | 0.1 | 191 | — |
| Interest on amounts due to related companies | 2,035 | 0.3 | 109 | — | — | — | — | — | — | — |
| Interest on finance leases | 469 | 0.1 | 223 | — | 7 | — | 7 | — | — | — |
| Total | <u>\$6,479</u> | <u>1.1%</u> | <u>\$3,966</u> | <u>0.5%</u> | <u>\$1,745</u> | <u>0.3%</u> | <u>\$910</u> | <u>0.3%</u> | <u>\$863</u> | <u>0.2%</u> |

Interest on amounts due to related companies represents interest payable under certain interest-bearing loans from a BVI subsidiary of Shandong SITC to a BVI subsidiary of our Company, extended outside the PRC. The Directors confirm that these loan arrangements are not in violation of the relevant BVI laws and regulations. We repaid all outstanding amounts in 2008. Interest on bank loans decreased from US\$4.0 million in 2007 to US\$3.6 million in 2008, and to US\$1.7 million in 2009, primarily reflecting the continuing decline in prevailing interest rates and outstanding balance during these periods. Our effective interest rates were 3.6%, 3.0%, 1.8%, 2.1% and 2.0% in 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, respectively.

Profit before Tax from Continuing Operations

Profit before tax from continuing operations represents the sum of our gross profit and other income and gains, less administrative expenses, other expenses and losses, finance costs after taking into account and share of profit and loss of associates. In 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, our profit before tax from continuing operations was US\$35.2 million, US\$36.7 million, US\$34.0 million, US\$9.3 million and US\$52.4 million, respectively, and our operating margin was 6.1%, 4.8%, 4.9%, 3.3% and 13.1%, respectively.

Discontinued Operation

In 2006, we acquired NTS International, which mainly engaged in air freight forwarding business, in exchange for cash and a minority interest in SITC Logistics Company Limited, a holding company of our land-based logistics business, from the then management of NTS International. NTS International generated a profit of US\$4.9 million in 2007. However, NTS International operated as a stand-alone business after the acquisition and did not generate significant synergy with our existing business lines as expected. As a result, we decided to sell back our entire interest in NTS International to its prior management in consortium with an

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independent investor, and purchased back the minority interest in SITC Logistics Company Limited in 2008. The consideration for the transaction were negotiated on an arm's-length basis and determined based on the respective net asset value of NTS International and SITC Logistics Company Limited. No gain or loss was recorded for the disposal of NTS International.

Income Taxes

The following table sets forth our income tax expenses by countries for the periods indicated:

| | Year ended December 31, | | | Six months ended June 30, | |
|----------------|-------------------------|---------|---------|---------------------------|---------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | (in thousands of US\$) | | | | |
| PRC..... | \$727 | \$1,007 | \$1,199 | \$572 | \$ 710 |
| Japan..... | 55 | 247 | 79 | 68 | 141 |
| Korea..... | 91 | 68 | 79 | — | 14 |
| Hong Kong..... | 3 | — | 118 | — | 176 |
| Others..... | — | — | 7 | — | 10 |
| Total..... | \$876 | \$1,322 | \$1,482 | \$640 | \$1,051 |

Cayman Islands Profits Tax

Our company is incorporated as an exempted company in the Cayman Islands and not subject to any income or capital gains tax under the current laws of the Cayman Islands.

PRC Income Tax

A substantial majority of our income tax expenses in 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010 related to income tax incurred by our PRC subsidiaries, most of which are primarily engaged in land-based logistics business. Our sea freight logistics are primarily operated through non-PRC subsidiaries, of which the income is not subject to PRC income tax. In 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, our PRC income tax was US\$0.7 million, US\$1.0 million, US\$1.2 million, US\$0.6 million and US\$0.7 million, respectively.

On March 16, 2007, the National People's Congress enacted the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), or the 2008 EIT Law. According to the 2008 EIT Law and its implementation rules, all PRC incorporated companies, including both domestic enterprises and foreign invested enterprises, became subject to the enterprise income tax at a single rate of 25% from January 1, 2008.

In 2007, 2008, 2009 and the six months ended June 30, 2010, a number of our PRC joint ventures enjoyed preferential enterprise income tax rates because they operated in designated areas with preferential enterprise income tax policies in the PRC. These rates were lower than the standard enterprise income tax rate. Additionally, during the same periods, certain PRC joint ventures were qualified to receive the preferential tax treatment exemption from the enterprise income tax for the first two years and a 50% reduction in the enterprise income tax for the following three years, commencing from the first profitable year after offsetting all eligible tax losses carried forward from the previous years. The 2008 EIT Law granted a transition period to enterprises that enjoyed preferential tax treatments under the old foreign invested enterprise tax law, such as these PRC joint ventures. In particular, enterprises that are entitled to the exemptions or reduced tax rates for fixed terms under the old foreign invested enterprise tax law would continue to enjoy such treatment until the expiry of such fixed terms.

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We had a loss before tax of US\$1.8 million, US\$6.2 million and US\$2.3 million for our PRC operations on a combined basis in 2008, 2009 and the six months ended June 30, 2010, mainly due to weaker demand for some of our PRC subsidiaries' services in these periods. However, as some of PRC entities were profitable in these periods, we paid an aggregate PRC income tax of US\$1.0 million, US\$1.2 million and US\$0.7 million in these periods, respectively. Our effective PRC tax rate was 8.5% in 2007.

Japanese and Korean Income Tax

Our operating subsidiaries incorporated in Japan and Korea were subject to Japanese and Korean income taxes, respectively. In 2007, 2008, 2009 and the six months ended June 30, 2010, our effective Japanese income tax rates were 33.5%, 40.6%, 16.8% and 97.2%, respectively, and our effective Korean income tax rates were 26.1%, 18.6%, 24.9% and 6.3%, respectively. Our effective Japanese income tax rate experienced significant downward movement in 2009 and upward movement in the six months ended June 30, 2010, mainly due to an income of US\$0.2 million in 2009 that was deferred to 2010 for income tax purposes. The effective Korean income tax rate fluctuated mainly due to the progressive income tax structure in Korea and certain income not subject to tax.

Hong Kong Profits Tax

In 2007, 2008, 2009 and the six months ended June 30, 2010, our operating subsidiaries incorporated in Hong Kong were subject to Hong Kong profits tax rates of 17.5%, 16.5%, 16.5% and 16.5% for profits generated in Hong Kong, respectively. However, we did not make any provisions for Hong Kong profits tax in 2008 as we did not have any assessable profit subject to Hong Kong profits tax in this year.

Transfer Pricing

In 2008, we engaged an independent "big-four" accounting firm to advise on our transfer pricing practices. As part of the engagement, our tax advisor advised on setting prices for intra-group services through an analysis of arm's length prices for such services and market practices of comparable companies. We have established transfer pricing practices consistent with our tax advisor's advice, and in 2010, further refined our practices based on the updated market information provided by the same tax advisor.

Segment Results

Segment result represents the sum of gross profit, other income and gains, administrative expenses and other expenses and losses and share-based compensation expenses, excluding the impact of unallocated costs (including interest income and finance cost). Our segment result for sea freight logistics segment was US\$25.8 million, US\$22.7 million, US\$19.1 million, US\$(4.5) million and US\$37.7 million, respectively, in 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010 and our segment result for land-based logistics segment was US\$15.6 million, US\$16.2 million, US\$15.8 million, US\$14.6 million and US\$15.3 million, respectively, in the same periods.

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RESULTS OF OPERATIONS

Comparison of the Six Months Ended June 30, 2010 and June 30, 2009

Overview

| | Six months ended June 30, | | | | | | | | | |
|--|---------------------------|------------------|-----------------|-----------------|---------------------|-------|------------------------------|-------------------------------|--------------------------------------|-------|
| | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 |
| | (unaudited) | | (unaudited) | | (unaudited) | | (unaudited) | | (unaudited) | |
| | Revenue | | Gross profit | | Gross profit margin | | Segment result | | Segment result margin ⁽¹⁾ | |
| (in thousands of US\$, except percentages) | | | | | | | | | | |
| Sea freight logistics | \$232,612 | \$317,235 | \$(8,041) | \$42,626 | (3.5)% | 13.4% | \$(4,472) | \$37,722 | (1.9)% | 11.9% |
| Land-based logistics | 106,843 | 177,341 | 23,260 | 30,363 | 21.8 | 17.1 | 14,647 | 15,293 | 13.7 | 8.6 |
| Subtotal | 339,455 | 494,576 | 15,219 | 72,989 | | | 10,175 | 53,015 | | |
| Inter-segment elimination ⁽²⁾ | (52,844) | (93,908) | — | — | | | — | — | | |
| Unallocated costs | | | | | | | | | | |
| Interest income | | | | | | | 60 | 234 | | |
| Finance cost | | | | | | | (910) | (863) | | |
| Total | <u>\$286,611</u> | <u>\$400,668</u> | <u>\$15,219</u> | <u>\$72,989</u> | 5.3% | 18.2% | <u>\$9,325⁽³⁾</u> | <u>\$52,386⁽³⁾</u> | 3.3% | 13.1% |

(1) Represents segment result as a percentage of segment revenue.

(2) Mainly includes (i) freight charges payable by our freight forwarding business to our sea freight logistics business and (ii) service charges payable by our sea freight logistics business to our shipping agency business.

(3) Represents profit from continuing operations before tax.

Revenue

Our total revenue after inter-segment elimination increased by 39.8% from US\$286.6 million in the six months ended June 30, 2009 to US\$400.7 million in the six months ended June 30, 2010. This increase reflected increases in revenue of both sea freight logistics and land-based logistics segments, primarily reflecting (i) the increase in our shipping volume in the Southeast Asia Market and the higher average freight rate in both the Northeast Asia Market and Southeast Asia Market, as well as (ii) the growth of our freight forwarding business in terms of both volume and average freight forwarding fee.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales increased by 20.7% from US\$271.4 million in the six months ended June 30, 2009 to US\$327.7 million in the six months ended June 30, 2010. This increase primarily reflected increases of cost of sales of both sea freight logistics and land-based logistics segments, due to the expansion of our business in both segments.

As a result of the foregoing, our gross profit increased from US\$15.2 million in the six months ended June 30, 2009 to US\$73.0 million in the same period in 2010. Our gross profit margin increased from 5.3% in the six months ended June 30, 2009 to 18.2% in the same period in 2010, primarily reflecting the gross profit margin of our sea freight logistics segment of 13.4% in the six months ended June 30, 2010 compared to a gross loss in the same period in 2009. The gross profit margin of our land-based logistics segment was 21.8% and 17.1% in the six months ended June 30, 2009 and 2010, respectively.

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Other Income and Gains

Our other income and gains decreased by 78.0% from US\$8.2 million in the six months ended June 30, 2009 to US\$1.8 million in the six months ended June 30, 2010. Our other income and gains were significantly higher in the six months ended June 30, 2009, primarily reflecting a gain from net foreign exchange differences of US\$4.6 million and a gain on derivative financial instruments of US\$3.3 million.

Administrative Expenses

Our administrative expenses increased from US\$11.5 million in the six months ended June 30, 2009 to US\$21.5 million in the six months ended June 30, 2010. The increase primarily reflected a significant increase in salary expenses as a result of our newly established shipping agency subsidiaries and a loss from net foreign exchange differences of US\$1.1 million in the six months ended June 30, 2010.

Other Expenses and Losses

Our other expenses and losses decreased from US\$1.7 million in the six months ended June 30, 2009 to less than US\$0.1 million in the same period in 2010. Other expenses and losses on the six months ended June 30, 2009 primarily consisted of the fair value loss relating to certain derivative financial instruments. See “— Derivatives.”

Finance Cost

Our finance costs were US\$0.9 million and US\$0.9 million in the six months ended June 30, 2009 and 2010, respectively, primarily reflecting the outstanding interest-bearing loans during these periods.

Profit Before Tax from Continuing Operations

As a result of the foregoing, our profit before tax from continuing operations (representing the sum of gross profit, other income and gains, administrative expenses, other expenses and losses, finance cost and share of profits and losses of associates) increased from US\$9.3 million in the six months ended June 30, 2009 to US\$52.4 million in the six months ended June 30, 2010.

Income Tax Expense

Our income tax expenses increased by 83.3% from US\$0.6 million in the six months ended June 30, 2009 to US\$1.1 million in the six months ended June 30, 2010. This was mainly due to the increase of our profit and the reduction or cancellation of certain PRC preferential enterprises income tax treatments during these periods.

Profit for the Year

Our profit for the year was US\$8.7 million and US\$51.3 million in the six months ended June 30, 2009 and 2010.

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Sea Freight Logistics

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

| | Six months ended June 30, | | | |
|---|---------------------------|-------------------------|------------------|-------------------------|
| | 2009 | | 2010 | |
| | Amount | % of segment revenue | Amount | % of segment revenue |
| (unaudited) (in thousands of US\$, except percentages) | | | | |
| Income Statement Data: | | | | |
| Sales to external customers | \$ 184,210 | 79.2% | \$ 228,825 | 72.1% |
| Inter-segment sales | 48,402 | 20.8 | 88,410 | 27.9 |
| Segment revenue | 232,612 | 100.0 | 317,235 | 100.0 |
| Northeast Asia Market | 163,133 | 70.1 | 190,239 | 60.0 |
| Southeast Asia Market | 69,479 | 29.9 | 126,996 | 40.0 |
| Cost of sales | (240,653) | (103.5) | (274,609) | (86.6) |
| Equipment and cargos transportation costs . . | (138,119) | (59.5) | (159,490) | (50.4) |
| Voyage costs | (54,988) | (23.6) | (82,938) | (26.1) |
| Vessel costs | (47,546) | (20.4) | (32,181) | (10.1) |
| Gross profit | (8,041) | (3.5) | 42,626 | 13.4 |
| Other income and gains (excluding interest income) | 7,049 | 3.1 | 1,216 | 0.4 |
| Administrative expenses | (1,833) | (0.8) | (6,117) | (1.9) |
| Other expenses and losses | (1,647) | (0.7) | (3) | — |
| Segment results | \$ (4,472) | (1.9)% | \$ 37,722 | 11.9% |

Revenue

Revenue of our sea freight logistics business before inter-segment elimination increased by 36.4% from US\$232.6 million in the six months ended June 30, 2009 to US\$317.2 million in the six months ended June 30, 2010. This increase primarily reflected increases in revenue in the Southeast Asia Market and, to a lesser extent, the Northeast Asia Market.

- *Northeast Asia Market.* Revenue from the Northeast Asia Market increased by 16.6% from US\$163.1 million in the six months ended June 30, 2009 to US\$190.2 million in the six months ended June 30, 2010, primarily reflecting a higher average freight rate. Our average freight rate in the Northeast Asia Market increased by 15.8% to US\$519 per TEU in the six months ended June 30, 2010 from US\$448 per TEU in the six months ended June 30, 2009, primarily reflecting improved market condition of the container shipping industry. Our shipping volume in the Northeast Asia Market increased slightly to 366,876 TEU in the six months ended June 30, 2010 from 364,263 TEU in the six months ended June 30, 2009.

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- *Southeast Asia Market.* Revenue from the Southeast Asia Market increased from US\$69.5 million in the six months ended June 30, 2009 to US\$127.0 million in the six months ended June 30, 2010, primarily reflecting an increase in average freight rate and shipping volume. Our average freight rate in the Southeast Asia Market increased significantly from US\$393 per TEU in the six months ended June 30, 2009 to US\$455 per TEU in the six months ended June 30, 2010, primarily reflecting improved market condition. Our shipping volume in the Southeast Asia Market increased to 279,078 TEU in the six months ended June 30, 2010 from 176,699 TEU in the six months ended June 30, 2009, primarily reflecting our efforts to rapidly expand our shipping network by increasing the number of port calls per week.

Revenue from inter-segment sales of our sea freight logistics business was US\$48.4 million and US\$88.4 million in the six months ended June 30, 2009 and 2010, respectively. As a result, in the six months ended June 30, 2009 and 2010, revenue from sale to external customers of our sea freight logistics business was US\$184.2 million and US\$228.8 million, respectively.

Cost of Sales, Gross Profit and Gross Profit Margin

The cost of sales of our sea freight logistics business increased by 14.1% from US\$240.7 million in the six months ended June 30, 2009 to US\$274.6 million in the six months ended June 30, 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 15.5% from US\$138.1 million in the six months ended June 30, 2009 to US\$159.5 million in the same period in 2010, primarily reflecting an increase in loading and discharge cost by 17.3% from US\$91.1 million in the six months ended June 30, 2009 to US\$106.9 million in the six months ended June 30, 2010. The increase in loading and discharge cost primarily reflected the increase in the shipping volume from the six months ended June 30, 2009 to the six months ended June 30, 2010. The average loading and discharge expenses per TEU were generally stable during these periods.
- Voyage costs increased by 50.7% from US\$55.0 million in the six months ended June 30, 2009 to US\$82.9 million in the same period in 2010, primarily reflecting an increase in bunkers cost of 72.6% from US\$35.8 million in the six months ended June 30, 2009 to US\$61.8 million in the six months ended June 30, 2010. Increase in the bunkers cost in the six months ended June 30, 2010 primarily reflected a significantly higher bunkers price driven by the higher crude oil price in the six months ended June 30, 2010, as well as an increase in our bunker consumption volume, due to our increased number of vessels.
- Vessel costs decreased by 32.2% from US\$47.5 million in the six months ended June 30, 2009 to US\$32.2 million in the same period in 2010, primarily reflecting a decrease in vessels chartering expenses by 45.0% from US\$39.1 million in the six months ended June 30, 2009 to US\$21.5 million in the same period in 2010. Although the number of our chartered vessels increased slightly from 26 as of June 30, 2009 to 27 as of June 30, 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.

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As a result of the foregoing, we incurred a gross loss of US\$8.0 million on our sea freight logistics business in the six months ended June 30, 2009 and had a gross profit of US\$42.6 million in the same period in 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 (3.5)% in the six months ended June 30, 2009 and 13.4% in same period in 2010. The higher gross profit margin in the six months ended June 30, 2010 was primarily due to an increase in overall average freight rate by 14.2%, mainly reflecting improved market condition of the container shipping industry. Cost of sales on a per TEU basis were relatively stable, mainly as a result of (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)

Other income and gains of our sea freight logistics business decreased by 82.9% from US\$7.0 million in the six months ended June 30, 2009 to US\$1.2 million in the same period in 2010. Our other income and gains were significantly higher in the six months ended June 30, 2009, primarily due to a gain from net foreign exchange differences of US\$3.6 million and a gain on derivative financial instruments of US\$3.3 million in this period.

Administrative Expenses

Administrative expenses of our sea freight logistics business increased significantly from US\$1.8 million in the six months ended June 30, 2009 to US\$6.1 million in the same period in 2010. The increase primarily reflected a significant increase in salary expenses from US\$0.3 million in the six months ended June 30, 2009 to US\$2.7 million in the same period in 2010, as well as a loss from net foreign exchange differences of US\$1.1 million in the six months ended June 30, 2010.

Other Expenses and Losses

Our sea freight logistics business recorded other expenses and losses of US\$1.6 million in the six months ended June 30, 2009, primarily reflecting a decrease in fair value of certain derivative financial instruments. See “— Derivatives.” We did not record any significant other expenses or losses in this business segment in the six months ended June 30, 2009.

Segment Results

As a result of the foregoing, the segment results of our shipping business was US\$(4.5) million in the six months ended June 30, 2009 and US\$37.7 million in same period in June 30, 2010.

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Land-Based Logistics

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

| | Six months ended June 30, | | | |
|---|---------------------------|-------------------------|------------------|-------------------------|
| | 2009 | | 2010 | |
| | Amount | % of segment revenue | Amount | % of segment revenue |
| (unaudited) (in thousands of US\$, except percentages) | | | | |
| Income Statement Data: | | | | |
| Sales to external customers | \$102,401 | 95.8% | \$ 171,843 | 96.9% |
| Inter-segment sales | 4,442 | 4.2 | 5,498 | 3.1 |
| Segment revenue | 106,843 | 100.0 | 177,341 | 100.0 |
| Freight forwarding and shipping agency | 97,671 | 91.4 | 164,137 | 92.6 |
| Warehousing and others | 9,172 | 8.6 | 13,204 | 7.4 |
| Cost of sales | (83,583) | (78.2) | (146,978) | (82.9) |
| Freight forwarding and shipping agency | (78,007) | (73.0) | (139,456) | (78.6) |
| Warehousing and others | (5,576) | (5.2) | (7,522) | (4.2) |
| Gross profit | 23,260 | 21.8 | 30,363 | 17.1 |
| Other income and gains (excluding interest income) | 1,041 | 0.9 | 313 | 0.2 |
| Administrative expenses | (9,647) | (9.0) | (15,421) | (8.7) |
| Other expenses and losses | (7) | — | (15) | — |
| Share of profits and losses of associates | — | — | 53 | — |
| Segment results | \$ 14,647 | 13.7% | \$ 15,293 | 8.6% |

Revenue

The revenue of our land-based logistics business before inter-segment elimination increased by 66.0% from US\$106.8 million in the six months ended June 30, 2009 to US\$177.3 million in the six months ended June 30, 2010, respectively. 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 68.0% from US\$97.7 million in the six months ended June 30, 2009 to US\$164.1 million in the same period in 2010. This increase primarily reflected (i) an increase in average freight forwarding fee from US\$340 per TEU in the six months ended June 30, 2009 to US\$418 per TEU in the six months ended June 30, 2010 and (ii) an increase in the shipping volume from the six months ended June 30, 2009 to the same period in 2010, both of which were primarily due to favorable market conditions.

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- *Warehousing and others.* Revenue of our warehousing and other business increased by 43.5% from US\$9.2 million in the six months ended June 30, 2009 to US\$13.2 million in the same period in 2010. This increase primarily reflected an increased number of containers handled by depot services.

Revenue from inter-segment sales of our land-based logistics business increased 25.0% from US\$4.4 million in the six months ended June 30, 2009 to US\$5.5 million in the same period in 2010. As a result, in the six months ended June 30, 2009 and 2010, revenue from sales to external customers of our shipping business was US\$102.4 million and US\$171.8 million, respectively.

Cost of Sales, Gross Profit and Gross Profit Margin

The cost of sales of our land-based logistics business increased by 75.8% from US\$83.6 million in the six months ended June 30, 2009 to US\$147.0 million in 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 78.8% from US\$78.0 million in the six months ended June 30, 2009 to US\$139.5 million in 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 33.9% from US\$5.6 million in the six months ended June 30, 2009 to US\$7.5 million in 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 30.5% from US\$23.3 million in the six months ended June 30, 2009 to US\$30.4 million in the same period in 2010. The gross profit margin of our land-based logistics business was 21.8% and 17.1% in the six months ended June 30, 2009 and 2010, respectively.

Other Income and Gains (excluding interest income)

Other income and gains of our land-based business were US\$1.0 million in the six months ended June 30, 2009, mainly reflecting a gain from net foreign exchange differences of US\$1.0 million. We recorded other income and gains in this business segment of US\$0.3 million in the same period in 2010.

Administrative Expenses

Administrative expenses of our land-based logistics business increased by 60.4% from US\$9.6 million in the six months ended June 30, 2009 to US\$15.4 million in the same period in 2010. The increase primarily reflected an increase in salary expenses as a result of the expansion of our shipping agency business.

Other Expenses and Losses

Other expenses incurred by our land-based logistics business were less than US\$0.1 million in each of the six months ended June 30, 2009 and 2010, respectively.

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Segment Results

As a result of the foregoing, the segment results of our land-based logistics business increased by 4.8% from US\$14.6 million in the six months ended June 30, 2009 to US\$15.3 million in the six months ended June 30, 2010.

Comparison of Years Ended December 31, 2009 and December 31, 2008

Overview

| | Year ended December 31, | | | | | | | | | |
|--|--|-------------------|------------------|-----------------|---------------------|-------|-------------------------------|-------------------------------|--------------------------------------|------|
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| | Revenue | | Gross profit | | Gross profit margin | | Segment result | | Segment result margin ⁽¹⁾ | |
| | (in thousands of US\$, except percentages) | | | | | | | | | |
| Sea freight logistics | \$580,082 | \$ 534,086 | \$ 59,648 | \$26,196 | 10.3% | 4.9% | \$22,746 | \$19,143 | 3.9% | 3.6% |
| Land-based logistics | 278,812 | 271,609 | 40,712 | 43,827 | 14.6 | 16.1 | 16,170 | 15,819 | 5.8 | 5.8 |
| Subtotal | 858,894 | 805,695 | 100,360 | 70,023 | | | 38,916 | 34,962 | | |
| Inter-segment elimination ⁽²⁾ | (86,994) | (111,522) | — | — | | | — | — | | |
| Unallocated costs | | | | | | | | | | |
| Interest income | | | | | | | 1,762 | 745 | | |
| Finance cost | | | | | | | (3,966) | (1,745) | | |
| Total | <u>\$771,900</u> | <u>\$ 694,173</u> | <u>\$100,360</u> | <u>\$70,023</u> | 13.0% | 10.1% | <u>\$36,712⁽³⁾</u> | <u>\$33,962⁽³⁾</u> | 4.8% | 4.9% |

(1) Represents segment result as a percentage of segment revenue.

(2) Mainly includes (i) freight charges payable by our freight forwarding business to our sea freight logistics business and (ii) service charges payable by our sea freight logistics business to our shipping agency business.

(3) Represents profit from continuing operations before tax.

Revenue

Our total revenue after inter-segment elimination decreased by 10.1% from US\$771.9 million in 2008 to US\$694.2 million in 2009. This decrease primarily reflected decreases in revenue from both sea freight logistics and land-based logistics segments, which in turn primarily reflected declining global demand for shipping logistics services from 2008 to 2009.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales after inter-segment elimination decreased by 7.0% from US\$671.5 million in 2008 to US\$624.2 million in 2009. This decrease primarily reflected decreases in cost of sales of both sea freight logistics and land-based logistics segments, primarily reflecting the decrease in bunkers cost and vessels chartering expenses of our sea freight logistics segment.

As a result of the foregoing, our gross profit decreased by 30.3% from US\$100.4 million in 2008 to US\$70.0 million in 2009. Our gross profit margin decreased from 13.0% in 2008 to 10.1% in 2009, reflecting a significant decrease in gross profit margin of our sea freight logistics segment from 10.3% in 2008 to 4.9% in 2009. Gross profit margin of our land-based logistics segment increased from 14.6% in 2008 to 16.1% in 2009.

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Other Income and Gains

Our other income and gains decreased by 12.2% from US\$4.9 million in 2008 to US\$4.3 million in 2009. Our other income and gains in 2008 primarily reflected an amortization of a deferred gain of US\$3.1 million in respect of the disposal of certain vessels in 2005 and bank interest income of US\$1.8 million. Other income and gains in 2009 primarily consisted of a gain from net foreign exchange differences of US\$1.3 million.

Administrative Expenses

Our administrative expenses decreased by 30.7% from US\$53.4 million in 2008 to US\$37.0 million in 2009. The decrease primarily reflected a significant change in net foreign exchange differences. See “— Factors Affecting Our Results of Operations and Financial Condition — Exchange Rate Fluctuations” for a discussion on the impact of fluctuation of currency exchange rate upon our results of operations. We incurred share-based compensation expenses of US\$4.6 million in 2009 and did not incur any in 2008.

Other Expenses and Losses

Our other expenses and losses decreased by 85.7% from US\$11.2 million in 2008 to US\$1.6 million in 2009. Our other expenses and losses in 2008 primarily reflected fair value losses of US\$11.0 million from derivative financial instruments not qualifying for hedge accounting. See “— Derivatives.”

Finance Cost

Our finance cost decreased by 57.5% from US\$4.0 million in 2008 to US\$1.7 million in 2009. The decrease reflected decreases in both outstanding loan amount and effective interest rates on bank loans.

Profit Before Tax from Continuing Operations

As a result of the foregoing, our profit before tax from continuing operations (representing the sum of gross profit, other income and gains, administrative expenses, other expenses and losses, finance cost and share of profits and losses of associates) decreased by 7.4% from US\$36.7 million in 2008 to US\$34.0 million in 2009.

Income Tax Expense

Our income tax expenses increased by 15.4% from US\$1.3 million in 2008 to US\$1.5 million in 2009. This was mainly because we incurred higher expenses not deductible for tax in 2009. See “— Description of Selected Components of Results of Operations — Income Taxes.”

Profit for the Year

Our profit for the year decreased by 8.2% from US\$35.4 million in 2008 to US\$32.5 million in 2009.

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Sea Freight Logistics

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

| | Year ended December 31, | | | |
|---|--|-------------------------|-------------------|-------------------------|
| | 2008 | | 2009 | |
| | Amount | % of segment revenue | Amount | % of segment revenue |
| | (in thousands of US\$, except percentages) | | | |
| Income Statement Data: | | | | |
| Sales to external customers | \$ 497,014 | 85.7% | \$ 430,147 | 80.5% |
| Inter-segment sales | 83,068 | 14.3 | 103,939 | 19.5 |
| Segment revenue | \$ 580,082 | 100.0% | \$ 534,086 | 100.0% |
| Northeast Asia Market | 419,487 | 72.3 | 362,974 | 68.0 |
| Southeast Asia Market | 160,595 | 27.7 | 171,112 | 32.0 |
| Cost of sales | (520,434) | (89.7) | (507,890) | (95.1) |
| Equipment and cargos transportation costs . . | (267,465) | (46.1) | (295,452) | (55.3) |
| Voyage costs | (157,761) | (27.2) | (129,323) | (24.2) |
| Vessel costs | (95,208) | (16.4) | (83,115) | (15.6) |
| Gross profit | 59,648 | 10.3 | 26,196 | 4.9 |
| Other income and gains (excluding interest income) | 3,154 | 0.5 | 3,289 | 0.6 |
| Administrative expenses | (28,900) | (5.0) | (8,741) | (1.6) |
| Other expenses and losses | (11,156) | (1.9) | (1,601) | (0.3) |
| Segment results | \$ 22,746 | 3.9% | \$ 19,143 | 3.6% |

Revenue

Revenue of our sea freight logistics business before inter-segment elimination decreased by 7.9% from US\$580.1 million in 2008 to US\$534.1 million in 2009. This decrease primarily reflected a decrease in our revenue from our Northeast Asia Market, partially offset by an increase in our revenue from our Southeast Asia Market.

- Northeast Asia Market.* Revenue from the Northeast Asia Market decreased by 13.5% from US\$419.5 million in 2008 to US\$363.0 million in 2009, reflecting a decrease in average freight rate, partially offset by an increase in shipping volume. Our average freight rate in the Northeast Asia Market decreased by 15.2% to US\$470 per TEU in 2009 from US\$554 per TEU in 2008, primarily reflecting a weaker demand for international container shipping services in the region in 2009. This factor was partially offset by the appreciation of the Japanese Yen, in which the freight rate in the Northeast Asia Market was typically denominated, against the U.S. dollar. See “— Factors Affecting Our Results of Operations and Financial Condition — Exchange Rate Fluctuations.” Our shipping volume in North Asia Market increased by 1.9% to 772,119 TEU in 2009 from 757,923 TEU in 2008, which we believe reflected our continuing efforts to solidify our market position in the region.

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- *Southeast Asia Market.* Revenue from the Southeast Asia Market increased by 6.5% from US\$160.6 million in 2008 to US\$171.1 million in 2009, reflecting an increase in shipping volume, partially offset by a decrease in average freight rate. Our shipping volume in the Southeast Asia Market increased by 28.9% to 414,723 TEU in 2009 from 321,856 TEU in 2008, primarily reflecting increases in the number of routes and the number of ports of call in the region, as we continue to focus on our expansion in the region. Our average freight rate in the Southeast Asia Market decreased by 17.2% to US\$413 per TEU in 2009 from US\$499 per TEU in 2008, primarily reflecting a decrease in demand for container shipping services across Southeast Asia region in 2009 as a result of global economic downturn.

Revenue from inter-segment sales of our sea freight logistics business was US\$83.1 million and US\$103.9 million in 2008 and 2009, respectively. As a result, in 2008 and 2009, revenue from sale to external customers of our sea freight logistics business was US\$497.0 million and US\$430.1 million, respectively.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales of our sea freight logistics business decreased by 2.4% from US\$520.4 million in 2008 to US\$507.9 million in 2009. This decrease primarily reflected decreases in voyage costs and vessel costs, partially offset by an increase in equipment and cargos transportation cost:

- Voyage costs decreased by 18.1% from US\$157.8 million in 2008 to US\$129.3 million in 2009, primarily reflecting a decrease in bunkers cost by 24.4% from US\$118.9 million in 2008 to US\$89.9 million in 2009. The decrease in bunkers cost, in turn, primarily reflected significantly lower bunkers prices as a result of lower crude oil prices, and was partially offset by the increase in our bunker consumption volume as a result of increases in our fleet size, frequency of services and aggregate fleet distance sailed.
- Vessel costs decreased by 12.7% from US\$95.2 million in 2008 to US\$83.1 million in 2009, primarily reflecting a decrease in vessels chartering expenses by 17.3% from US\$78.5 million in 2008 to US\$64.9 million in 2009. Although the number of our fleet vessels increased in 2009 compared to 2008, vessels chartering expenses decreased in 2009, primarily reflecting significantly lower average charter rate of US\$6,890 per day per vessel in 2009 compared to US\$9,895 per day per vessel in 2008, affected by a weaker global demand for container vessels when the relevant charter agreements were entered into.
- Equipment and cargos transportation costs increased by 10.5% from US\$267.5 million in 2008 to US\$295.5 million in 2009, primarily reflecting an increase in loading and discharge cost by 15.1% from US\$176.1 million in 2008 to US\$202.7 million in 2009. Loading and discharge cost increased, primarily reflecting an increase in shipping volume and, to a lesser extent, higher average loading and discharge expenses per TEU of US\$123 in 2009 compared to US\$118 in 2008 caused by the appreciation of the Japanese Yen.

As a result of the foregoing, our gross profit of our sea freight logistics business decreased by 56.0% from US\$59.6 million in 2008 to US\$26.2 million in 2009. The gross profit margin of our sea freight logistics business decreased from 10.3% in 2008 to 4.9% in 2009. This decrease primarily reflected a lower average freight rate, partially offset by lower bunkers cost and average charter rate.

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Other Income and Gains (excluding interest income)

Other income and gains of our sea freight logistics business increased by 3.1% from US\$3.2 million in 2008 to US\$3.3 million in 2009. Our other income and gains in 2008 primarily represent an amortization of a deferred gain of US\$3.1 million in respect of disposal of certain vessels in 2005. Other income and gains in 2009 primarily consist of an increase in net fair value of certain derivative financial instruments by US\$2.0 million and a gain from net foreign exchange differences of US\$1.3 million.

Administrative Expenses

Administrative expenses of our sea freight logistics business decreased by 69.9% from US\$28.9 million in 2008 to US\$8.7 million in 2009. The decrease primarily reflected a significant change in net foreign exchange differences from a loss of US\$17.8 million in 2008 to a gain of US\$1.2 million in 2009. See “— Overview — Administrative Expenses.”

Other Expenses and Losses

Other expenses incurred by our sea freight logistics business decreased by 85.7% from US\$11.2 million in 2008 to US\$1.6 million in 2009, primarily reflecting fair value losses of the certain derivative financial instruments not qualifying for hedge accounting in 2009. See “— Derivatives.”

Segment Results

As a result of the foregoing, the segment results of our sea freight logistics business decreased by 15.9% from US\$22.7 million in 2008 to US\$19.1 million in 2009.

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Land-Based Logistics

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

| | Year ended December 31, | | | |
|---|--|----------------------|-------------------|----------------------|
| | 2008 | | 2009 | |
| | Amount | % of segment revenue | Amount | % of segment revenue |
| | (in thousands of US\$, except percentages) | | | |
| Income Statement Data: | | | | |
| Sales to external customers | \$ 274,886 | 98.6% | \$ 264,026 | 97.2% |
| Inter-segment sales | 3,926 | 1.4 | 7,583 | 2.8 |
| Segment revenue | \$ 278,812 | 100.0% | \$ 271,609 | 100.0% |
| Freight forwarding and shipping agency | 254,613 | 91.3 | 253,185 | 93.2 |
| Warehousing and others | 24,199 | 8.7 | 18,424 | 6.8 |
| Cost of sales | (238,100) | (85.4) | (227,782) | (83.9) |
| Freight forwarding and shipping agency | (222,790) | (79.9) | (218,258) | (80.4) |
| Warehousing and others | (15,310) | (5.5) | (9,524) | (3.5) |
| Gross profit | 40,712 | 14.6 | 43,827 | 16.1 |
| Other income and gains (excluding interest income) | 7 | — | 230 | 0.1 |
| Administrative expenses | (24,527) | (8.8) | (28,299) | (10.4) |
| Other expenses and losses | (22) | — | (13) | — |
| Share of profits and losses of associates | — | — | 74 | — |
| Segment results | \$ 16,170 | 5.8% | \$ 15,819 | 5.8% |

Revenue

Revenue of our land-based logistics business before inter-segment elimination decreased by 2.6% from US\$278.8 million in 2008 to US\$271.6 million in 2009. The decrease primarily reflected a decrease in revenue from warehousing and others business.

- *Freight forwarding and shipping agency.* Revenue of our freight forwarding and shipping agency business decreased by 0.5% from US\$254.6 million in 2008 to US\$253.2 million in 2009. This decrease primarily reflected the decrease in average freight forwarding fee from US\$466 per TEU in 2008 to US\$406 per TEU in 2009, partially offset by the increase in shipping volume. Lower average freight forwarding fee in 2009 reflects lower average freight rate charged by carriers. Increased shipping volume primarily reflected our growth in container shipping services in the Southeast Asia Market in 2009.
- *Warehousing and others.* Revenue of our warehousing and other business decreased by 24.0% from US\$24.2 million in 2008 to US\$18.4 million in 2009. This decrease primarily reflects a decrease in the revenue of our project logistics business in 2009, mainly due to weaker market demand.

Revenue from inter-segment sales of our land-based logistics business was US\$3.9 million and US\$7.6 million in 2008 and 2009, respectively. As a result, in 2008 and 2009, revenue from sale to external customers of our land-based logistics business was US\$274.9 million and US\$264.0 million, respectively.

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Cost of Sales, Gross Profit and Gross Profit Margin

The cost of sales of our land-based logistics business decreased by 4.3% from US\$238.1 million in 2008 to US\$227.8 million in 2009. This decrease reflected decreases in cost of sales of both our freight forwarding and shipping agency business and warehousing and other business.

- *Freight forwarding and shipping agency.* Cost of sales of freight forwarding and shipping agency business decreased by 2.0% from US\$222.8 million in 2008 to US\$218.3 million in 2009. The decrease was primarily due to lower freight rates charged by carriers.
- *Warehousing and others.* Cost of sales of our warehousing and other business decreased by 37.9% from US\$15.3 million in 2008 to US\$9.5 million in 2009. The decrease primarily reflected decreases in in-land transportation cost as well as fuel cost, in each case affected by lower fuel prices, partially offset by an increase in cost of equipment repair, and, to a lesser extent, the down sizing of our project logistics business. The increase in cost of equipment repair in 2009 was primarily due to the maintenance and repair of the depot operated by Smart Logistics. We conduct such maintenance and repair every two to three years.

As a result of the foregoing, our gross profit of our land-based logistics business increased by 7.6% from US\$40.7 million in 2008 to US\$43.8 million in 2009. The gross profit margin of our land-based logistics business increased from 14.6% in 2008 to 16.1% in 2009. Due to increasing competition in the container shipping industry during the recent global economic downturn, carriers generally offered lower freight rates to freight forwarding companies, which contributed to the higher gross profit margin of our freight forwarding business in 2009.

Other Income and Gains

Other income and gains of our land-based business was US\$7,000 and US\$0.2 million in 2008 and 2009, respectively.

Administrative Expenses

Administrative expenses of our land-based logistics business increased by 15.5% from US\$24.5 million in 2008 to US\$28.3 million in 2009. The increase primarily reflected our share-based compensation expenses in 2009.

Other Expenses and Losses

Other expenses incurred by our land-based logistics business were less than US\$0.1 million in each of 2008 and 2009.

Segment Results

As a result of the foregoing, the segment results of our land-based logistics business decreased by 2.5% from US\$16.2 million in 2008 to US\$15.8 million in 2009.

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Comparison of Years Ended December 31, 2008 and December 31, 2007

Overview

| | Year ended December 31, | | | | | | | | | | | |
|--|--|------------------|-----------------|------------------|---------------------|-------|-------------------------------|-------------------------------|--------------------------------------|------|------|--|
| | 2007 | | 2008 | | 2007 | | 2008 | | 2007 | | 2008 | |
| | Revenue | | Gross profit | | Gross profit margin | | Segment result | | Segment result margin ⁽¹⁾ | | | |
| | (in thousands of US\$, except percentages) | | | | | | | | | | | |
| Sea freight logistics | \$408,062 | \$580,082 | \$24,360 | \$ 59,648 | 6.0% | 10.3% | \$25,766 | \$22,746 | 6.3% | 3.9% | | |
| Land-based logistics | 225,698 | 278,812 | 31,791 | 40,712 | 14.1 | 14.6 | 15,583 | 16,170 | 6.9 | 5.8 | | |
| Subtotal | 633,760 | 858,894 | 56,151 | 100,360 | | | 41,349 | 38,916 | | | | |
| Inter-segment elimination ⁽²⁾ | (57,401) | (86,994) | — | — | | | — | — | | | | |
| Unallocated costs | | | | | | | | | | | | |
| Interest income | | | | | | | 337 | 1,762 | | | | |
| Finance cost | | | | | | | (6,479) | (3,966) | | | | |
| Total | <u>\$576,359</u> | <u>\$771,900</u> | <u>\$56,151</u> | <u>\$100,360</u> | 9.7% | 13.0% | <u>\$35,207⁽³⁾</u> | <u>\$36,712⁽³⁾</u> | 6.1% | 4.8% | | |

- (1) Represents segment result as a percentage of segment revenue.
- (2) Mainly includes (i) freight charges payable by our freight forwarding business to our sea freight logistics business and (ii) service charges payable by our sea freight logistics business to our shipping agency business.
- (3) Represents profit from continuing operations before tax.

Revenue

Our total revenue after inter-segment elimination increased by 33.9% from US\$576.4 million in 2007 to US\$771.9 million in 2008. This increase reflected increases in revenue of both sea freight logistics and land-based logistics segments, primarily reflecting (i) the continuing expansion of our shipping network in the Southeast Asia Market and the higher average freight rate in the Northeast Asia Market of the sea freight logistics segment, as well as (ii) the growth of our freight forwarding business of the land-based logistics segment.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales increased by 29.1% from US\$520.2 million in 2007 to US\$671.5 million in 2008. This increase primarily reflected increases of cost of sales of both sea freight logistics and land-based logistics segments, as we continued the expansion of our business.

As a result of the foregoing, our gross profit increased by 78.6% from US\$56.2 million in 2007 to US\$100.4 million in 2008. Our gross profit margin increased from 9.7% in 2007 to 13.0% in 2008, primarily reflecting an increase in the gross profit margin of our sea freight logistics segment from 6.0% in 2007 to 10.3% in 2008. The gross profit margin of our land-based logistics segment was 14.1% in 2007 and 14.6% in 2008.

Other Income and Gains

Our other income and gains decreased by 60.2% from US\$12.3 million in 2007 to US\$4.9 million in 2008. Our other income and gains were significantly higher in 2007, primarily reflecting a gain on disposal of containers of US\$4.2 million and income from chartering a vessel of US\$3.3 million.

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Administrative Expenses

Our administrative expenses increased from US\$26.7 million in 2007 to US\$53.4 million in 2008. The increase primarily reflected a significant change in net foreign exchange differences and, to a lesser extent, a significant increase in salary expenses as a result of higher average salary. See “— Factors Affecting Our Results of Operations and Financial Condition — Exchange Rate Fluctuations.”

Other Expenses and Losses

Our other expenses and losses increased significantly from US\$0.1 million in 2007 to US\$11.2 million in 2008, primarily reflecting the fair value loss relating to certain derivative financial instruments. See “— Derivatives.”

Finance Cost

Our finance costs decreased by 38.5% from US\$6.5 million in 2007 to US\$4.0 million in 2008, primarily reflecting our repayment of all of certain interest-bearing loans to a subsidiary of Shandong SITC in 2008.

Profit Before Tax from Continuing Operations

As a result of the foregoing, our profit before tax from continuing operations (representing the sum of gross profit, other income and gains, administrative expenses, other expenses and losses, finance cost and share of profits and losses of associates) increased by 4.3% from US\$35.2 million in 2007 to US\$36.7 million in 2008.

Income Tax Expense

Our income tax expenses increased by 44.4% from US\$0.9 million in 2007 to US\$1.3 million in 2008. This was mainly due to the reduction and cancellation of certain PRC preferential enterprises income tax treatments in 2008.

Profit for the Year from Continuing Operations

As a result of the foregoing, our profit for the year from continuing operations increased by 3.2% from US\$34.3 million in 2007 to US\$35.4 million in 2008.

Profit for the Year

We recorded a net profit from NTS International of US\$4.9 million in 2007. We disposed our interest in such business as of January 1, 2008 and no longer recorded any operating results of NTS International. Taking into account the results of NTS International in 2007, our net profit for 2007 was US\$39.2 million.

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Sea Freight Logistics

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

| | Year ended December 31, | | | |
|---|--|----------------------|-------------------|----------------------|
| | 2007 | | 2008 | |
| | Amount | % of segment revenue | Amount | % of segment revenue |
| | (in thousands of US\$, except percentages) | | | |
| Income Statement Data: | | | | |
| Sales to external customers | \$ 353,654 | 86.7% | \$ 497,014 | 85.7% |
| Inter-segment sales | 54,408 | 13.3 | 83,068 | 14.3 |
| Segment revenue | \$ 408,062 | 100.0% | \$ 580,082 | 100.0% |
| Northeast Asia Market | 353,966 | 86.7 | 419,487 | 72.3 |
| Southeast Asia Market | 54,096 | 13.3 | 160,595 | 27.7 |
| Cost of sales | (383,702) | (94.0) | (520,434) | (89.7) |
| Equipment and cargos transportation costs . . | (211,043) | (51.7) | (267,465) | (46.1) |
| Voyage costs | (94,693) | (23.2) | (157,761) | (27.2) |
| Vessel costs | (77,966) | (19.1) | (95,208) | (16.4) |
| Gross profit | 24,360 | 6.0 | 59,648 | 10.3 |
| Other income and gains (excluding interest income) | 11,574 | 2.8 | 3,154 | 0.5 |
| Administrative expenses | (10,168) | (2.5) | (28,900) | (5.0) |
| Other expenses and losses | — | — | (11,156) | (1.9) |
| Segment results | \$ 25,766 | 6.3% | \$ 22,746 | 3.9% |

Revenue

Revenue of our sea freight logistics business before inter-segment elimination increased by 42.1% from US\$408.1 million in 2007 to US\$580.1 million in 2008. This increase primarily reflected increases in revenue in the Southeast Asia Market and, to a less extent, the Northeast Asia Market.

- *Northeast Asia Market.* Revenue from the Northeast Asia Market increased by 18.5% from US\$354.0 million in 2007 to US\$419.5 million, primarily reflecting a higher average freight rate and, to a lesser extent, an increase in shipping volume. Our average freight rate in the Northeast Asia Market increased by 15.2% to US\$554 per TEU in 2008 from US\$481 per TEU in 2007, primarily reflecting less competition in the market in 2008, and, to a lesser extent, the appreciation of the Japanese Yen against the U.S. dollar. Our shipping volume in the Northeast Asia Market increased to 757,923 TEU in 2008 from 736,550 TEU in 2007, primarily reflecting an increased frequency of our shipping services.
- *Southeast Asia Market.* Revenue from the Southeast Asia Market increased significantly from US\$54.1 million in 2007 to US\$160.6 million in 2008, primarily reflecting an increase in shipping volume. Our shipping volume in the Southeast Asia Market increased to 321,856 TEU in 2008 from 108,854 TEU in 2007, primarily reflecting our

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efforts to rapidly expand our shipping network in the market in 2008, both in terms of number of trade lanes and frequency of services. Our average freight rate in the Southeast Asia Market was relatively stable at US\$497 per TEU in 2007 and US\$499 per TEU in 2008.

Revenue from inter-segment sales of our sea freight logistics business was US\$54.4 million and US\$83.1 million in 2007 and 2008, respectively. As a result, in 2007 and 2008, revenue from sale to external customers of our sea freight logistics business was US\$353.7 million and US\$497.0 million, respectively.

Cost of Sales, Gross Profit and Gross Profit Margin

The cost of sales of our sea freight logistics business increased by 35.6% from US\$383.7 million in 2007 to US\$520.4 million in 2008. This increase primarily reflected increases in all major components of our cost of sales.

- Equipment and cargos transportation costs increased by 26.8% from US\$211.0 million in 2007 to US\$267.5 million in 2008, primarily reflecting an increase in loading and discharge cost by 41.0% from US\$124.9 million in 2007 to US\$176.1 million in 2008. The increase in loading and discharge cost primarily reflected the increase in the shipping volume from 2007 to 2008. It also reflected the increase in average loading and discharge expenses per TEU from US\$109 in 2007 to US\$118 in 2008, which primarily reflected an appreciation of the Japanese Yen against the U.S. dollar.
- Voyage costs increased by 66.6% from US\$94.7 million in 2007 to US\$157.8 million in 2008, primarily reflecting an increase in bunkers cost by 74.1% from US\$68.3 million in 2007 to US\$118.9 million in 2008 and, to a lesser extent, an increase in port charges. Increase in the bunkers cost in 2008 primarily reflected a significantly higher bunkers price driven by the high crude oil price in 2008, as well as an increase in our bunker consumption volume, reflecting increases in the number of trade lanes, number of vessels, frequency of service and distance sailed. The increase in port charges primarily reflected an increased number of total port calls.
- Vessel costs increased by 22.1% from US\$78.0 million in 2007 to US\$95.2 million in 2008, primarily reflecting an increase in vessels chartering expenses by 21.5% from US\$64.6 million in 2007 to US\$78.5 million in 2008. This increase reflected an increase in the number of our fleet vessels from 32 as of December 31, 2007 to 38 as of December 31, 2008.

As a result of the foregoing, our gross profit of our sea freight logistics business increased by 144.3% from US\$24.4 million in 2007 to US\$59.6 million in 2008. The gross profit margin of our sea freight logistics business increased from 6.0% in 2007 to 10.3% in 2008, primarily reflecting a higher average freight rate in the Northeast Asia Market.

Other Income and Gains (excluding interest income)

Other income and gains of our sea freight logistics business decreased by 72.4% from US\$11.6 million in 2007 to US\$3.2 million in 2008. Our other income and gains were significantly higher in 2007, primarily reflecting a gain on disposal of containers of US\$4.2 million and income from vessel chartering of US\$3.3 million.

Administrative Expenses

Administrative expenses of our sea freight logistics business increased significantly from US\$10.2 million in 2007 to US\$28.9 million in 2008. The increase primarily reflected a significant change in net foreign exchange differences expenses from US\$1.5 million in 2007 to US\$17.2 million in 2008. See “— Factors Affecting Our Results of Operations and Financial Condition — Exchange Rate Fluctuations.”

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Other Expenses and Losses

Our sea freight logistics business recorded other expenses and losses of US\$11.2 million in 2008, primarily reflecting a decrease in fair value of certain derivative financial instruments. See “— Derivatives.” We did not record any other expenses or losses in this business in 2007.

Segment Results

As a result of the foregoing, the segment results of our shipping business decreased by 12.0% from US\$25.8 million in 2007 to US\$22.7 million in 2008.

Land-Based Logistics

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

| | Year ended December 31, | | | |
|--|--|----------------------|-------------------|----------------------|
| | 2007 | | 2008 | |
| | Amount | % of segment revenue | Amount | % of segment revenue |
| | (in thousands of US\$, except percentages) | | | |
| Income Statement Data: | | | | |
| Sales to external customers | \$ 222,705 | 98.7% | \$ 274,886 | 98.6% |
| Inter-segment sales | 2,993 | 1.3 | 3,926 | 1.4 |
| Segment revenue | \$ 225,698 | 100.0% | \$ 278,812 | 100.0% |
| Freight forwarding and shipping agency | 207,451 | 91.9 | 254,613 | 91.3 |
| Warehousing and others | 18,247 | 8.1 | 24,199 | 8.7 |
| Cost of sales | (193,907) | (85.9) | (238,100) | (85.4) |
| Freight forwarding and shipping agency | (182,635) | (80.9) | (222,790) | (79.9) |
| Warehousing and others | (11,272) | (5.0) | (15,310) | (5.5) |
| Gross profit | 31,791 | 14.1 | 40,712 | 14.6 |
| Other income and gains (excluding interest income) | 418 | 0.1 | 7 | — |
| Administrative expenses | (16,545) | (7.3) | (24,527) | (8.8) |
| Other expenses and losses | (81) | — | (22) | — |
| Segment results | \$ 15,583 | 6.9% | \$ 16,170 | 5.8% |

Revenue

The revenue of our land-based logistics business before inter-segment elimination increased by 23.5% from US\$225.7 million in 2007 to US\$278.8 million in 2008. This increase was attributable to increases in the revenue from both freight-forwarding and shipping agency businesses as well as warehousing and other businesses.

- *Freight forwarding and shipping agency.* Revenue of our freight-forwarding and shipping agency business increased by 22.7% from US\$207.5 million in 2007 to US\$254.6 million in 2008. This increase primarily reflected (i) an increase in average freight-forwarding fee from US\$449 per TEU in 2007 to US\$466 per TEU in 2008 and (ii) an increase in the shipping volume from 2007 to 2008, primarily due to favorable market conditions.

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- *Warehousing and others.* Revenue of our warehousing and other business increased by 33.0% from US\$18.2 million in 2007 to US\$24.2 million in 2008. This increase primarily reflected general growth across all businesses, in particular, an increased number of containers handled by depot services provided by our jointly-controlled entities.

Revenue from inter-segment sales of our land-based logistics business increased 30.0% from US\$3.0 million in 2007 to US\$3.9 million in 2008. As a result, in 2007 and 2008, revenue from sale to external customers of our shipping business was US\$222.7 million and US\$274.9 million, respectively.

Cost of Sales, Gross Profit and Gross Profit Margin

The cost of sales of our land-based logistics business increased by 22.8% from US\$193.9 million in 2007 to US\$238.1 million in 2008. 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 22.0% from US\$182.6 million in 2007 to US\$222.8 million in 2008. This increase reflected the increase in the revenue of our freight-forwarding and shipping agency business.
- *Warehousing and others.* Cost of sales of our warehousing and other business increased by 35.4% from US\$11.3 million in 2007 to US\$15.3 million in 2008. This increase primarily reflected increases in in-land transportation cost, fuel cost and warehouse rental expenses.

As a result of the foregoing, our gross profit of our land-based logistics business increased by 28.0% from US\$31.8 million in 2007 to US\$40.7 million in 2008. The gross profit margin of our land-based logistics business was 14.1% and 14.6% in 2007 and 2008, respectively.

Other Income and Gains (excluding interest income)

Other income and gains of our land-based business were US\$0.4 million and US\$7,000 in 2007 and 2008, respectively.

Administrative Expenses

Administrative expenses of our land-based logistics business increased by 48.5% from US\$16.5 million in 2007 to US\$24.5 million in 2008. The increase primarily reflected an increase in employee compensation expenses in 2008 as a result of the expansion of our business.

Other Expenses and Losses

Other expenses incurred by our land-based logistics business were less than US\$0.1 million in each of 2007 and 2008.

Segment Results

As a result of the foregoing, the segment results of our land-based logistics business increased by 3.8% from US\$15.6 million in 2007 to US\$16.2 million in 2008.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We fund our operations primarily by cash generated from our operations and various types of financing activities, including bank loans and other borrowings. Our liquidity requirements primarily consist of funding our working capital needs, purchase of vessels and containers, repayment of bank loans and purchase of office buildings.

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We have historically met our working capital requirements primarily through cash generated from operations. However, in 2007, we experienced significant negative net cash flow from operating activities mainly because of our large trade receivables as of December 31, 2007. Our large trade receivables were mainly due to the situation that we did not have a cash flow management system separate from that of Shandong SITC in 2007. See “— Net Cash Generated from/(Used In) Operating Activities.”

Our primary capital expenditures in 2007, 2009 and the six months ended June 30, 2010 have been in connection with the acquisition of vessels and office buildings. See “— Capital Expenditures.” We finance significant capital expenditures through bank loans and finance leases.

As of December 31, 2009, we had cash and cash equivalents of US\$66.3 million. The following table sets forth our cash flows for the periods indicated:

| | Year ended December 31, | | | Six months ended June 30, | |
|-----------------------------------|-------------------------|-----------|-----------|---------------------------|-----------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | (in thousands of US\$) | | | (unaudited) | |
| Net cash generated from/(used in) | | | | | |
| operating activities | \$(25,259) | \$ 51,703 | \$ 45,777 | \$ 13,468 | \$ 69,949 |
| Net cash generated from/(used in) | | | | | |
| investing activities | (32,463) | (7,537) | (7,974) | 5,856 | (1,643) |
| Net cash generated from/(used in) | | | | | |
| financing activities | 57,097 | (29,665) | (22,810) | (14,202) | (51,244) |
| Net increase/(decrease) in cash | | | | | |
| and cash equivalents | (625) | 14,501 | 14,993 | 5,122 | 17,062 |

Net Cash Generated from/(Used in) Operating Activities

Net cash generated from operating activities was US\$70.0 million in the six months ended June 30, 2010. Such amount was primarily attributable to profit before tax of US\$52.4 million adjusted mainly to reflect (i) a decrease of US\$27.5 million in finance assets at fair value through profit or loss, reflecting the redemption of certain investment products managed by China Merchants Bank, (ii) a decrease in amounts due from related companies of US\$27.5 million and (iii) increase in trade payables of US\$15.7 million. The amount was partially offset by (i) an increase in trade receivables of US\$38.6 million and (ii) a decrease in amounts due to related companies of US\$11.5 million. The significant increase in our trade receivables was primarily due to the overall expansion of our business as well as the newly established shipping agency business. We grant a longer average credit period to the customers of our shipping agency business than those of container shipping business, and thus the expansion of shipping agency business contributed to the increase in our trade receivables.

Net cash generated from operating activities was US\$45.8 million in 2009. Such amount was primarily attributable to profit before tax of US\$34.0 million adjusted mainly to reflect (i) an increase in trade payables of US\$16.6 million, (ii) adding back of non-cash charges of US\$9.0 million mainly relating to depreciation of vessels and containers and (iii) an increase in other payables and accruals of US\$7.5 million. The amount was partially offset by (i) an increase of US\$12.2 million in finance assets at fair value through profit or loss, (ii) an increase in amounts due from related companies of US\$10.4 million and (iii) an increase in trade receivables of US\$5.4 million. The increase in other payables in 2009 mainly reflected unpaid purchase price in respect of our principal executive office buildings. The amounts due from related companies mainly represent freights collected by our shipping agency business that had not been disbursed to us. Increase in trade receivables contributed to slightly longer trade receivables turnover days in 2009 compared to 2008. See “— Financial Ratios.”

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Net cash generated from operating activities was US\$51.7 million in 2008. Such amount was primarily attributable to profit before tax of US\$36.7 million adjusted mainly to reflect (i) the significant decrease in trade receivables of US\$28.1 million and (ii) non-cash charges of US\$9.1 million added back mainly relating to depreciation of vessels and containers. The amount was partially offset by (i) an increase in amounts due from related companies of US\$17.8 million, mainly representing freights collected by our shipping agency that had not been disbursed to us and (ii) an increase of US\$15.4 million in finance assets at fair value through profit or loss. The significant decrease in trade receivables as of December 31, 2008 compared to December 31, 2007 was mainly due to our new cash flow management system in 2008. Our cash flow management system in 2007 required all cash paid by our customers to be first deposited into accounts of Shandong SITC. The amounts so deposited that have not been disbursed to us were classified as trade receivables. We established a cash flow management system in 2008 that was independent from that of Shandong SITC and therefore significantly reduced our trade receivables by depositing cash paid by our customers directly into our own bank accounts.

Net cash used in operating activities was US\$25.3 million in 2007. Such amount was primarily attributable to profit before tax of US\$40.8 million (including profit before tax of NTS International of US\$5.6 million) adjusted mainly to reflect (i) the significant increase in trade payables of US\$29.6 million and (ii) non-cash charges of US\$10.3 million added back, mainly relating to depreciation of vessels and containers. The amount was partially offset by (i) a significant increase in trade receivables of US\$52.4 million and (ii) a decrease in amounts due to related companies of US\$41.6 million. Our trade receivables increased significantly as of December 31, 2007 compared to December 31, 2006 mainly because our Company only commenced operation in April 2006 as a separate entity from Shandong SITC. See “Our History and Reorganization — Reorganization in Anticipation of the Global Offering.” As most of the businesses of Shandong SITC were gradually transferred to our Company during 2006, our trade receivables as of December 31, 2006 did not fully reflect those of all business lines in 2007.

Net Cash Generated from/(Used in) Investing Activities

Similar to other companies mainly engaged in container shipping business, our net cash used in investing activities primarily related to purchases of fixed assets such as vessels, containers, offices and computers and office equipments.

Net cash used in investing activities was US\$1.6 million in the six months ended June 30, 2010. Such amount primarily reflects US\$2.5 million of capital expenditures partially offset by proceeds of US\$0.7 million from disposal of electronic equipment and buildings, including warehouse space, and write-off of land lease payments of US\$0.4 million.

Net cash used in investing activities was US\$8.0 million in 2009, primarily reflecting US\$14.2 million used for purchases of items of property, plant and equipment, including US\$10.4 million used to purchase office buildings in Shanghai used for our headquarters, partially offset by the release of pledged time deposits of US\$6.8 million. The pledged time deposit related to certain short-term loans we borrowed in 2008.

Net cash used in investing activities was US\$7.5 million in 2008, primarily reflecting the pledged time deposit of US\$6.8 million. We also spent US\$2.5 million to acquire minority interests in SITC Logistics. These were partially offset by our receipt of US\$3.7 million from disposal of our air forwarding business, NTS International.

Net cash used in investing activities was US\$32.5 million in 2007, primarily reflecting US\$46.2 million used to purchase vessels and US\$2.9 million to purchase IT systems, partially offset by US\$18.7 million we received from disposal of containers.

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Net Cash Generated from/(Used in) Financing Activities

We recorded net cash generated from financing activities of US\$57.1 million in 2007 and net cash used in financing activities of US\$29.7 million, US\$22.8 million, US\$14.2 million and US\$51.2 million in 2008, 2009 and the six months ended June 30, 2009 and 2010, respectively. Net cash generated from financing activities in 2007 reflected primarily the US\$71.6 million new loans we borrowed mainly for the purpose of paying the remaining purchase price of vessels and funding our significant working capital needs in 2007 in relation to our then air freight forwarding business. We repaid bank loans and other borrowings of US\$10.7 million, US\$32.8 million, US\$27.1 million, US\$18.5 million and US\$11.4 million in 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, respectively. The new bank loans and other borrowings of US\$6.8 million and US\$5.7 million in 2008 and 2009, respectively, were mainly short-term bank borrowings mainly to fund our working capital needs. In addition, we paid dividends of US\$40.0 million during the six months ended June 30, 2010.

CAPITAL EXPENDITURES

Our capital expenditures were US\$50.4 million, US\$2.2 million, US\$25.2 million, US\$0.9 million and US\$2.5 million in 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, respectively. The table below sets forth the items comprising our capital expenditures in the periods indicated:

| | Year ended December 31, | | | Six months ended June 30, | |
|--|-------------------------|--------------------|-----------------|---------------------------|----------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | | | | (unaudited) | |
| | | | | (in thousands of US\$) | |
| Purchase of buildings | \$ 88 | \$ 185 | \$10,364 | \$192 | \$ — |
| Purchase of container vessels | 46,213 | 300 ⁽¹⁾ | 11,027 | — | — |
| Purchase of computers, furniture and equipment | 2,874 | 759 | 2,033 | 629 | 1,244 |
| Purchase of motor vehicles | 483 | 618 | 1,254 | 121 | 653 |
| Construction in progress | 762 | 298 | 541 | — | 588 |
| Total | <u>\$50,420</u> | <u>\$2,160</u> | <u>\$25,219</u> | <u>\$942</u> | <u>\$2,485</u> |

⁽¹⁾ Relating to the acquisition and installment of certain equipment for our container vessels.

Our capital expenditures in 2007 were primarily used for the payment of remaining purchase price upon delivery of two vessels which we had contracted to purchase in 2005 and one vessel we purchased in 2007. In addition, we spent US\$2.9 million in 2007 for computers, furniture and equipment. We did not purchase any vessel and did not incur any other substantial capital expenditures in 2008. In 2009, our capital expenditures were used primarily for purchasing container vessels and office buildings located in Shanghai used for our headquarters. In the six months ended June 30, 2010, our capital expenditures primarily related to the computers, furniture and equipment for our new PRC headquarter in Shanghai.

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We budget our capital expenditures based on our liquidity position, our expansion plans and the expected industry cycle. For example, we sold two vessels in 2005 and a significant number of containers in 2007, and purchased a vessel in 2007 and three vessels in 2009, based on our management's expectation of industry cycle. Based on the expected proceeds from the Global Offering, our expansion plans for both sea freight and land-based logistics businesses as well as our expectation of industry cycle for 2010 and 2011, we currently expect to use a significant amount to purchase vessels, containers as well as for other capital expenditures. See "Future Plans and Use of Proceeds from the Global Offering." The following table sets forth our current planned capital expenditures for the periods indicated:

| | Year ending December 31, | | |
|--|--------------------------|---------|---------|
| | 2010 | 2011 | Total |
| | (in millions of US\$) | | |
| Purchase of properties and facilities used for logistics | — | \$ 30.0 | \$ 30.0 |
| Purchase of container vessels | \$34.0 | 130.0 | 164.0 |
| Purchase of containers | — | 32.0 | 32.0 |
| Others | 2.0 | 1.0 | 3.0 |
| Total | \$36.0 | \$193.0 | \$229.0 |

We expect to use the total planned capital expenditure of US\$229.0 million for the two years ended December 31, 2011 primarily towards (i) installment payments for purchases of 14 new-build vessels, (ii) the purchases of two second-hand vessels and (iii) the purchases of 11,000 containers. These amounts are our estimates and may vary depending on market conditions.

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ASSETS AND LIABILITIES

Net Current Assets

We recorded net current assets of US\$7.4 million, US\$36.6 million, US\$5.2 million, US\$54.3 million and US\$68.7 million as of December 31, 2007, 2008 and 2009, June 30, 2010 and July 31, 2010, respectively. The following table sets forth our current assets and current liabilities as of July 31, 2010:

| | As of July 31, 2010 |
|---|-------------------------|
| | (in thousands of US\$) |
| Current Assets | |
| Bunkers | \$ 10,202 |
| Trade receivables | 57,370 |
| Prepayments, deposits and other receivables | 11,808 |
| Due from related companies | 1,999 |
| Derivative financial instruments | 260 |
| Cash and cash equivalents | <u>94,291</u> |
| Total | <u>\$175,930</u> |
| Current Liabilities | |
| Trade payables | 70,203 |
| Other payables and accruals | 17,187 |
| Due to related companies | 4,231 |
| Derivative financial instruments | 1,849 |
| Interest-bearing bank and other borrowings | 12,865 |
| Tax payable | <u>915</u> |
| Total | <u>107,250</u> |
| Net Current Assets | <u><u>\$ 68,680</u></u> |

Contractual Obligations

We had capital commitments of US\$1.1 million as of June 30, 2010, primarily relating to the purchase of computer systems. The following table summarizes our other contractual obligations as of June 30, 2010:

| | Payments due by period | | |
|---------------------------------------|------------------------|------------------|------------------|
| | | Less than | 2-5 |
| | Total | 1 year | years |
| | (in thousands of US\$) | | |
| Operating lease commitments | <u>\$ 23,809</u> | <u>\$ 10,851</u> | <u>\$ 12,958</u> |

Our operating lease commitments primarily relate to vessel chartering, as well as leases of containers, offices properties and warehouses.

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Trade Receivables

Our total trade receivables as of December 31, 2007, 2008 and 2009 and June 30, 2010 amounted to US\$58.0 million, US\$29.9 million, US\$35.3 million and US\$73.9 million, respectively. We had large trade receivables as of December 31, 2007 primarily because we did not have a cash flow management system that was independent from Shandong SITC in 2007. See “— Liquidity and Capital Resources — Net Cash Generated from (Used in) Operating Activities.” The significant increase in our trade receivables between December 31, 2009 and June 30, 2010 was primarily attributable to the overall expansion of our business as well as the expansion of our shipping agency business during this period. We grant a longer average credit period to the shippers of our shipping agency business from which we collect freight on behalf of the relevant carriers or ourselves than the customers of our container shipping business. Therefore, the expansion of our shipping agency business contributed to the increase in our trade receivables.

We generally grant to our major customers a credit period of 15 days to three months, except that we usually request new customers to pay service fees and charges in advance. As of December 31, 2007, 2008 and 2009 and June 30, 2010, past due trade receivables were US\$1.5 million, US\$1.0 million, US\$0.6 million and US\$0.9 million, respectively, representing 2.6%, 3.3%, 1.7% and 1.2%, respectively, of our total trade receivables as of those days, all of which were less than one month past due. We did not make any provision for impairment of trade receivables in 2007, 2008 or 2009. Mainly due to the disagreement between us and an independent third-party shipping agency on the amount of outstanding trade receivables from such shipping agency, we made an impairment of trade receivables of US\$0.4 million in the six months ended June 30, 2010.

The table below sets forth an aging analysis of our trade receivables as of the dates indicated:

| | As of December 31, | | | As of June 30, |
|--|------------------------|-----------|-----------|----------------|
| | 2007 | 2008 | 2009 | 2010 |
| | (in thousands of US\$) | | | |
| Within one month | \$ 50,528 | \$ 20,890 | \$ 28,780 | \$ 60,177 |
| More than one month but within two months | 4,432 | 4,082 | 5,056 | 11,026 |
| More than two months but within three months | 1,594 | 3,896 | 863 | 1,757 |
| More than three months | 1,477 | 1,043 | 579 | 905 |
| Total | \$ 58,031 | \$ 29,911 | \$ 35,278 | \$ 73,865 |

As of June 30, 2010, our trade receivables were US\$73.9 million. US\$59.7 million, or 80.8%, of these trade receivables have been settled during the one month ended July 31, 2010.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables as of December 31, 2007, 2008 and 2009 and June 30, 2010 amounted to US\$7.1 million, US\$7.7 million, US\$7.0 million and US\$10.5 million, respectively.

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The table below sets forth the breakdown of prepayments, deposits and other receivables as of the dates indicated:

| | As of December 31, | | | As of June 30, |
|--|------------------------|-----------------|-----------------|------------------|
| | 2007 | 2008 | 2009 | 2010 |
| | (in thousands of US\$) | | | |
| Prepayments | \$ 2,139 | \$ 5,770 | \$ 3,900 | \$ 6,816 |
| Deposits and other receivables | 4,968 | 4,389 | 3,070 | 3,730 |
| Total | 7,107 | 10,159 | 6,970 | 10,546 |
| Non-current portion | — | (2,440) | — | — |
| Current portion | <u>\$ 7,107</u> | <u>\$ 7,719</u> | <u>\$ 6,970</u> | <u>\$ 10,546</u> |

Our prepayments primarily consist of prepayment of vessel chartering expenses, port charges and loading and discharge expenses. As of June 30, 2010, our prepayments were US\$6.8 million. US\$5.8 million, or 85.3%, of these prepayments have been settled during the one month ended July 31, 2010. Deposits and other receivables mainly include deposits for office lease as well as other deposits. Deposits for office lease are generally not returned to us until the termination of the relevant lease agreements.

Prepaid Land Lease Payments

Our prepaid land lease payments as of December 31, 2007, 2008 and 2009 and June 30, 2010 amounted to US\$1.5 million, US\$1.5 million, US\$2.0 million and US\$2.0 million, respectively, representing the prepayments for a certain long-term land lease in the PRC for our depots and warehousing facilities.

Financial Assets at Fair Value Through Profit or Loss

We, from time to time, use our idle funds to make unlisted investments. As a policy, we only make such investments in principal guaranteed or other low-risk investment products.

We had financial assets at fair value through profit or loss of nil, US\$15.4 million, US\$27.5 million and nil as of December 31, 2007, 2008 and 2009 and June 30, 2010, respectively. All of these financial assets represented the fair value of our investment in a principal-guaranteed investment product managed by China Merchants Bank, all of which were redeemed during the six months ended June 30, 2010. The investment product invests in financial assets with relatively high-credit rating and liquidity, such as government bonds, corporate bonds and other short-term financing products.

Trade Payables

Our total trade payables as of December 31, 2007, 2008 and 2009 and June 30, 2010 amounted to US\$47.9 million, US\$55.2 million, US\$71.7 million and US\$87.7 million, respectively. Our trade payables primarily consist of payables to bunkers, suppliers and port charges. The increase in our trade payables from December 31, 2007 to June 30, 2010 primarily reflected the increased consumption of bunkers and number of voyages over these periods.

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We normally settle trade payable to our suppliers on terms ranging from 15 to 45 days. The table below sets forth an aging analysis of trade payables as of the dates indicated below:

| | As of December 31, | | | As of June 30, |
|--|------------------------|-----------------|-----------------|-----------------|
| | 2007 | 2008 | 2009 | 2010 |
| | (in thousands of US\$) | | | |
| Within one month | \$37,817 | \$45,828 | \$63,467 | \$66,520 |
| More than one month but within two months | 5,947 | 6,920 | 5,628 | 14,839 |
| More than two months but within three months | 1,439 | 868 | 970 | 2,851 |
| More than three months | <u>2,744</u> | <u>1,575</u> | <u>1,677</u> | <u>3,522</u> |
| Total | <u>\$47,947</u> | <u>\$55,191</u> | <u>\$71,742</u> | <u>\$87,732</u> |

None of our trade payables as of December 31, 2007, 2008 and 2009 and June 30, 2010 was interest-bearing. As of June 30, 2010, our trade payables were US\$87.7 million. US\$66.5 million, or 75.8%, of these trade payables have been settled during the one month ended July 31, 2010.

Due From/To Related Companies

As of December 31, 2007, 2008 and 2009, amounts due from related companies were US\$5.3 million, US\$19.8 million and US\$30.3 million, respectively. Amounts due to related companies were US\$10.1 million, nil, and US\$15.2 million, respectively, as of the same dates. We recorded these amounts due from/to related companies mainly due to the following reasons. First, we collect our freight charges and paid port charges through Shandong SITC. See “Our Business — Suppliers.” Second, as each of our Company and Shandong SITC has been a private company under common control of our Controlling Shareholder, cash balance of certain subsidiaries of Shandong SITC were deposited in the bank accounts of our Company for centralized cash management purposes. These centralized funds as of the end of reporting periods were accounted for as amounts due to Shandong SITC. Third, the US\$10.1 million due to related companies as of December 31, 2007 primarily represented outstanding amounts of certain loans from Shandong SITC to us, which were fully repaid in 2008. As of June 30, 2010, the outstanding amounts due from and to related companies were US\$2.8 million and US\$4.1 million, respectively. All of the outstanding amounts due from and to related parties as of June 30, 2010 and the Latest Practicable Date represented our freight charges to be collected from and port and other charges to be paid to Shandong SITC and none of which represented outstanding loans from or to our related parties. See “— Description of Selected Components of Results of Operations — Finance Cost.”

Other Payables and Accruals

Our other payables and accruals primarily represented payables with respect to the purchase of office buildings, deposits paid by customers for reservation of container slots and certain finance leases classified as current liabilities. As of December 31, 2007, 2008 and 2009 and June 30, 2010, our other payables and accruals amounted to US\$17.6 million, US\$16.9 million, US\$24.5 million and US\$20.3 million, respectively. The significant increase in other payables and accruals in 2009 primarily reflected unpaid purchase prices in respect of office buildings used for our PRC headquarters as well as unpaid bonus payments to our management. As of June 30, 2010, we had deposits paid by customers for reservation of container slots of US\$4.3 million. We usually retain these deposits until the relevant customers terminate their business relationship with us.

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INDEBTEDNESS

As of June 30, 2010, we had outstanding bank borrowings of US\$82.5 million. Of the total outstanding bank borrowings, US\$12.6 million was repayable within one year. The following table sets forth our borrowings as of the dates indicated:

| | As of December 31, | | | As of June 30, | As of July 31, |
|--|------------------------|------------------|------------------|------------------|-----------------|
| | 2007 | 2008 | 2009 | 2010 | 2010 |
| | | | | | (unaudited) |
| | (in thousands of US\$) | | | | |
| Non-current | | | | | |
| Secured bank loans | \$ 96,882 | \$ 88,588 | \$ 73,265 | \$ 69,812 | \$70,672 |
| Finance lease payables | 2,586 | — | — | — | — |
| Total non-current borrowings | <u>99,468</u> | <u>88,588</u> | <u>73,265</u> | <u>69,812</u> | <u>70,672</u> |
| Current | | | | | |
| Secured bank loans | 11,961 | 6,759 | 5,702 | 707 | 708 |
| Current portion of long-term secured bank loans | 20,143 | 11,744 | 11,520 | 11,936 | 12,157 |
| Unsecured bank loans | 4,107 | — | — | — | — |
| Finance lease payables | 2,266 | 1,363 | — | — | — |
| Total current borrowings | <u>38,477</u> | <u>19,866</u> | <u>17,222</u> | <u>12,643</u> | <u>12,865</u> |
| Total borrowings | <u>\$137,945</u> | <u>\$108,454</u> | <u>\$ 90,487</u> | <u>\$ 82,455</u> | <u>\$83,537</u> |

Most of our bank borrowings repayable within one year were incurred to finance our working capital. Our bank borrowings repayable within one year decreased from US\$36.2 million as of December 31, 2007 to US\$18.5 million as of December 31, 2008, to US\$17.2 million as of December 31, 2009, and to US\$12.6 million as of June 30, 2010. The effective interest rates of our borrowings repayable within one year were 5.5%, 3.8%, 1.8% and 3.3% as of December 31, 2007, 2008 and 2009 and June 30, 2010, respectively. The change of effective interest rates during these periods primarily reflects the fluctuation of prevailing market interest rates for the U.S. dollar, the Japanese Yen and Renminbi denominated loans.

Most of our bank borrowings repayable beyond one year were incurred to finance our capital expenditures, including primarily acquisition of vessels. SITC Holding, the direct subsidiary of our Company through which we hold our interests in all operating subsidiaries, jointly-controlled entities and associates, acts as the guarantor of certain outstanding loans extended by HSBC to our operating subsidiaries. The relevant loan agreements contain covenants that limit SITC Holding's ability to pay dividends and dispose of assets. See "Risk Factors — Risks Relating to Our Business and Industry — Our ability to pay dividends and dispose of assets may be limited by contractual restrictions applicable to SITC Holding, our subsidiary through which we hold our interests in all our operating subsidiaries, jointly-controlled entities and associates." Our bank borrowings repayable beyond one year decreased from US\$96.9 million as of December 31, 2007 to US\$88.6 million as of December 31, 2008, to US\$73.3 million as of December 31, 2009, and to US\$69.8 million as of June 30, 2010. The effective interest rates of our borrowings repayable beyond one year were 3.0%, 2.8%, 1.8% and 1.8% as of December 31, 2007, 2008 and 2009 and June 30, 2010, respectively. The change of effective interest rates during these periods primarily reflects the fluctuation of prevailing market interest rates for the U.S. dollar- and the Japanese Yen-denominated loans.

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As of July 31, 2010, we had secured bank borrowings of US\$83.5 million. These borrowings were secured by our vessels in aggregate carrying value of US\$122.4 million. As of the same date, our used banking facilities amounted to approximately US\$136.3 million and our unused portions of available banking facilities amounted to approximately US\$19.0 million.

Our finance lease payables as of December 31, 2007 and December 31, 2008 were US\$4.9 million and US\$1.4 million, respectively. All of these finance lease payables were incurred in relation to the lease of certain containers. We did not have any financial lease payable as of June 30, 2010.

The table below sets forth the maturity profile of our borrowings as of the dates indicated below:

| | As of December 31, | | | As of June 30, |
|---|------------------------|------------------|-----------------|-----------------|
| | 2007 | 2008 | 2009 | 2010 |
| | (in thousands of US\$) | | | |
| Bank loans | | | | |
| Within one year | \$ 36,211 | \$ 18,503 | \$17,222 | \$12,643 |
| More than one year but within two years | 9,881 | 11,745 | 11,519 | 11,936 |
| More than two years but within five years . . . | 32,798 | 37,957 | 40,991 | 39,672 |
| More than five years | <u>54,203</u> | <u>38,886</u> | <u>20,755</u> | <u>18,204</u> |
| Subtotal | \$133,093 | \$107,091 | \$90,487 | \$82,455 |
| Other borrowings | | | | |
| Within one year | 2,266 | 1,363 | — | — |
| More than one year but within two years | 2,586 | — | — | — |
| More than two years but within five years . . . | — | — | — | — |
| More than five years | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Subtotal | \$ 4,852 | \$ 1,363 | — | — |
| Total | <u>\$137,945</u> | <u>\$108,454</u> | <u>\$90,487</u> | <u>\$82,455</u> |

Except as disclosed above, we did not have, as of the Latest Practicable Date, any outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities.

The Directors have confirmed that there has not been any material change in our indebtedness or contingent liabilities since July 31, 2010.

DERIVATIVES

We are exposed to significant interest rate risk and foreign currency exchange risk in our ordinary course of business. See “—Market Risk.” To mitigate these risks, we from time to time enter into derivative financial instruments, mainly forward currency contracts and interest rate swaps. We do not use derivative financial instruments for speculative purposes. See “Risk Factors — Risks Relating to Our Business and Industry — We have historically suffered significant losses on derivative financial instruments, and we face continuing exposure.” In 2007, 2008, 2009 and the six months ended June 30, 2010, we entered into an aggregate of 35 derivative financial instruments, 17 of which were outstanding as of June 30, 2010.

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Forward Currency Contracts

We enter into forward currency contracts from time to time to hedge foreign currency exchange risk associated with the mismatch of our Japanese Yen denominated revenue and U.S. dollar denominated costs and expenses. See “—Factors Affecting Our Results of Operations and Financial Condition — Exchange Rate Fluctuations.” As of December 31, 2007, 2008 and 2009 and June 30, 2010, the aggregate notional amount of this type of instrument was US\$55.3 million, US\$66.3 million, US\$73.0 million and US\$79.3 million, respectively. We review the position we take under forward currency contracts monthly and adjust the position based on our estimates of future Japanese Yen denominated revenue.

We adopt hedge accounting for the forward currency contracts that were assessed to be highly effective. See “— Critical Accounting Policies — Derivative Financial Instrument.” With respect to these forward currency contracts that qualified for hedge accounting, gains and losses from changes in fair value of derivatives are recognized in other comprehensive income, and thus have no impact on our profit for the relevant periods. As of June 30, 2010, forward currency contracts with aggregate notional amount of US\$49.7 million qualified for hedge accounting. Other forward currency contracts did not qualify for hedge accounting because the actual results of hedge effectiveness were not within the range set forth in the relevant accounting standards on a consistent basis during the term of the contract. With respect to these forward currency contracts not qualifying for hedge accounting, we incurred a charge of US\$4.5 million in 2008 during the term of the contract and recorded a credit of US\$0.3 million in the six months ended June 30, 2010.

Interest Rate Swaps

We enter into interest rate swaps from time to time in conjunction with some of our long-term bank loans to mitigate our interest rate risk associated with floating interest rate. As of December 31, 2007, 2008 and 2009 and June 30, 2010, the aggregate notional amount of this type of instrument was US\$7.3 million, US\$8.0 million, US\$26.9 million and US\$37.7 million, respectively. Because U.S. dollar interest rate fluctuates more significantly than Japanese Yen interest rate over the past few years, we currently maintain interest rate swaps in respect of all our U.S. denominated long-term bank loans while a small portion of our Japanese Yen denominated ones. We incurred a net fair value loss of US\$3.9 million in 2008 and had a net fair value gain of US\$0.4 million in the six months ended June 30, 2010, respectively. Although we believe these instruments were highly effective in hedging against interest rate risk, we did not conduct hedging effective analysis when we entered into these instruments. Therefore, these interest rate swaps did not qualify for hedge accounting. See “— Critical Accounting Policies — Derivative Financial Instrument.”

10-Year Derivative Financial Instrument

We entered into a 10-year derivative financial instrument with HSBC in 2006 in conjunction with a 10-year bank loan denominated in Japanese Yen. The proceeds of the loan were used to finance the purchase of two new-build vessels in Japan. This instrument was terminated in August 2010.

Under the terms of the instrument, on each quarterly settlement date, HSBC and our Company will pay to each other an amount applicable to such settlement date, settled on a net basis. The amount to be paid by HSBC is a pre-determined notional amount applicable to such settlement date, subject to a downward adjustment based on certain interest rate indices. The amount to be paid by us is the same pre-determined notional amount applicable to such settlement date multiplied by a fraction with reference to the exchange rate between the Japanese Yen and the U.S. dollar. The notional amount, which matches the repayment schedule of the underlying loan, is JPY25,382,000 (US\$0.3 million) on each quarterly settlement date, except for the notional

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amount of JPY460,520,000 (US\$5.5 million) on the last quarterly settlement date in June 2016. Because neither the adjustment with reference to the certain interest rate indices nor the adjustment with reference to the U.S. dollar-Japanese Yen exchange rate effectively offsets the interest rate and exchange rate risks, respectively, associated with the underlying loan, this instrument did not qualify for hedge accounting which requires a hedging instrument to effectively offset the proposed hedge risk on a consistent basis.

In 2008, mainly due to an expectation of further depreciation of the U.S. dollar against the Japanese Yen as a result of the significant depreciation in that year, we recorded a net fair value loss of US\$2.7 million on this instrument in 2008.

We terminated this 10-year derivative financial instrument in August 2010 at consideration of US\$5.8 million. We expect to record a one-time loss on termination of US\$3.3 million to our profit or loss for the year ending December 31, 2010. See note 44 to our consolidated financial statements included in Appendix I — “Accountants’ Report.” We do not intend to enter into similar instruments going forward.

Internal Control Procedures

We have adopted written internal control procedures since 2005 to control and monitor risks associated with our derivative financial instruments. Under the current procedures, our Board reviews and determines the annual maximum aggregate notional amount of derivative financial instrument. The negotiation and execution of specific derivative financial instruments are delegated to our finance department, under the supervision of our chief executive officer. The execution of each derivative financial instrument must be approved by, among other officers, our chief financial officer and chief executive officer, who would consider the hedging needs and market condition. In addition, as a post-execution internal control measure, the executed derivative financial instrument will be reviewed by the chief executive officer or the president of SITC Container Lines.

To monitor risks associated with derivative financial instruments, our finance department conducts monthly review of gains and losses with respect to outstanding derivative financial instruments. Our chief executive officer and chief financial officer may jointly decide whether we need to adjust our position. Our Directors believe that our current internal control procedures for derivative financial instruments are effective.

Our current chief financial officer and the employee of our finance department in charge of derivative transactions have been engaged in managing our foreign currency exchange and interest rate risks since 2003 and 2005, respectively. In addition, to enhance the capability to evaluate risks associated with derivative financial instruments, our chief financial officer and the designated personnel of our finance department attend from time to time external trainings and seminars on hedging and management of foreign currency exchange risk and interest rate risk, primarily held by commercial banks.

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FINANCIAL RATIOS

The following table sets forth our trade receivables turnover days, trade payables turnover days, return on equity, return on assets, inventory turnover days and gearing ratio for the periods and as of the dates indicated:

| | As of and for the year ended | | | As of and for | |
|--|------------------------------|------|------|----------------------|------|
| | December 31, | | | the six months ended | |
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | (unaudited) | | | | |
| | (days, except percentages) | | | | |
| Trade receivables turnover days ⁽¹⁾ | 20.2 | 20.8 | 17.1 | 17.0 | 24.7 |
| Trade payables turnover days ⁽²⁾ | 23.3 | 28.0 | 37.1 | 36.9 | 44.0 |
| Return on equity ⁽³⁾ (%) | 85.1 | 42.6 | 32.6 | | 41.1 |
| Return on assets ⁽⁴⁾ (%) | 13.6 | 11.3 | 10.2 | | 14.8 |
| Inventory turnover days ⁽⁵⁾ | 28.8 | 19.7 | 26.4 | 30.0 | 25.2 |
| Gearing ratio ⁽⁶⁾ (%) | 74.6 | 56.3 | 64.4 | | 42.8 |

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- (1) The calculation of trade receivables turnover days for any period is based on the average balance of trade receivables divided by revenue for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the quotient of the sum of the beginning balance and ending balance, and two.
 - (2) The calculation of trade payables turnover days for any period is based on the average balance of trade payables divided by cost of sales for the relevant period multiplied by the number of days in the relevant period. Average balance is calculated as the quotient of the sum of the beginning balance and ending balance, and two.
 - (3) The calculation of return on equity for any period is based on the profit for the year/period divided by the average total equity for the relevant period. Average total equity is calculated as the quotient of the sum of the total equity on January 1 of the relevant year and the total equity as of the last day of the relevant period, and two. In calculating return on equity for the year 2007, the profit for the year includes profit for the year/period from a discontinued operation. See Appendix I — “Accountants’ Report” to this prospectus.
 - (4) The calculation of return on assets for any period is based on the profit for the year/period divided by the average total assets for the relevant period. The amount of average total assets is calculated as the quotient of the sum of the total assets on January 1 of the relevant year and the total assets as of the last day of the relevant period, and two. The amount of total assets is calculated as the sum of total current assets and total noncurrent assets. In calculating return on assets for the year 2007, the profit for the year includes profit for the year from a discontinued operation. See Appendix I — “Accountants’ Report” to this prospectus.
 - (5) The calculation of inventory turnover days for any period is based on the average balance of bunkers divided by cost of bunkers consumed for the relevant period multiplied by the number of days in the relevant period. Average balance is calculated as the quotient of the sum of the beginning balance and ending balance, and two.
 - (6) Gearing ratio is calculated, as of each balance sheet date, as the total net debt divided by adjusted capital plus net debt multiplied by 100%. See note 43 to Appendix I — “Accountants’ Report” to this prospectus.

Trade Receivables Turnover Days

In 2007, 2008, 2009 and the six months ended June 30, 2010, we generally grant to our major customers a credit period of 15 days to three months. In addition, we normally do not grant any credit period to new customers. We determine such credit period mainly based on the creditworthiness of and the length of our business relationship with each customer. Our trade receivables turnover days in 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010 were 20.2 days, 20.8 days, 17.1 days, 17.0 days and 24.7 days, respectively.

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We believe that the decrease in debtor's turnover days in 2009 compared to 2007 and 2008 primarily reflected the continuing strengthening of our implementation of credit and collection policies. The significant increase in our trade receivables turnover days in the six months ended June 30, 2010 was primarily attributable to the expansion of our shipping agency business during this period. We grant a longer average credit period to the customers of our shipping agency business than those of container shipping business. Therefore, trade receivables from shipping agency customers have longer turnover periods than container shipping customers.

Trade Payables Turnover Days

We normally settle trade payable to our suppliers on terms ranging from 15 to 45 days. In 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, our trade payables turnover days increased from 23.3 days in 2007 to 28.0 days in 2008 to 37.1 days in 2009, and from 36.9 days for the six months ended June 30, 2010 to 44.0 days for the same period in 2010. We believe the increase primarily reflected the longer credit period granted by certain suppliers due to our improved credit history.

Return on Equity

Our return on equity decreased from 42.0% in 2008 to 32.6% in 2009, mainly due to decrease in our profit for the year from US\$35.4 million in 2008 to US\$32.5 million in 2009 as well as the increase in our average total equity from US\$83.1 million in 2008 and US\$99.6 million in 2009. Our equity increased in 2009 mainly due to our comprehensive income in these periods, which was partially offset by the dividends of US\$40 million declared in 2009.

Our return on equity decreased from 85.1% in 2007 to 42.6% in 2008, mainly due to the significant increase in average total equity from US\$46.0 million in 2007 to US\$83.1 million in 2008, mainly reflecting the amount of our comprehensive income during these periods. We did not declare any dividends in 2007 or 2008. If eliminating profit from discontinued operation, which related to the air freight forwarding business operated by NTS International, our return on equity in 2007 would have been 71.0%.

Our return on equity in the six months ended June 30, 2010 was 41.1%.

Return on Assets

Our return on assets was 13.6%, 11.3%, 10.2% in 2007, 2008 and 2009, respectively, mainly reflecting the decrease in our profit for the year from US\$39.2 million in 2007 to US\$35.4 million in 2008, to US\$32.5 million in 2009. Our return on assets in the six months ended June 30, 2010 was 14.8%

Inventory Turnover Days

Our inventory primarily consists of bunkers used in our container shipping services. We book the value of bunkers at cost. In 2007, 2008, 2009 and the six months ended June 30, 2009 and 2010, our inventory turnover days were relatively stable at 28.8 days, 19.7 days, 26.4 days, 30.0 days and 25.2 days, respectively. The inventory turnover days were fewer in 2008 because we retained fewer bunkers in vessels in 2008 compared to 2007 and 2009 due to the higher bunkers' price.

Gearing Ratio

Our gearing ratio was 74.6%, 56.3%, 64.4% and 42.8% as of December 31, 2007, 2008 and 2009 and June 30, 2010, respectively. Our gearing ratio decreased as of December 31, 2008 compared to December 31, 2007 mainly due to the decrease in the level of net debt in 2008, which primarily reflected the decrease in outstanding interest-bearing bank and other borrowings

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from US\$137.9 million to US\$108.5 million, as well as the increase in cash and cash equivalents from US\$29.1 million to US\$51.4 million in the same period. Our gearing ratio increased as of December 31, 2009 compared to December 31, 2008 primarily due to the significant increase in amounts due to related companies of US\$15.2 million. See “— Assets and Liabilities — Due From/To Related Parties” for the nature of these amounts due to related parties. Our gearing ratio as of June 30, 2010 decreased significantly from December 31, 2009 mainly due to the significant increase in our equity attributable to owners of the parent.

OFF-BALANCE SHEET ARRANGEMENTS

As of June 30, 2010, we did not have any material off-balance sheet arrangements.

CONTINGENT LIABILITIES

We are from time to time involved in legal proceedings and litigation in the ordinary course of business. See “Our Business — Legal Proceedings” for the claims in relation to the collision of SITC Yantai and Kaiju Maru in May 2008. Except for these claims, we did not have any material contingent liabilities as of December 31, 2007, 2008 or 2009 or June 30 2010, nor did we have any material contingent liabilities or guarantees as of the Latest Practicable Date.

MARKET RISKS

We are exposed to various types of market risks in the ordinary course of business, including interest rate risk, foreign currency exchange risk, credit risk and liquidity risk.

Interest Rate Risk

We are exposed to interest rate risk because a majority of our bank loans bears floating interest rates. In addition, short-term bank loans that roll over within one year also subject us to interest rate risk. As of December 31, 2007, 2008 and 2009 and June 30, 2010, substantially all of our bank loans either bear floating interest rate or are repayable within one year. To manage our interest rate risk, we enter into interest rate swaps. See “— Derivatives.” Pursuant to these swap agreements, we generally agree to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to a predetermined notional principal amount. As of December 31, 2007, 2008 and 2009 and June 30, 2010, after taking into account these swap agreements, approximately 20%, 15%, 28% and 29% of our aggregate borrowings bore fixed interest rates.

As of December 31, 2007, 2008 and 2009 and June 30, 2010, if the interest rates on our U.S. dollar borrowings increased by 100 basis points, with all other variables held constant, our profit before tax would have decreased US\$0.6 million, US\$0.2 million, US\$0.3 million and US\$0.2 million, respectively. We have entered into interest swaps to hedge interest rate risks in respect of all U.S. dollar borrowings as of June 30, 2010.

As of December 31, 2007, 2008 and 2009 and June 30, 2010, if the interest rates on our Japanese Yen borrowings increased by 100 basis points, with all other variables held constant, our profit before tax would have decreased US\$0.6 million, US\$0.7 million, US\$0.5 million and US\$0.6 million, respectively.

Foreign Currency Exchange Risk

In 2007, 2008, 2009 and the six months ended June 30, 2010, 36.3%, 36.4%, 38.0% and 28.5% of our revenue were denominated in the Japanese Yen. This revenue generally represented revenue from our container shipping services in Northeast Asia Market. On the other hand, 62.2%, 61.2%, 56.8% and 42.2% of our costs were denominated in the U.S. dollar, our reporting currency. As a result, we are exposed to significant foreign currency exchange risk. In addition, as we

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borrowed significant Japanese Yen-denominated loans, the appreciation of the Japanese Yen would generally result in losses from net foreign exchange differences. In 2007, 2008 and the six months ended June 30, 2010, we incurred losses of US\$2.2 million, US\$17.8 million and US\$1.1 million, respectively, from net foreign exchange differences. The large amount of loss in 2008 reflected the significant appreciation of the Japanese Yen against the U.S. dollar as of December 31, 2008 compared to December 31, 2007. Due to the fluctuation of the exchange rate between the Japanese Yen and the U.S. dollar during 2009, we recorded a gain of US\$1.3 million in 2009. To manage our foreign currency risk, we have adopted a policy to enter into forward currency agreements for transactions associated with significant foreign currency exchange risk.

As of December 31, 2007, 2008 and 2009 and June 30, 2010, if there was an appreciation of the U.S. dollar against the Japanese Yen by 5.0%, with all other variables held constant, our profit before tax would have increased US\$3.4 million, US\$5.0 million, US\$3.0 million and US\$2.7 million, respectively.

As of December 31, 2007, 2008 and 2009 and June 30, 2010, if there was an appreciation of U.S. dollars against Renminbi by 5.0%, with all other variables held constant, our profit before tax would have decreased US\$0.2 million, US\$0.9 million, US\$1.5 million and US\$2.9 million, respectively.

Moreover, following the completion of the Global Offering, we expect a significant portion of our cash and cash equivalents to be denominated currencies other than U.S. dollars. As a majority of our operating costs is denominated in the U.S. dollar, such foreign currency-denominated cash and cash equivalents are exposed to fluctuations in the value of the U.S. dollar against the currencies in which these cash and cash equivalents are denominated. See “Risk Factors — Risks Relating to Our Business and Industry — Future movements in exchange rates may adversely affect our results of operations.”

Credit Risk

The carrying amounts of our cash and cash equivalents, derivative financial instruments, financial assets, pledged deposits and trade receivables represent our major exposure to credit risk in relation to financial assets. As of the Latest Practicable Date, substantially all of our cash and cash equivalents are held in major financial institutions which management believes are high credit quality.

Under our credit policy, we grant our customers credit terms subject to credit verification procedures. In general, we do not grant credit terms to new customers. In addition, our management monitors trade receivable balances on an ongoing basis. Furthermore, we believe there are no significant concentrations of credit risks.

Liquidity Risk

We adopt prudent liquidity risk management to ensure sufficient cash and the liquidity sources. We have historically met our working capital requirements primarily from cash generated from operations. See “— Liquidity and Capital Resources — Overview.”

To ensure that we have stable liquidity sources from bank borrowings, we have a stringent policy that no more than 40% of bank borrowings should mature in any 12-month period. We determined this limit based on our cash flow, our operation plan and the macroeconomic environment. Our management review these factors from time to time to determine whether this limit should be adjusted. As of December 31, 2007, 2008 and 2009 and June 30, 2010, 39.0%, 22.0%, 19.0% and 15.0% of our debts would mature in one year or less.

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In 2007, 2008, 2009 and the six months ended June 30, 2010, we normally settle trade payable, mainly bunkers expenses and port charges, on terms ranging from 15 to 45 days. The table below sets forth the maturity profile of our financial liabilities as of June 30, 2010, based on the contractual undiscounted payments:

| | Within one year | More than one year but within two years | More than two years but within five years | More than five years | Total |
|--|--------------------|---|--|-------------------------|------------------|
| (in thousands of US\$) | | | | | |
| Interest-bearing bank borrowings | \$ 14,803 | \$13,316 | \$42,245 | \$18,672 | \$ 89,036 |
| Trade payables | 87,732 | — | — | — | 87,732 |
| Financial liabilities included in other payables and accruals | 17,439 | 32 | 495 | — | 17,966 |
| Due to related companies | 4,109 | — | — | — | 4,109 |
| Total | <u>\$124,083</u> | <u>\$13,348</u> | <u>\$42,740</u> | <u>\$18,672</u> | <u>\$198,843</u> |

PROPERTY INTERESTS

Our property interests were valued at approximately HK\$0.8 million (US\$0.1 million) as of July 31, 2010 by Jones Lang LaSalle Sallmanns Limited, an independent property valuer. As of such date, the only property to which the valuer attributed commercial value was a unit of a residential building located in Japan. Details of our property interests are set out in the letter and valuation certificates of Jones Lang LaSalle Sallmanns Limited set forth in Appendix IV to this prospectus.

The table below sets forth (i) the reconciliation of the net book value of our buildings from our audited consolidated financial statements as of June 30, 2010 to the unaudited net book value of such buildings as of July 31, 2010; and (ii) the reconciliation of the unaudited net book value of our buildings to the valuation of such unit located in Japan as of July 31, 2010.

| | In thousands of US\$ |
|--|----------------------|
| Net book value of our buildings as of June 30, 2010 | \$ 13,634 |
| Depreciation for the one month ended July 31, 2010 | (34) |
| Unaudited net book value of our buildings as of July 31, 2010 | 13,600 |
| Less: Unaudited net book value of the buildings attributable to our jointly-controlled entities as of July 31, 2010 | (3,144) |
| Valuation deficit as of July 31, 2010 ⁽¹⁾ | <u>(10,340)</u> |
| Valuation as of July 31, 2010 as set forth in Appendix IV to this prospectus . . | <u>\$ 116</u> |

(1) We recorded unaudited net book value of US\$10.2 million as of July 31, 2009 in respect of the office building in Shanghai used for our PRC headquarters. However, Jones Lang LaSalle Sallmanns Limited, an independent property valuer, attributed no commercial value to such office building because we have not obtained the relevant title certificates. See “Our Business — Our Property — Owned Property.”

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WORKING CAPITAL

The Directors are of the opinion that, taking into account the estimated net proceeds from the Global Offering, the present available banking facilities to our company and cash flows generated from our operations, our company has sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

DIVIDENDS AND DIVIDEND POLICY

We declared dividends of US\$40.0 million in 2009, which were paid to our shareholders in May 2010. We had not declared any dividend prior to 2009. In the future, the Board may determine to pay dividends at its own discretion in the future after considering our profits, cash flows, working capital requirements, general financial condition, regulatory limitations on our PRC and other subsidiaries, ability to distribute dividends to us and any other factors that our Board considers relevant. Our ability to pay dividends may be limited by contractual restrictions in certain of our loan agreements with HSBC. See “Risk Factors — Risks Relating to Our Business and Industry — Our ability to pay dividends and dispose of assets may be limited by contractual restrictions applicable to SITC Holding, our subsidiary through which we hold our interests in all our operating subsidiaries, jointly-controlled entities and associates.”

DISTRIBUTABLE RESERVES

As of December 31, 2009, we had US\$98.0 million distributable reserves.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets prepared in accordance with paragraph 4.29 of the Listing Rules is for illustrative purposes only, and is set out here to illustrate the effect of the Global Offering on the Group’s consolidated net tangible assets as of June 30, 2010 as if it had taken place on June 30, 2010.

The unaudited pro forma adjusted consolidated net tangible assets have been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the Group’s consolidated net tangible assets as of June 30, 2010 or any future date following the Global Offering. It is prepared based on the audited consolidated net tangible assets of the Group as of June 30, 2010 as set out in the Accountants’ Report in Appendix I, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants’ Report as set out in Appendix I to this prospectus.

| | Audited consolidated net tangible assets attributable to owners of the parent as of June 30, 2010 | Estimated net proceeds from the Global Offering | Unaudited pro forma adjusted consolidated net tangible assets | Unaudited pro forma adjusted consolidated net tangible assets per Share | |
|--|---|--|---|---|------------------|
| | US\$’000 (Note 1) | US\$’000 (Note 2) | US\$’000 | US\$ (Note 3) | HK\$ (Note 4) |
| Based on an Offer Price of HK\$4.78 per Share | \$148,019 | 379,446 | 527,465 | 0.20 | 1.58 |
| Based on an Offer Price of HK\$6.28 per Share | \$148,019 | 500,779 | 648,798 | 0.25 | 1.95 |

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1. The audited consolidated net tangible assets of the Group attributable to owners of the parent as of June 30, 2010 is extracted from the Group's audited financial information included in the Accountants' Report as set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK\$4.78 and HK\$6.28 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any Shares which may be issued upon the exercise of the Pre-IPO Share Option Scheme or the Share Option Scheme.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments as described in note 2 above and on the basis that 2,600,000,000 Shares are in issue assuming that the Capitalization Issue and the Global Offering has been completed on June 30, 2010 but takes no account of any Shares which may be issued under the Pre-IPO Share Option Scheme or the Share Option Scheme.
4. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars ("HK\$") at the rate of HK\$7.8 to US\$1. No representation is made that the US\$ amount has been, could have been or may be converted to HK\$, or vice versa, at that rate.
5. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2010.
6. As of July 31, 2010, the buildings owned by our Company were valued by Jones Lang LaSalle Sallmanns Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix IV to this prospectus. In accordance with our accounting policies, the buildings owned by our Company are stated at cost less accumulated depreciation and any impairment losses. As such, the valuation deficit has not been included in the calculation of unaudited pro forma adjusted net tangible assets. Since there is a net valuation deficit, no additional depreciation charge would be incurred had these buildings been stated at such valuation.

PROFIT FORECAST

In the absence of unforeseen circumstances and on the bases and assumptions set out in Appendix III — "Profit Forecast" to this prospectus, certain forecast data of our company for the year ending December 31, 2010 are set forth below:

| | |
|--|--|
| Unaudited forecast consolidated profit attributable to owners of the parent | Not less than US\$109 million ⁽¹⁾⁽³⁾ (approximately HK\$853 million) |
| Unaudited pro forma forecast earnings per Share based on forecast consolidated profit attributable to owners of the parent | Not less than US4.21 cents ⁽²⁾⁽³⁾ (approximately HK32.81 cents) |

- (1) The bases and assumptions on which the above profit forecast for the year ending December 31, 2010 has been prepared and summarized in Appendix III — "Profit Forecast" to this prospectus.
- (2) The unaudited pro forma forecast earnings per Share for the year ending December 31, 2010, on a fully diluted basis, is calculated by dividing the unaudited forecast consolidated profit attributable to owners of the parent for the year ending December 31, 2010 by 2,600,000,000 Shares assumed to be issued and outstanding during the entire year, adjusted as if the Global Offering had occurred on January 1, 2010, but without taking into account any Shares which may be issued under the Pre-IPO Share Option Scheme or the Share Option Scheme.
- (3) The unaudited forecast consolidated profit attributable to owners of the parent for the year ending December 31, 2010 and the unaudited pro forma forecast earnings per Share for the year ending December 31, 2010, on a fully diluted basis, are converted into Hong Kong dollars at the rate of HK\$7.8 to US\$1. No representation is made that the US\$ amount has been, could have been or may be converted to HK\$, or vice versa, at that rate.

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed that there has been no material adverse change in our financial and trading position or prospects since June 30, 2010, being the date to which our latest audited consolidated financial statements have been prepared.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that as of the Latest Practicable Date, we are not aware of any circumstances that would give rise to a disclosure under Rules 13.13 to 13.19 of Chapter 13 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS FROM THE GLOBAL OFFERING

FUTURE PLANS

See the sections headed “Our Business — Our Strategy” for a detailed description of our future plans.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

We estimate that we will receive net proceeds from the Global Offering ranging from (i) approximately HK\$2,960 million (US\$381 million) (assuming an Offer Price of HK\$4.78 per Share, the low end of the estimated offer price range), to (ii) approximately HK\$3,433 million (US\$442 million) (assuming an Offer Price of HK\$5.53 per Share, the midpoint of the estimated offer price range) and to (iii) approximately HK\$3,906 million (US\$503 million) (assuming an Offer Price of HK\$6.28 per Share, the high end of the estimated offer price range), in each case, after deducting the estimated underwriting fees and expenses payable by us relating to the Global Offering.

Based on the estimated net proceeds as described above, we may allocate:

- approximately 45% of net proceeds to us (approximately HK\$1,332 million (US\$171 million) to HK\$1,758 million (US\$226 million)) for the acquisition of 15 to 25 new-build and second-hand vessels depending on market condition;
- approximately 20% of net proceeds to us (approximately HK\$592 million (US\$76 million) to HK\$781 million (US\$101 million)) for the purchase of 25,000 to 35,000 containers depending on market condition;
- approximately 25% of net proceeds to us (approximately HK\$740 million (US\$95 million) to HK\$977 million (US\$126 million)) for the expansion and development of our land-based logistics business, including (i) HK\$385 million (US\$50 million) to HK\$508 million (US\$65 million) for the development of depot and warehousing facilities, including purchasing land use rights, constructing warehouses and offices and purchasing facilities, (ii) HK\$59 million (US\$8 million) to HK\$78 million (US\$10 million) for the development of our logistics service network and (iii) HK\$296 million (US\$38 million) to HK\$391 million (US\$50 million) for the acquisition of logistics companies to complement our existing business; and
- the remaining amount of approximately 10% (approximately HK\$296 million (US\$38 million) to HK\$391 million (US\$50 million)) will be used for funding for our working capital and general corporate purposes.

To the extent that the net proceeds of the Global Offering are not immediately applied to the above purpose, we intend to place the net proceeds on deposit with banks or other financial institutions or held in government-issued securities.

The net proceeds from the Global Offering to the Selling Shareholders are estimated to be approximately HK\$519 million (US\$67 million), assuming the Over-Allotment Option is exercised in full after deducting the underwriting fees and other related expenses payable by the Selling Shareholders in the Global Offering and assuming an Offer Price of HK\$5.53 per Offer Share, the midpoint of the estimated Offer Price range. We will not receive any of the proceeds of the Global Offering from the sale of the Shares by the Selling Shareholders.

In the event there is to be a material modification to the use of proceeds as described above, we plan to issue an announcement of the modification.

UNDERWRITING

UNDERWRITERS

Hong Kong Underwriters

Joint Lead Managers

Citigroup Global Markets Asia Limited

China International Capital Corporation Hong Kong Securities Limited

Co-Lead Manager

Taifook Securities Company Limited

International Underwriters

Citigroup Global Markets Limited

China International Capital Corporation Hong Kong Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 65,000,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of Hong Kong Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscriptions for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination if, at any time prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into force:
 - (i) any new law or regulation or any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the Cayman Islands, the United States, the United Kingdom, Japan, Singapore or any other relevant jurisdiction (each a “Relevant Jurisdiction”); or
 - (ii) any change or development involving a prospective change or development, or any event or series of events resulting in or representing a change or development, or prospective change or development, in local, national, regional or international

UNDERWRITING

- financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, or any monetary or trading settlement system or matters and/or disaster (including, without limitation a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States); or
- (iii) any change or development in the conditions of local, national or international equity securities or other financial markets; or
 - (iv) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, epidemic, outbreak of an infectious disease, civil commotion, acts of war, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is declared), acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency or war, riot, public disorder, economic sanctions or acts of God) in or affecting any Relevant Jurisdiction; or
 - (v) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or any Relevant Jurisdiction; or
 - (vi) (A) any suspension or limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ National Market, the London Stock Exchange, the Tokyo Stock Exchange or (B) a general moratorium on commercial banking activities in New York, London, Cayman Islands, Hong Kong, Japan or the PRC declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or
 - (vii) any material adverse change or development or prospective material adverse change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction materially adversely affecting an investment in the Shares; or
 - (viii) any change or development involving a prospective change on the condition, financial or otherwise, or in the earnings, business affairs, business prospectus or trading position of the Group; or
 - (ix) any executive Director being charged with a criminal offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or
 - (x) the commencement by any regulatory body of any public action against any executive Director in his or her capacity as such or an announcement by any regulatory body that it intends to take any such action; or
 - (xi) a material contravention by any member of the Group of a material provision of Cayman Islands Companies Law or the Listing Rules; or
 - (xii) other than with the approval of the Sole Global Coordinator, the issue or requirement to issue by the Company of a supplementary prospectus, Application Form, preliminary or final offering circular pursuant to the Companies Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the sole opinion of the Sole Global Coordinator, materially adverse to the marketing for or implementation of the Global Offering; or

UNDERWRITING

(xiii) any material adverse change or development involving a reasonably likely material adverse change of any of the risks set out in the section headed “Risk Factors” in this prospectus; or

(xiv) a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution (save in the case of a member voluntarily winding-up for the purpose of the reorganization) is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group;

and which, in any such case and in the sole opinion of the Sole Global Coordinator (for themselves and on behalf of the other Hong Kong Underwriters),

(A) is or may or will be or is reasonably likely to be materially adverse to, or materially and prejudicially affect, the general affairs or the business or financial or trading or other condition or prospects of the Company and its subsidiaries taken as a whole; or

(B) has or may have or will have or is reasonably likely to have a material adverse effect on the success of the Global Offering and/or make it impracticable, inexpedient or inadvisable for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or

(C) makes or will or is likely to make it impracticable, inexpedient or inadvisable to proceed with or to market the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

(b) there has come to the notice of the Sole Global Coordinator or any of the Hong Kong Underwriters:

(i) that any statement contained in this prospectus, the Application Forms, the Formal Notice and any announcements in the agreed form issued by the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incorrect or misleading in any material respect, or any forecasts, estimates, expression of opinion, intention or expectation expressed in such documents are not in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) any matter has arisen or has been discovered which would or might, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes a material omission therefrom; or

(iii) any of the Warranties given by the Company in the Hong Kong Underwriting Agreement is (or might when repeated be) being untrue or misleading or inaccurate in any material respect; or

(iv) any event, act or omission which gives or may give rise to any material liability of the Company pursuant to the indemnities given by the Company under the Hong Kong Underwriting Agreement; or

(v) any material breach of any of the obligations of the Company under the Hong Kong Underwriting Agreement; or

UNDERWRITING

- (vi) any material adverse change or prospective material adverse change in the assets, liabilities, conditions, profits, losses, business, properties, results of operations, in the financial or trading position or prospects or performance of the Company and its subsidiaries taken as a whole; or
- (vii) any material litigation or claim being threatened or instigated against the Company or any of its subsidiaries; or
- (viii) any of the Reporting Accountants, Jones Lang LaSalle Sallmanns Limited as the property valuer in relation to the Global Offering, Conyers, Dill and Pearman as the legal advisers of the Company on Cayman Islands law and British Virgin Islands law and Haiwen & Partners as the legal advisers of the Company on PRC law has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (ix) approval for the listing of permission to deal in the Shares on the Hong Kong Stock Exchange is refused or not granted, other than subject to customary conditions, on or before the listing approval date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (x) the Company withdraws this prospectus, the Application Forms or the Global Offering;

then the Sole Global Coordinator may, in its sole discretion and upon giving notice to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings

Pursuant to Rule 10.08 of the Listing Rules, no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain prescribed circumstances which include the issue of Shares pursuant to the Share Option Scheme.

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to the Sole Global Coordinator, the Sponsor and the Hong Kong Underwriters that, except pursuant to the Global Offering we will not, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters), at any time from the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date:

- (i) offer, pledge, charge, mortgage, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of its share capital or other securities or any interests therein (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for or that represent the right to receive such share capital or other securities or any interests therein (the “Held Interests”));
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Held Interests; or

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- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i), (ii) or (iii) above, whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

Similar undertakings are expected to be given by us to the International Underwriters under the International Underwriting Agreement.

Each of our Controlling Shareholders has undertaken with the Sole Global Coordinator and the Underwriters that, except pursuant to (A) the Global Offering, (B) the Over-Allotment Option or (C) if applicable, stock borrowing arrangements that may be entered into with the Stabilizing Manager (or its agent), each of Controlling Shareholders will not, without the prior written consent of the Sole Global Coordinator (on behalf of the Underwriters), at any time:

- (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, cause the Company to repurchase any of the share or debt capital or other securities of the Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein whether now owned or hereinafter acquired, owned directly by such Controlling Shareholder (including holding as a custodian) or with respect to which such Controlling Shareholder has beneficial ownership (collectively the “Controlling Shareholder Lock-Up Shares”) (the foregoing restriction is expressly agreed to preclude such Controlling Shareholder from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of such Controlling Shareholder Lock-Up Shares even if such Shares would be disposed of by someone other than such Controlling Shareholder). Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Controlling Shareholder Lock-Up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i), (ii) or (iii) above, whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

Each of the Controlling Shareholders may transfer the share capital of our Company to any wholly-owned subsidiary of such Controlling Shareholder subject to certain restrictions.

The lock-up period in respect of our Controlling Shareholders will commence on the date of the Hong Kong Underwriting Agreement (in the case of Hong Kong Underwriters) and the date of the International Underwriting Agreement (in the case of the International Underwriters), respectively, up to and including, in each case, the date falling 18 months after the Listing Date.

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Each of our Selling Shareholders has undertaken with the Sole Global Coordinator and the International Underwriters that, except pursuant to (A) the Global Offering, (B) the Over-Allotment Option or (C) if applicable, stock borrowing arrangements that may be entered into with the Stabilizing Manager (or its agent), each of the our Selling Shareholders will not, without the prior written consent of the Sole Global Coordinator (on behalf of the International Underwriters), at any time:

- (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, cause the Company to repurchase any of the share or debt capital or other securities of the Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein whether now owned or hereinafter acquired, owned directly by such Selling Shareholder (including holding as a custodian) or with respect to which such Selling Shareholder has beneficial ownership (collectively the “Selling Shareholder Lock-Up Shares”) (the foregoing restriction is expressly agreed to preclude such Selling Shareholder from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of such Selling Shareholder Lock-Up Shares even if such Shares would be disposed of by someone other than such Selling Shareholder). Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Selling Shareholder Lock-Up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i), (ii) or (iii) above, whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

Each of the Selling Shareholders may transfer the share capital of our Company to any wholly-owned subsidiary of such Selling Shareholder subject to certain restrictions.

The lock-up period in respect of the Selling Shareholders will commence on the date of the International Underwriting Agreement up to and including the date falling 12 months after the Listing Date.

In accordance with Rule 10.07(1)(a) of the Listing Rules, each of our Controlling Shareholders has undertaken to Hong Kong Stock Exchange that except pursuant to the Global Offering or the Over-Allotment Option, (i) it will not, at any time during the period commencing from the Listing Date, and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and (ii) it will not, at any time during the period of six months from the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into

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any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of our Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would then cease to be the controlling shareholder (as defined under the Listing Rules) of our Company.

Note (2) of Rule 10.07 of the Listing Rules provides that the rule does not prevent a controlling shareholder (as defined under the Listing Rules) from using the shares owned by it as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Each of our Controlling Shareholders has further undertaken to Hong Kong Stock Exchange that it will, within a period of 12 months from the Listing Date, immediately inform us and Hong Kong Stock Exchange of:

- (a) any pledges or charges of any Shares or securities of our Company beneficially owned by it in favor of any authorized institution as permitted under the Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and
- (b) any indication received by he/it, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such Shares or other share capital will be sold, transferred or disposed of.

We will also inform Hong Kong Stock Exchange as soon as we have been informed of the above matters (if any) by each of our Controlling Shareholders or their shareholders and disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible after being so informed by such a Controlling Shareholder or its shareholders.

International Offering

International Underwriting Agreement

In connection with the International Offering, our Company expects to enter into the International Underwriting Agreement with the Controlling Shareholders, the Selling Shareholders, the Joint Representatives, as representatives of the International Underwriters, the Joint Bookrunners and the Sole Global Coordinator. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares. The International Underwriting Agreement is expected to provide that it may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors will be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, our Company will give undertakings similar to those given pursuant to the Hong Kong Underwriting Agreement as described in “— Underwriting Arrangements and Expenses — Hong Kong Public Offering— Undertakings.”

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Under the International Underwriting Agreement, the Selling Shareholders are expected to grant to the International Underwriters the Over-Allotment Option, exercisable by the Stabilizing Manager (as its agent), for the account of Citigroup Global Markets Limited, on behalf of the International Underwriters at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last date for the lodging of Application Forms under the Hong Kong Public Offering, to sell up to an aggregate of 97,500,000 Shares, representing in aggregate approximately 15% of the number of Offer Shares initially available under the Global Offering. These Shares will be sold at the Offer Price.

It is expected that each of our Controlling Shareholders will undertake to the International Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the Shares held by them in our Company for a period similar to such undertakings given by it pursuant to the Hong Kong Underwriting Agreement, which is described in “— Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings.”

Underwriting Commission and Expenses

The Hong Kong Underwriters will receive a gross commission of 2.75% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. The commissions payable to the Underwriters will be borne by our Company in relation to the new Shares to be issued in relation to the Global Offering. Our Company may also, in our sole discretion, pay either or both of the Joint Bookrunners an additional incentive fee of up to 1% in the aggregate of the sale proceeds of the offer of Shares offered by us under the Global Offering.

Hong Kong Underwriters' Interests in our Company

Save as disclosed in this prospectus and other than pursuant to the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding in any member of our Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Citi is the Sole Global Coordinator and Sole Sponsor, and Citi and CICC are the Joint Bookrunners of the Global Offering.

The Global Offering consists of (subject to adjustment and the Over-Allotment Option):

- (i) the Hong Kong Public Offering of 65,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below under the section headed “— The Hong Kong Public Offering;” and
- (ii) the International Offering of 585,000,000 Shares (subject to adjustment as mentioned below) in the United States with Qualified Institutional Buyers in reliance on Rule 144A or other available exemptions from the registration requirements of the U.S. Securities Act, and outside the United States in accordance with Regulation S.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to Qualified Institutional Buyers in the United States in reliance on Rule 144A or other available exemptions from the registration requirements of the U.S. Securities Act, as well as to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in accordance with Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the section headed “— Pricing and Allocation.”

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around September 25, 2010 and in no event later than October 3, 2010. The Offer Price will be not more than the maximum Offer Price as stated in the Application Forms.

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator (on behalf of the Underwriters and with our consent) considers the number of Offer Shares being offered under the Global Offering that is stated in this prospectus and/or if appropriate, the indicative Offer Price range that is stated in the Application Forms may be reduced at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong

STRUCTURE OF THE GLOBAL OFFERING

Public Offering on September 24, 2010 cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information which may change as a result of such reduction. Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any notice being published of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this prospectus and the Application Forms, respectively, on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon, will under no circumstances be higher than the maximum Offer Price as stated in the Application Forms.

The Hong Kong Offer Shares and the International Offer Shares may, in certain circumstances, be reallocated as between the Hong Kong Public Offering and International Offering at the discretion of the Sole Global Coordinator.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Joint Bookrunners and the Company and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the listing of the Shares on the Hong Kong Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The applicable Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the results of applications and basis of allotment of the Hong Kong Offer Shares are expected to be announced on October 4, 2010 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our website at www.sitc.com and the website of Hong Kong Stock Exchange at www.hkexnews.hk.

STRUCTURE OF THE GLOBAL OFFERING

CONDITIONS TO THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- the Listing Committee of Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of any options granted under the Share Option Scheme) (subject only to allotment and dispatch of the Share certificates in respect thereof and such other normal conditions acceptable to the Company and the Sole Global Coordinator, on behalf of the Underwriters) not later than October 5, 2010 (or such later date as the Company and the Sole Global Coordinator on behalf of the Hong Kong Underwriters may agree) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Offer Shares on Hong Kong Stock Exchange;
- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator, on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If for any reason, the Offer Price is not agreed by October 3, 2010 between the Joint Bookrunners (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and Hong Kong Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to apply for Hong Kong Offer Shares” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on October 4, 2010 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on October 6, 2010, if (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” in this prospectus has not been exercised.

STRUCTURE OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

Our Company is offering 65,000,000 Shares at the Offer Price under the Hong Kong Public Offering, representing 10% of the 650,000,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent 2.5% of our total issued share capital immediately after completion of the Global Offering. In Hong Kong, individual retail investors are expected to apply for Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares will not be allotted International Offer Shares in the International Offering.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Hong Kong Offer Shares.

The Offer Price will be not more than the maximum offer price as stated in the Application Forms. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$6.28 per Share plus brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%. If the Offer Price, as finally determined on the Price Determination Date, is lower than the maximum Offer Price, we will refund the respective difference (including the brokerage, the SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed “How to apply for Hong Kong Offer Shares” in this prospectus.

For allocation only, the 65,000,000 Shares initially being offered for subscription under the Hong Kong Public Offering will be divided equally (to the nearest board lot) into two pools: Pool A comprising 32,500,000 Hong Kong Offer Shares and Pool B comprising 32,500,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications within either pool or between the pools and any application for more than 50% of the 65,000,000 Shares initially comprised in the Hong Kong Public Offering (that is 32,500,000 Hong Kong Offer Shares) are liable to be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

STRUCTURE OF THE GLOBAL OFFERING

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 195,000,000, 260,000,000 and 325,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-Allotment Option), and such reallocation being referred to in this prospectus as “Mandatory Reallocation.” In such cases, the number of Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate, and such additional Shares will be allocated to Pool A and Pool B.

If the Hong Kong Offer Shares are not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate. In addition to any Mandatory Reallocation which may be required, the Sole Global Coordinator may, at its discretion, reallocate Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, regardless of whether the Mandatory Reallocation is triggered. References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

The number of International Offer Shares to be initially offered for subscription under the International Offering will be 585,000,000 Shares, representing 90% of the Offer Shares under the Global Offering.

Pursuant to the International Offering, the International Underwriters will conditionally place the Shares with Qualified Institutional Buyers in the United States in reliance on Rule 144A or other available exemptions from the registration requirements under the U.S. Securities Act, as well as with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in accordance with Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

The Selling Shareholders are expected to grant to the International Underwriters the Over-Allotment Option, exercisable by the Stabilizing Manager (as its agent), for the account of Citigroup Global Markets Limited, on behalf of the International Underwriters at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last day for lodging of Application Forms under the Hong Kong Public Offering. A press announcement will be made in the event that the Over-Allotment Option is exercised. Pursuant to the Over-Allotment Option, the Sole Global Coordinator will have the right to require the Selling Shareholders to sell up to 97,500,000 Shares, representing 15% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price.

STRUCTURE OF THE GLOBAL OFFERING

STOCK BORROWING AGREEMENT

The Stabilizing Manager or any person acting for it may choose to borrow Shares from Resourceful, under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-Allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- such stock borrowing arrangement with Resourceful will only be effected by the Stabilizing Manager for settlement of over-allocations in the International Offering and covering any short position prior to the exercise of the Over-Allotment Option;
- the maximum number of Shares borrowed from Resourceful under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-Allotment Option;
- the same number of Shares so borrowed must be returned to Resourceful or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-Allotment Option may be exercised, or (ii) the day on which the Over-Allotment Option is exercised in full;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements; and
- no payment will be made to Resourceful by the Stabilizing Manager or its authorized agents in relation to such stock borrowing arrangement.

OVER-ALLOCATION AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Citi, as Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-Allotment Option, namely 97,500,000 Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

Stabilizing action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization and stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the SFO includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-Allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on October 24, 2010, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period. In connection with the Global Offering, the Stabilizing Manager may over-allocate up to and not more than an aggregate of 97,500,000 Shares and cover such over-allocations by (amongst other methods) exercising the Over-Allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on October 6, 2010, it is expected that dealings in Shares on Hong Kong Stock Exchange will commence at 9:30 a.m. on October 6, 2010.

STRUCTURE OF THE GLOBAL OFFERING

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Bookrunners (on behalf of the Underwriters) and our Company on the Price Determination Date.

We expect that our Company will, on or about September 25, 2010, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offering.

Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed “Underwriting” in this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Hong Kong Offer Shares by means of **White Form eIPO**, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, the Sole Global Coordinator (or its respective agents or nominees) may accept it at its discretion, and subject to any conditions it thinks fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, the Sole Global Coordinator, or the designated **White Form eIPO** Service Provider (where applicable) or our respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

CHANNELS TO APPLY FOR HONG KONG OFFER SHARES

You may apply for Hong Kong Offer Shares by using one of the following channels:

- using a **WHITE** or **YELLOW** Application Form;
- apply online through the designated website of the **White Form eIPO** Service Provider, referred to herein as the '**White Form eIPO**' service; or
- **electronically instructing** HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through **White Form eIPO** service or by giving **electronic application instructions** to HKSCC.

WHICH APPLICATION CHANNEL YOU SHOULD USE

- Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be registered in your own name.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- Instead of using a **WHITE** Application Form, you may apply for the Hong Kong Offer Shares by means of **White Form eIPO** by submitting applications online through the designated website at www.eipo.com.hk. Use **White Form eIPO** if you want the Hong Kong Offer Shares to be registered in your own name;
- Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.
- Instead of using a **YELLOW** Application Form, you may **electronically instruct** HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf via CCASS. Any Hong Kong Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

WHERE TO COLLECT THE APPLICATION FORMS

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on September 20, 2010 until 12:00 noon on September 24, 2010 from:

Any of the following addresses of the Hong Kong Underwriters

| | |
|---|---|
| Citigroup Global Markets Asia Limited | 50/F Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong |
| China International Capital Corporation Hong Kong Securities Limited | 29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong |
| Taifook Securities Company Limited | 25/F, New World Tower, 16-18 Queen's Road Central, Hong Kong |

or any of the following branches of Standard Chartered Bank (Hong Kong) Limited and Wing Lung Bank Limited:

Standard Chartered Bank (Hong Kong) Limited

| | <u>Branch Name</u> | <u>Address</u> |
|----------------------------|----------------------|--|
| Hong Kong Island | Central Branch | Shop No. 16, G/F and Lower G/F, New World Tower, 16-18 Queen's Road Central, Central |
| | Hennessy Road Branch | 399 Hennessy Road, Wanchai |
| | Quarry Bay Branch | G/F, Westlands Gardens, 1027 King's Road, Quarry Bay |
| | Aberdeen Branch | Shop 4A, G/F, Aberdeen Centre Site 5, No.6 Nam Ning Street, Aberdeen |

HOW TO APPLY FOR HONG KONG OFFER SHARES

| | <u>Branch Name</u> | <u>Address</u> |
|---------------------------|----------------------------------|---|
| Kowloon | Kwun Tong Hoi Yuen Road | G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong, Kowloon |
| | 68 Nathan Road Branch | Basement, Shop B1, G/F Golden Crown Court, 66-70 Nathan Road, Tsimshatsui |
| | Lok Fu Shopping Centre Branch | Shop G101, G/F., Lok Fu Shopping Centre |
| New Territories | Tsuen Wan Branch | Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan |
| | Yuen Long Branch | 140, Yuen Long Main Road, Yuen Long |
| | Tai Po Branch | 23 & 25 Kwong Fuk Road, Tai Po Market, Tai Po |

Wing Lung Bank Limited

| | <u>Branch Name</u> | <u>Address</u> |
|----------------------------|---------------------------------|---|
| Hong Kong Island | Central Branch (Head Office) | 45 Des Voeux Road Central |
| | Johnston Road Branch | 118 Johnston Road |
| | North Point Branch | 361 King's Road |
| Kowloon | Mongkok Branch | B/F Bank Centre, 636 Nathan Road |
| | Lamtin Sceneway Plaza Branch | Shop 59, 3/F Sceneway Plaza, 8 Sceneway Road |
| | To Kwa Wan Branch | 64 To Kwa Wan Road |
| New Territories | Shatin Plaza Branch | 21 Shatin Centre Street |
| | Sheung Shui Branch | 128 San Fung Avenue |

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on September 20, 2010 to 12:00 noon on September 24, 2010 from:

- the depository counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or
- your stockbroker, who may have such Application Forms and this prospectus available.

WHEN TO APPLY FOR THE HONG KONG OFFER SHARES

WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on September 24, 2010, or, if the application lists are not open on that day, by the time and date stated in the section headed "Effect of bad weather conditions on the opening of the application lists" below.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Your completed **WHITE** or **YELLOW** Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of the banks listed in the section headed “Where to collect the Application Forms” at the following times:

September 20, 2010 — 9:00 a.m. to 5:00 p.m.
September 21, 2010 — 9:00 a.m. to 5:00 p.m.
September 22, 2010 — 9:00 a.m. to 5:00 p.m.
September 24, 2010 — 9:00 a.m. to 12:00 noon

ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

CCASS Clearing/Custodian Participants should input **electronic application instructions** via CCASS at the following times:

September 20, 2010 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
September 21, 2010 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
September 22, 2010 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
September 24, 2010 — 8:00 a.m.⁽¹⁾ to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on September 20, 2010 until 12:00 noon on September 24, 2010 (24 hours daily, except the last application day).

The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on September 24, 2010 or if the application lists are not open on that day, by the time and date stated in the section headed “Effect of bad weather conditions on the opening of the application lists” below.

White Form eIPO

You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk from 9:00 a.m. on September 20, 2010 until 11:30 a.m. on September 24, 2010 or such later time as described under the section headed “Effect of bad weather conditions on the opening of the application lists” below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on September 24, 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the section headed “Effect of bad weather conditions on the opening of the application lists” below.

You will not be permitted to submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon.

Application lists

The application lists will be opened from 11:45 a.m. to 12:00 noon on September 24, 2010, except as provided in the section headed “— Effect of bad weather conditions on the opening of the application lists” below. No proceedings will be taken on applications for the Hong Kong Offer Shares until after September 24, 2010 and no allocation of any such Shares will be made later than October 3, 2010.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Effect of bad weather conditions on the opening of the application lists

The application lists will be opened between 11:45 a.m. and 12:00 noon on September 24, 2010, subject only to weather conditions. The application lists will not open in relation to the Hong Kong Public Offering if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on September 24, 2010. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not fall within the above circumstances at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

Obtain a WHITE or YELLOW Application Form

You should read the instructions in this prospectus and the relevant Application Form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying cheque(s) or banker’s cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your Application Form.

Decide how many Hong Kong Offer Shares you want to subscribe. Calculate the amount you must pay on the basis of the maximum Offer Price of HK\$6.28 per Hong Kong Offer Share, plus brokerage of 1%, the SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%. This means that for one board lot of 1,000 Shares you will pay HK\$6,343.30. The Application Forms have tables showing the exact amount payable for certain numbers of shares up to 32,500,000 Shares (as indicated on the **WHITE** and **YELLOW** Application Forms). Your application must be for a minimum of 1,000 Shares. Application for more than 1,000 Shares must be in one of the number of Shares set out in the table in the respective Application Forms. No application for any other number of Shares will be considered and any such application is liable to be rejected.

Complete the Application Form in English (save as otherwise indicated) and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorized officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign the Application Form. If it is a joint application, all applicants must sign it. If your application is made through a duly authorized attorney, our Company and Citi, as Sole Global Coordinator for the Hong Kong Public Offering (or their respective agents or nominees), may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney.

Each Application Form must be accompanied by either one cheque or one banker’s cashier order.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- not be post-dated;
- be drawn on your Hong Kong dollar bank account in Hong Kong;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- show your account name, which must either be pre-printed on the cheque, or be endorsed on the back by a person authorized by the bank. This account name must be the same as the name on the Application Form. If it is a joint application, the account name must be the same as the name of the first-named applicant;
- be made payable to “Horsford Nominees Limited — SITC Public Offer;” and
- be crossed “Account Payee Only”.

Your application is liable to be rejected if your cheque does not meet all these requirements or is dishonored on its first presentation.

If you pay by banker’s cashier order the banker’s cashier order must:

- be issued by a licensed bank in Hong Kong and have your name certified on the back by a person authorized by the bank. The name on the back of the banker’s cashier order and the name on the Application Form must be the same. If it is a joint application, the name on the back of the banker’s cashier order must be the same as the name of the first-named joint applicant;
- be in Hong Kong dollars;
- not be post-dated;
- be made payable to “Horsford Nominees Limited — SITC Public Offer;” and
- be crossed “Account Payee Only”.

Your application is liable to be rejected if your banker’s cashier order does not meet all these requirements.

Lodge your Application Form in one of the collection boxes by the time and at one of the locations, as respectively referred to above.

Multiple or suspected multiple applications are liable to be rejected. Please refer to the section headed “How Many Applications You Can Make” below.

You should note that by signing the Application Form, among other things:

- (i) you confirm that you have only relied on the information and representations in this prospectus in making your application and not on any other information or representation concerning us and you agree that neither we, the Sole Global Coordinator, the Underwriters nor any of their respective directors, officers, employees, partners, agents, advisors or any other parties involved in the Global Offering will have any liability for any such other information or representations;
- (ii) you agree that our Company, the Sole Global Coordinator, the Underwriters, and any of their respective directors, officers, employers, partners, agents or advisors are liable only for the information and representations contained in this prospectus and any supplement thereto;
- (iii) you undertake and confirm that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares, nor otherwise participate in the International Offering; and
- (iv) you agree to disclose to us, Hong Kong Share Registrar, receiving bankers, advisors, agents and Citi and their respective agents the personal data and any information which they require about you or the person(s) for whose benefit you have made this application.

HOW TO APPLY FOR HONG KONG OFFER SHARES

In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the Application Form. Only written signatures will be accepted.

- **If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):**
 - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant I.D. in the appropriate box.
- **If you are applying as an individual CCASS Investor Participant:**
 - you must fill in your name and your Hong Kong identity card number; and
 - you must insert your CCASS Participant I.D. in the appropriate box.
- **If you are applying as a joint individual CCASS Investor Participant:**
 - you must insert all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all the joint CCASS Investor Participants; and
 - you must insert your CCASS Participant I.D. in the appropriate box.
- **If you are applying as a corporate CCASS Investor Participant:**
 - you must insert your company name and your company's Hong Kong business registration number; and
 - you must fill in your CCASS Participant I.D. and stamp your company chop (bearing your company name) in the appropriate box.

Incorrect or omission of details of the CCASS Participant (including participant I.D. and/or company chop bearing its company name) or other similar matters may render the application invalid.

If your application is made through a duly authorized attorney, we and Citi, as our agent, may accept it at their discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. We and Citi, in the capacity as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" an identification number for each beneficial owner.

Personal data

The section of the Application Form headed "Personal data" applies to any personal data held by Citi, our Company, Hong Kong Share Registrar, receiving bankers, advisers, and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

HOW MANY APPLICATIONS YOU CAN MAKE

- (a) You may make more than one application for the Hong Kong Offer Shares only if you are a **nominee**, in which case you may make an application as a nominee by: (i) giving **electronic application instructions** to HKSCC (if you are a CCASS Participant); and (ii) lodging more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked “For nominees” you must include:

- an account number: or
- another identification number

for each beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

Otherwise, multiple applications are not allowed. It will be a term and condition of all applications that by completing and delivering an Application Form, you:

- (if the application is made for your own benefit) warrant that the application made pursuant to the Application Form is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; or to the **White Form eIPO** Service Provider through the **White Form eIPO** service or
 - (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider through the **White Form eIPO** service, and that you are duly authorized to sign the Application Form as that other person’s agent.
- (b) **All** of your applications under the Hong Kong Public Offering are liable to be rejected as multiple applications if you, or you and your joint applicant(s) together:
- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service (www.eipo.com.hk);
 - both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service (www.eipo.com.hk);
 - apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly with others) or by giving **electronic application instructions** to HKSCC via CCASS or to the **White Form eIPO** Service Provider through the **White Form eIPO** service (www.eipo.com.hk) to apply for more than 32,500,500 Hong Kong Offer Shares (being 50% of the Hong Kong Offer Shares initially being offered for subscription by the public); or
 - apply for or take up any Offer Shares under the International Offering or otherwise participate in the International Offering or indicate an interest for any International Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (c) All of your applications are liable to be rejected as multiple applications if more than one application is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and: (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit. **Unlisted company** means a company with no equity securities listed on Hong Kong Stock Exchange. **Statutory control** in relation to a company means you: (i) control the composition of the board of directors of that company; or (ii) control more than half of the voting power of that company; or (iii) hold more than one-half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

APPLY THROUGH WHITE FORM eIPO

- (a) If you are an individual and meet the criteria set out in “How to Apply for Hong Kong Offer Shares—Who Can Apply for Hong Kong Offer Shares,” you may apply through **White Form eIPO** by submitting an application through the designated website at www.eipo.com.hk. If you apply through **White Form eIPO**, the Hong Kong Offer Shares will be issued in your own name.
- (b) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **White Form eIPO** Service Provider and may not be submitted to our Company.
- (c) In addition to the terms and conditions set out in this prospectus, the designated **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at www.eipo.com.hk.
You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (d) By submitting an application to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service, you are deemed to have authorized the designated **White Form eIPO** Service Provider to transfer the details of your application to our Company and our Hong Kong Share Registrar.
- (e) You may submit an application through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.eipo.com.hk.
- (f) You should give **electronic application instructions** through **White Form eIPO** at the times set out in the section headed “How to Apply for Hong Kong Offer Shares—When to Apply for the Hong Kong Offer Shares—White Form eIPO.”
- (g) You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at www.eipo.com.hk. **If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on September 24, 2010, or such later time as described under the section headed “When to Apply for the Hong Kong Offer Shares—Effect of bad weather conditions on the opening of the application lists”, the designated White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.**

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (h) Once you have completed payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **White Form eIPO** Service Provider to make an application for the Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular application reference number will not constitute an actual application.
- (i) Warning: The application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the designated **White Form eIPO** Service Provider to public investors. **Our Company, our Directors, the Sole Global Coordinator, the Joint Bookrunners, the Sponsor and Joint Lead Managers take no responsibility for such applications, and provide no assurance that applications through the White Form eIPO service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.**

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 per each “SITC International Holdings Company Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of Dong Jiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. See “—How Many Applications You Can Make.”

Additional Information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through the **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **White Form eIPO** Service Provider, the designated **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **White Form eIPO** Service Provider on the designated website at www.eipo.com.hk.

HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or CCASS Internet System (<https://ip.ccass.com>) (according to the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for you if you come to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
2/F., Vicwood Plaza
199 Des Voeux Road
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for Hong Kong Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your CCASS Clearing Participant or CCASS Custodian Participant to our Company and the Hong Kong Share Registrar.

Minimum subscription amount and permitted numbers

You may give **electronic application instructions** in respect of a minimum of 1,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form.

Application for Hong Kong Offer Shares by HKSCC Nominees on Your Behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

- (i) HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees does all the things on behalf of each of such persons who:
 - agrees that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
 - undertakes and agrees to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
 - undertakes and confirms that that person has not indicated an interest for, applied for or taken up any Shares under the International Offering;
 - (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorized to give those instructions as that other person's agent;
- understands that the above declaration will be relied upon by our Company, the Directors and Citi in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
- authorizes our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's **electronic application instructions** and to send Share certificate(s) and/or refund money in accordance with the arrangements separately agreed between our Company and HKSCC;
- confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
- confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf and will not rely on any other information and representations and that person agrees that neither our Company, Citi, the Underwriters or any other parties involved in the Global Offering will have any liability for any such other information or representations;
- agrees that our Company, Citi, the Underwriters and any of their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus and any supplement thereto;
- agrees to disclose that person's personal data to our Company and Hong Kong Share Registrar, receiving bankers, advisors, agents and Citi and their respective agents, the personal data and any information which they require about that person or the person(s) for whose benefit the application is made;
- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;
- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before October 4, 2010, such agreement to take effect as a collateral contract with the Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before October 20, 2010 except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by our Company;
- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares; and
- agrees that such person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the Laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum offer price, brokerage, the SFC transaction levy and Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Offer Share paid on application, refund of the application monies, in each case including brokerage, the SFC transaction levy and Hong Kong Stock Exchange trading fee, by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Allocation of Hong Kong Offer Shares

For the purpose of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given shall be treated as an applicant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Deposit of Share certificates into CCASS and refund of application monies

- No temporary documents of title will be issued. No receipt will be issued for application monies received.
- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on October 4, 2010 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) as described in the section headed “How to Apply for Hong Kong Offer Shares — Results of Allocations” in this prospectus on October 4, 2010. The basis of allotment of the Hong Kong Public Offering will be published on the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on October 4, 2010. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on October 4, 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on October 4, 2010. Immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account and the credit of any refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the initial price per Offer Share paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on October 4, 2010. No interest will be paid thereon.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Warning

Application for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, our Directors, Citi, the Underwriters and any parties involved in the Global Offering take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS investor Participants are advised not to wait until the last minute to input instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit **electronic application instructions**, they should either:

- (a) **submit the WHITE or YELLOW Application Form (as appropriate); or**
- (b) **go to HKSCC's Customer Service Centre to complete an application instruction input request form for electronic application instructions before 12:00 noon on September 24, 2010 or such later time as described in the section headed "Effect of bad weather conditions on the opening of the application lists" above.**

RESULTS OF ALLOCATIONS

We expect to announce the Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering and the basis of allotment of the Hong Kong Offer Shares on October 4, 2010 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) or on the website of the Hong Kong Stock Exchange at www.hkexnews.hk or our website at www.sitc.com.

The results of allocations of the Hong Kong Offer Shares under the Hong Kong Public Offering, including applications made under **WHITE** and **YELLOW** Application Forms and by giving **electronic application instructions** to HKSCC and the **White Form eIPO** Service Provider which will include the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers of successful applicants and the number of the Hong Kong Offer Shares successfully applied for will be made available at the times and dates and in the manner specified below:

- Results of allocations will be available from Hong Kong Stock Exchange's website at www.hkexnews.hk;
- Results of allocations will also be available from our website at www.sitc.com and our results of allocations website at www.iporesults.com.hk on a 24-hour basis from 8:00 a.m. on October 4, 2010 to 12:00 midnight on October 10, 2010. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from October 4, 2010 to October 7, 2010;
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from October 4, 2010 to October 6, 2010 at all the receiving bank branches and sub-branches at the addresses set out in the section headed "How to Apply for Hong Kong Offer Shares — Where to Collect the Application Forms."

HOW TO APPLY FOR HONG KONG OFFER SHARES

DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application but, subject as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) for applicants on **WHITE** Application Forms or by **White Form eIPO** service, (i) Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms whose Share certificates will be deposited into CCASS as described below); and/or
- (b) for applicants on **WHITE** and **YELLOW** Application Forms, refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the initial price per Offer Share paid on application in the event that the Offer Price is less than the initial price per Offer Share paid on application, in each case including brokerage at the rate of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005% but without interest.
- (c) for applicants who apply through the **White Form eIPO** service by paying the application monies through a single bank account and whose application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on the application, e-Refund payment instructions (if any) will be dispatched to the application payment bank account.
- (d) for applicants who apply through the **White Form eIPO** service by paying the application monies through multiple bank accounts and whose application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on the application, refund cheque(s) will be sent to the address as specified on the **White Form eIPO** application by ordinary post and at the applicant's own risk.

Subject as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications under the **WHITE** or **YELLOW** Application Forms and Share certificates for successful applicants under the **WHITE** Application Form or to the **White Form eIPO** Service Provider via the **White Form eIPO** service are expected to be posted on or about October 4, 2010. The right is reserved to retain any Share certificates and any surplus application monies pending clearance of cheque(s).

(a) If you apply using a WHITE Application Form:

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **WHITE** Application Form to collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) in person, you may collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on October 4, 2010. If you are an individual, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your company chop. Both

HOW TO APPLY FOR HONG KONG OFFER SHARES

individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you do not collect your refund cheque(s) and Share certificate(s) within the time period specified for collection, they will be dispatched promptly thereafter to you by ordinary post to the address as specified in your Application Form at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or, if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and your Share certificates (where applicable) in person, your Share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) will be dispatched to the address on your Application Form on or about October 4, 2010 by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form:

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on October 4, 2010, or under a contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering as described in the section headed "How to Apply for Hong Kong Offer Shares — Results of Allocations" in this prospectus on October 4, 2010. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on October 4, 2010 or such other date as will be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) (if any) will be sent to the address on your Application Form on the date of dispatch, which is expected to be on October 4, 2010, by ordinary post and at your own risk.

(c) If you apply through White Form eIPO service:

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your Share certificate(s) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East,

HOW TO APPLY FOR HONG KONG OFFER SHARES

Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on October 4, 2010, or such other date as notified by our Company in the newspapers as the date of dispatch of e-Refund payment instructions/refund cheque(s)/share certificate(s). If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or, if you apply for 1,000,000 Hong Kong Offer Shares but have not indicated on your application that you will collect your Share certificates in person, your Share certificate(s) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on or around October 4, 2010 by ordinary post and at your own risk.

If you apply through the **White Form eIPO** service by paying the application monies through a single bank account and your application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on your application, e-Refund payment instructions (if any) will be dispatched to your application payment bank account on or around October 4, 2010.

If you apply through the **White Form eIPO** service by paying the application monies through multiple bank accounts and your application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on or around October 4, 2010 by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **White Form eIPO** Service Provider set out in this section headed “Apply through White Form eIPO — Additional Information” of this prospectus.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted Shares are set out in the notes attached to the Application Forms (whether you are making your application by an Application Form or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf or through the **White Form eIPO** service), and you should read them carefully. You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or your application is liable to be rejected:

(a) If your application is revoked:

By completing and submitting an Application Form or giving an **electronic application instruction** to HKSCC, you agree that your application or the application made by HKSCC on your behalf is irrevocable until after the fifth day after the time of the opening of the application lists (which is expected to be September 24, 2010). This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or give your **electronic application instruction** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before Wednesday, October 20, 2010 except by means of one of the procedures referred to in this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before October 4, 2010 if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominee on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instruction** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Hong Kong Stock Exchange notifies our Company of that longer period within three weeks of the closing of the application lists.

(c) If you make applications under the Hong Kong Public Offering as well as the International Offering:

You or the person whose benefits you apply for have taken up or indicated an interest or applied for or received or have been or will be placed or allocated (including conditionally and/or provisionally) Shares in the International Offering. By filling in any of the Application Forms or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service electronically, you agree not to apply for International Offer Shares under the International Offering. Reasonable steps will be taken to identify and reject applications under the Hong Kong Public Offering from investors who have received International Offer Shares, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering.

(d) If our Company, the Sole Global Coordinator or their respective agents exercise their discretion:

Our Company, the Sole Global Coordinator, **White Form eIPO** Service Provider (where applicable) and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(e) Your application will be rejected or not be accepted if:

- your application is a multiple or a suspected multiple applications;
- your Application Form is not completed correctly in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored on its first presentation;
- you or the person for whose benefit you are applying have applied for and/or received or will receive Offer Shares under the International Offering;
- we believe that by accepting your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is received or your address is located;
- if you apply for more than 100% of the Shares available for allocation in either Pool A or Pool B Hong Kong Offer Shares; or
- any of the Underwriting Agreements does not become unconditional or it is terminated in accordance with their respective terms thereof.

REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any of, but not limited to, the above reasons, our Company will refund your application monies, including brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee. No interest will be paid thereon.

If your application is accepted only in part, we will refund to you the appropriate portion of your application monies (including the related brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) without interest.

If the Offer Price as finally determined is less than the initial price per Share (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee thereon) paid on application, our Company will refund to you the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%, without interest.

All such interest accrued prior to the date of dispatch of refund monies will be retained for the benefit of our Company.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and Citi, cheques for applications made on Application Forms for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) is expected to be made on October 4, 2010 in accordance with the various arrangements as described above.

COMMENCEMENT OF DEALINGS IN THE SHARES

- Dealings in the Shares on the Hong Kong Stock Exchange are expected to commence on October 6, 2010.
- The Shares will be traded in board lots of 1,000 each. The stock code of the Shares is 1308.

HOW TO APPLY FOR HONG KONG OFFER SHARES

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

- If the Hong Kong Stock Exchange grants the listing of, and permission to deal in the Shares and our Company comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.
- All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.
- Investors should seek advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.
- All necessary arrangements have been made for the Shares to be admitted into CCASS.



18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

20 September 2010

The Board of Directors
SITC International Holdings Company Limited
Citigroup Global Markets Asia Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) of SITC International Holdings Company Limited (the “Company”) and its subsidiaries (collectively the “Group”) for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 (collectively the “Track Record Periods”) and comparative financial information (the “Comparative Financial Information”) of the Group for the six months ended 30 June 2009, prepared on the basis set out in note 2 of Section II below, for inclusion in the prospectus of the Company dated 20 September 2010 (the “Prospectus”) in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 9 April 2010 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to the group reorganisation (the “Reorganisation”) as detailed in note 1 of Section II below, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Company’s interests in its principal subsidiaries as at the date of this report are set out in note 1 of Section II below. The Group is principally engaged in the provision of marine transportation services, freight forwarding services for marine transportation, storage and terminal services and vessel chartering.

All companies now comprising the Group and the Group’s jointly-controlled entities and associates have adopted 31 December as their financial year end date. No audited financial statements have been prepared for the Company since its date of incorporation because it has not been involved in any significant business transactions other than the Reorganisation. No audited financial statements have been prepared for certain subsidiaries since their respective dates of incorporation because these companies are newly incorporated or there are no statutory requirements for these companies to prepare audited financial statements in the countries or jurisdictions in which these companies are incorporated. The statutory audited financial statements or management accounts of the Group’s subsidiaries, jointly-controlled entities and associates were prepared in accordance with the relevant accounting principles applicable to these companies in their respective countries and jurisdictions. Details of their statutory auditors during the Track Record Periods were set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements (the “Underlying Financial Statements”) of the Company for the Track Record Periods and the six months ended 30 June 2009 in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The directors of the Company are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements, the Financial Information and the Comparative Financial Information in accordance with HKFRSs issued by the HKICPA, and for the contents of the Prospectus in which this report is included. The directors of the respective companies of the Group are responsible for the preparation and true and fair presentation of the respective financial statements and, where appropriate, management accounts in accordance with the relevant accounting principles and financial regulations applicable to these companies.

In preparing the Financial Information and the Comparative Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently, and that judgements and estimates made are prudent and reasonable. It is our responsibility to form an independent opinion and a review conclusion, based on our audit and review, on the Financial Information and the Comparative Financial Information, respectively, and to report our opinion and review conclusion thereon to you.

Procedures performed in respect of the Financial Information

The Financial Information has been prepared based on the Underlying Financial Statements and in accordance with the basis set out in note 2 of Section II below. For the purpose of this report, we have carried out an independent audit on the Financial Information in accordance with Hong Kong Standards on Auditing issued by the HKICPA, and such additional procedures we considered necessary in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA. No adjustments were considered necessary to adjust the Underlying Financial Statements of the Group for the Track Record Periods to conform to the Financial Information.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity’s preparation and true and fair presentation of the financial statements 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 financial statements.

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

Procedures performed in respect of the Comparative Financial Information

For the purpose of this report, we have also performed a review of the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Comparative Financial Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the bases of presentation and preparation set out in note 2 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group and the Company (where applicable) as at 31 December 2007, 2008 and 2009 and 30 June 2010 and of the consolidated results and cash flows of the Group for each reporting period in the Track Record Periods.

Review conclusion in respect of the Comparative Financial Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Comparative Financial Information does not give a true and fair view of the consolidated results and cash flows of the Group for the six months ended 30 June 2009.

I. FINANCIAL INFORMATION

(a) Consolidated Statements of Comprehensive Income

| | Notes | Year ended 31 December | | | Six months ended 30 June | |
|--|-------|------------------------|-----------|-----------|-----------------------------|-----------|
| | | 2007 | 2008 | 2009 | 2009 | 2010 |
| | | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| (unaudited) | | | | | | |
| CONTINUING OPERATIONS | | | | | | |
| REVENUE | 6 | 576,359 | 771,900 | 694,173 | 286,611 | 400,668 |
| Cost of sales | | (520,208) | (671,540) | (624,150) | (271,392) | (327,679) |
| Gross profit. | | 56,151 | 100,360 | 70,023 | 15,219 | 72,989 |
| Other income and gains | 6 | 12,329 | 4,923 | 4,264 | 8,150 | 1,763 |
| Administrative expenses | | (26,713) | (53,427) | (37,040) | (11,480) | (21,538) |
| Other expenses and losses | | (81) | (11,178) | (1,614) | (1,654) | (18) |
| Finance costs. | 8 | (6,479) | (3,966) | (1,745) | (910) | (863) |
| Share of profits and losses of associates | | — | — | 74 | — | 53 |
| PROFIT BEFORE TAX FROM CONTINUING OPERATIONS | 7 | 35,207 | 36,712 | 33,962 | 9,325 | 52,386 |
| Income tax expense | 11 | (876) | (1,322) | (1,482) | (640) | (1,051) |
| PROFIT FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS | | 34,331 | 35,390 | 32,480 | 8,685 | 51,335 |
| DISCONTINUED OPERATION | | | | | | |
| Profit for the year from a discontinued operation | 13 | 4,858 | — | — | — | — |
| PROFIT FOR THE YEAR/PERIOD. | | 39,189 | 35,390 | 32,480 | 8,685 | 51,335 |
| OTHER COMPREHENSIVE INCOME | | | | | | |
| Cash flow hedges: | | | | | | |
| Effective portion of changes in fair value of hedging instruments arising during the year/period | 26 | — | (2,578) | 1,812 | 581 | (857) |
| Reclassification adjustment for losses/(gains) included in profit or loss | | — | 184 | 1,590 | 1,647 | (545) |
| | | — | (2,394) | 3,402 | 2,228 | (1,402) |
| Exchange differences on translation of foreign operations | | 2,996 | 2,038 | 197 | 110 | 285 |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX. | | 2,996 | (356) | 3,599 | 2,338 | (1,117) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD | | 42,185 | 35,034 | 36,079 | 11,023 | 50,218 |
| Profit attributable to: | | | | | | |
| Owners of the parent. | | 38,762 | 35,106 | 32,150 | 8,547 | 51,099 |
| Non-controlling interests | | 427 | 284 | 330 | 138 | 236 |
| | | 39,189 | 35,390 | 32,480 | 8,685 | 51,335 |
| Total comprehensive income attributable to: | | | | | | |
| Owners of the parent. | | 41,522 | 34,908 | 35,641 | 10,924 | 49,992 |
| Non-controlling interests | | 663 | 126 | 438 | 99 | 226 |
| | | 42,185 | 35,034 | 36,079 | 11,023 | 50,218 |

(b) Consolidated Statements of Financial Position

| | Notes | 31 December | | | 30 June |
|--|-------|----------------|----------------|----------------|----------------|
| | | 2007 | 2008 | 2009 | 2010 |
| | | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 14 | 157,240 | 150,522 | 166,611 | 163,900 |
| Prepaid land lease payments | 15 | 1,461 | 1,513 | 2,026 | 2,012 |
| Investments in associates | 18 | — | — | 2,268 | 2,268 |
| Available-for-sale investment | 19 | 263 | 325 | 384 | 384 |
| Long term prepayment | 21 | — | 2,440 | — | — |
| Derivative financial instruments | 26 | — | — | 97 | — |
| Total non-current assets | | <u>158,964</u> | <u>154,800</u> | <u>171,386</u> | <u>168,564</u> |
| CURRENT ASSETS | | | | | |
| Bunkers | | 7,393 | 5,419 | 7,562 | 9,661 |
| Trade receivables | 20 | 58,031 | 29,911 | 35,278 | 73,865 |
| Prepayments, deposits and other receivables | 21 | 7,107 | 7,719 | 6,970 | 10,546 |
| Due from related companies | 22 | 5,300 | 19,834 | 30,255 | 2,754 |
| Derivative financial instruments | 26 | — | 548 | 1,201 | 381 |
| Financial assets at fair value through profit or loss | 24 | — | 15,363 | 27,534 | — |
| Pledged deposits | 23 | — | 6,779 | — | — |
| Cash and cash equivalents | 23 | 29,142 | 51,364 | 66,251 | 83,752 |
| | | <u>106,973</u> | <u>136,937</u> | <u>175,051</u> | <u>180,959</u> |
| Assets of a disposal group classified as held for sale | | 67,004 | — | — | — |
| Total current assets | | <u>173,977</u> | <u>136,937</u> | <u>175,051</u> | <u>180,959</u> |
| CURRENT LIABILITIES | | | | | |
| Trade payables | 25 | 47,947 | 55,191 | 71,742 | 87,732 |
| Other payables and accruals | 27 | 17,567 | 16,922 | 24,458 | 20,291 |
| Dividends payable | 28 | — | — | 40,000 | — |
| Due to related companies | 22 | 10,118 | — | 15,208 | 4,109 |
| Derivative financial instruments | 26 | — | 7,758 | 798 | 1,074 |
| Interest-bearing bank and other borrowings | 29 | 38,477 | 19,866 | 17,222 | 12,643 |
| Tax payable | | 394 | 576 | 428 | 792 |
| | | <u>114,503</u> | <u>100,313</u> | <u>169,856</u> | <u>126,641</u> |
| Liabilities directly associated with the assets classified as held for sale | | 52,096 | — | — | — |
| Total current liabilities | | <u>166,599</u> | <u>100,313</u> | <u>169,856</u> | <u>126,641</u> |
| NET CURRENT ASSETS | | <u>7,378</u> | <u>36,624</u> | <u>5,195</u> | <u>54,318</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>166,342</u> | <u>191,424</u> | <u>176,581</u> | <u>222,882</u> |
| NON-CURRENT LIABILITIES | | | | | |
| Derivative financial instruments | 26 | — | 3,591 | 3,395 | 2,930 |
| Interest-bearing bank and other borrowings | 29 | 99,468 | 88,588 | 73,265 | 69,812 |
| Total non-current liabilities | | <u>99,468</u> | <u>92,179</u> | <u>76,660</u> | <u>72,742</u> |
| Net assets | | <u>66,874</u> | <u>99,245</u> | <u>99,921</u> | <u>150,140</u> |
| EQUITY | | | | | |
| Equity attributable to owners of the parent | | | | | |
| Issued capital | 33 | — | — | — | 1 |
| Reserves | 34 | 62,880 | 97,788 | 98,026 | 148,018 |
| | | <u>62,880</u> | <u>97,788</u> | <u>98,026</u> | <u>148,019</u> |
| Non-controlling interests | | 3,994 | 1,457 | 1,895 | 2,121 |
| Total equity | | <u>66,874</u> | <u>99,245</u> | <u>99,921</u> | <u>150,140</u> |

(c) Consolidated Statements of Changes in Equity

| | Attributable to owners of the parent | | | | | | | | | | | |
|--|--------------------------------------|----------------|-------------------|-----------------|----------------------------------|----------------------|-----------------------------|------------------|------------------|----------|---------------------------|--------------|
| | Issued capital | Merger reserve | PRC reserve funds | Capital reserve | Share-based compensation reserve | Share option reserve | Hedging fluctuation reserve | Exchange reserve | Retained profits | Total | Non-controlling interests | Total equity |
| | | | | | | | | | | | | |
| At 1 January 2007 | — | (3,114) | 1,296 | — | — | — | — | (1,397) | 24,955 | 21,740 | 3,463 | 25,203 |
| Total comprehensive income for the year | — | — | — | — | — | — | — | 2,760 | 38,762 | 41,522 | 663 | 42,185 |
| Disposal of a subsidiary (note 36) | — | 115 | (34) | — | — | — | — | — | — | 81 | — | 81 |
| Dividends paid to non-controlling shareholders | — | — | — | — | — | — | — | — | — | — | (132) | (132) |
| Repurchase of shares of a subsidiary | — | — | — | (463) | — | — | — | — | — | (463) | — | (463) |
| Transfer to PRC reserve funds | — | — | 291 | — | — | — | — | — | (291) | — | — | — |
| At 31 December 2007 and 1 January 2008 | — | (2,999)* | 1,553* | (463)* | — | — | — | 1,363* | 63,426* | 62,880 | 3,994 | 66,874 |
| Total comprehensive income for the year | — | — | — | — | — | — | (2,394) | 2,196 | 35,106 | 34,908 | 126 | 35,034 |
| Disposal of subsidiaries (note 36) | — | — | (284) | — | — | — | — | — | 284 | — | — | — |
| Acquisition of non-controlling interests | — | — | — | — | — | — | — | — | — | — | (2,489) | (2,489) |
| Dividends paid to non-controlling shareholders | — | — | — | — | — | — | — | — | — | — | (174) | (174) |
| Transfer to PRC reserve funds | — | — | 35 | — | — | — | — | — | (35) | — | — | — |
| At 31 December 2008 and 1 January 2009 | — | (2,999)* | 1,304* | (463)* | — | — | — | (2,394)* | 98,781* | 97,788 | 1,457 | 99,245 |
| Total comprehensive income for the year | — | — | — | — | — | — | 3,402 | 89 | 32,150 | 35,641 | 438 | 36,079 |
| 2009 dividends (note 28) | — | — | — | — | — | — | — | — | (40,000) | (40,000) | — | (40,000) |
| Transfer to PRC reserve funds | — | — | 115 | — | — | — | — | — | (115) | — | — | — |
| Share-based compensation expense | — | — | — | — | 4,597 | — | — | — | — | 4,597 | — | 4,597 |
| At 31 December 2009 and 1 January 2010 | — | (2,999)* | 1,419* | (463)* | 4,597* | — | 1,008* | 3,648* | 90,816* | 98,026 | 1,895 | 99,921 |

| Attributable to owners of the parent | | | | | | | | | | | | |
|---|----------------|----------------|-------------------|-----------------|----------------------------------|----------------------|-----------------------------|------------------|------------------|---------|---------------------------|--------------|
| | Issued capital | Merger reserve | PRC reserve funds | Capital reserve | Share-based compensation reserve | Share option reserve | Hedging fluctuation reserve | Exchange reserve | Retained profits | Total | Non-controlling interests | Total equity |
| | | | | | | | | | | | | |
| Total comprehensive income for the period | — | — | — | — | — | — | (1,402) | 295 | 51,099 | 49,992 | 226 | 50,218 |
| Deemed distributions to a company controlled by the Founder | — | (276) | — | — | — | — | — | — | — | (276) | — | (276) |
| Issue of shares | 1 | (1) | — | — | — | — | — | — | — | — | — | — |
| Transfer to PRC reserve funds | — | — | 355 | — | — | — | — | — | (355) | — | — | — |
| Share option expense (note 35) | — | — | — | — | — | 277 | — | — | — | 277 | — | 277 |
| At 30 June 2010 | 1 | (3,276)* | 1,774* | (463)* | 4,597* | 277* | (394)* | 3,943* | 141,560* | 148,019 | 2,121 | 150,140 |
| At 1 January 2009 | — | (2,999)* | 1,304* | (463)* | — | — | (2,394)* | 3,559* | 98,781* | 97,788 | 1,457 | 99,245 |
| Total comprehensive income for the period (unaudited) | — | — | — | — | — | — | 2,228 | 149 | 8,547 | 10,924 | 99 | 11,023 |
| Transfer to PRC reserve funds (unaudited) | — | — | 103 | — | — | — | — | — | (103) | — | — | — |
| At 30 June 2009 (unaudited) | — | (2,999) | 1,407 | (463) | — | — | (166) | 3,708 | 107,225 | 108,712 | 1,556 | 110,268 |

* These reserve accounts comprise the consolidated reserves of US\$62,880,000, US\$97,788,000, US\$98,026,000 and US\$148,018,000 in the consolidated statements of financial position as at 31 December 2007, 2008 and 2009, and 30 June 2010, respectively.

APPENDIX I
ACCOUNTANTS' REPORT

| | Notes | Year ended 31 December | | | Six months ended 30 June | |
|--|-------|------------------------|----------------------|----------------------|-----------------------------|----------------------|
| | | 2007 | 2008 | 2009 | 2009 | 2010 |
| | | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| (unaudited) | | | | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Purchases of items of property, plant and equipment | 14 | (50,420) | (2,160) | (14,219) | (942) | (2,485) |
| Proceeds from disposal of items of property, plant and equipment | | 18,689 | 250 | 108 | 78 | 732 |
| Investment in an associate | | — | — | (10) | — | — |
| Purchases of available-for-sale investment | | (263) | (62) | (59) | (59) | — |
| Acquisition of a jointly-controlled entity | | — | — | — | — | 110 |
| Prepayment of land lease payments | | — | — | (573) | — | — |
| Acquisition of non-controlling interests | | — | (2,489) | — | — | — |
| (Increase)/decrease in pledged time deposits | | — | (6,779) | 6,779 | 6,779 | — |
| Disposal of subsidiaries | 36 | (6) | 3,703 | — | — | — |
| Repurchase of shares of a subsidiary | | (463) | — | — | — | — |
| Net cash flows from/(used in) investing activities | | <u>(32,463)</u> | <u>(7,537)</u> | <u>(7,974)</u> | <u>5,856</u> | <u>(1,643)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| New bank and other borrowings | | 71,577 | 6,759 | 5,702 | 5,702 | 410 |
| Repayment of bank and other borrowings | | (10,704) | (32,761) | (27,149) | (18,541) | (11,378) |
| Deemed distributions to a company controlled by the Founder | | — | — | — | — | (276) |
| Dividends paid to non-controlling shareholders | | (132) | (174) | — | — | — |
| Dividends paid to the then immediate holding company | | — | — | — | — | (40,000) |
| Capital element of finance lease rental payments | | (3,644) | (3,489) | (1,363) | (1,363) | — |
| Net cash flows from/(used in) financing activities | | <u>57,097</u> | <u>(29,665)</u> | <u>(22,810)</u> | <u>(14,202)</u> | <u>(51,244)</u> |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | | | | | |
| CASH EQUIVALENTS | | (625) | 14,501 | 14,993 | 5,122 | 17,062 |
| Effect of foreign exchange rate changes, net | | 257 | 2,815 | (106) | 58 | 439 |
| Cash and cash equivalents at beginning of year/period | | <u>34,416</u> | <u>34,048</u> | <u>51,364</u> | <u>51,364</u> | <u>66,251</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD | | <u><u>34,048</u></u> | <u><u>51,364</u></u> | <u><u>66,251</u></u> | <u><u>56,544</u></u> | <u><u>83,752</u></u> |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | | | | |
| Cash and bank balances | 23 | 28,752 | 42,402 | 57,932 | 38,141 | 67,037 |
| Non-pledged time deposits with original maturity of less than three months when acquired | 23 | 390 | 8,962 | 8,319 | 18,403 | 16,715 |
| Cash and cash equivalents as stated in the consolidated statement of financial position | | 29,142 | 51,364 | 66,251 | 56,544 | 83,752 |
| Cash and short term deposits attributable to a discontinued operation | 13 | 4,906 | — | — | — | — |
| Cash and cash equivalents as stated in the consolidated statement of cash flows | | <u><u>34,048</u></u> | <u><u>51,364</u></u> | <u><u>66,251</u></u> | <u><u>56,544</u></u> | <u><u>83,752</u></u> |

(e) Statement of Financial Position of the Company

| | <u>Notes</u> | <u>30 June 2010</u> |
|--------------------------------------|--------------|----------------------|
| | | US\$'000 |
| ASSET | | |
| Investment in a subsidiary | 16 | <u>59,413</u> |
| Total asset | | <u><u>59,413</u></u> |
| EQUITY | | |
| Issued capital | 33 | 1 |
| Reserves | 34(i) | <u>59,412</u> |
| Total equity | | <u><u>59,413</u></u> |

II. NOTES TO FINANCIAL INFORMATION**1. CORPORATE INFORMATION AND REORGANISATION**

SITC International Holdings Company Limited 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, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company and its subsidiaries were principally engaged in the provision of marine transportation services, freight forwarding services for marine transportation, storage and terminal services and vessel chartering (collectively referred to as the "Relevant Businesses") during the three years ended 31 December 2009 and the six months ended 30 June 2010.

In the opinion of the directors of the Company, the ultimate holding company of the Company is Better Master Investments Limited, which is incorporated in the British Virgin Islands (the "BVI") and is wholly-owned by Mr. Yang Shaopeng (the "Founder").

Prior to the incorporation of the Company, the Relevant Businesses were carried out by certain subsidiaries (the "Relevant Subsidiaries") of SITC Group Company Limited (formerly known as SITC International Holdings Company Limited, a company incorporated in the BVI) ("SITC Holdings"), which is indirectly majority owned and controlled by the Founder.

In order to rationalise the current corporate structure of the Group, the following principal steps were undertaken to transfer the interests in SITC Holdings to the Company (the "Reorganisation"):

- (a) On 9 April 2010, the Company was incorporated in the Cayman Islands; and
- (b) On 16 April 2010, the Company and Grand SITC Holdings Company Limited ("Grand SITC"), which was the then sole shareholding company and immediate holding company of SITC Holdings and is indirectly majority owned and controlled by the Founder, entered into a share transfer agreement pursuant to which Grand SITC agreed to transfer all of its shares of SITC Holdings to the Company in exchange for the Company's shares issued to Grand SITC.

The Reorganisation was completed on 16 April 2010 and further details of the Reorganisation are set out in the section "Our History and Reorganisation" of the Prospectus of the Company dated 20 September 2010.

Particulars of the Company's subsidiaries as at the date of this report are set out below:

| 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 Group Company Limited (i) | British Virgin Islands 18 April 2006 | US\$10,000 | 100 | — | Investment holding |
| SITC Shipping Group Company Limited (i) | British Virgin Islands 12 May 2006 | US\$1 | — | 100 | Investment holding |
| SITC Development Group Company Limited (ii) | British Virgin Islands 12 May 2006 | US\$1 | — | 100 | Investment holding |
| SITC Logistics Company Limited (i) | British Virgin Islands 12 May 2006 | US\$4 | — | 100 | Investment holding |
| SITC Container Leasing Company Limited (ii) | British Virgin Islands 12 May 2006 | US\$1 | — | 100 | Investment holding |
| SITC Technologies Company Limited (ii) | British Virgin Islands 12 May 2006 | US\$1 | — | 100 | Investment holding |
| SITC Terminal Company Limited (ii) | British Virgin Islands 12 May 2006 | US\$1 | — | 100 | Investment holding |
| SITC Shipping Agency Company Limited (iii) | Hong Kong 7 June 2006 | HK\$1 | — | 100 | Investment holding |
| SITC Brokers Company Limited (i) | Hong Kong 7 June 2006 | HK\$1 | — | 100 | Investment holding |
| SITC Shipping Co., Ltd. (iii) | Hong Kong 1 September 2004 | HK\$10,000 | — | 100 | Investment holding |
| New SITC Container Lines Co., Ltd. (iii) | Hong Kong 1 September 2004 | HK\$10,000 | — | 100 | Investment holding |
| SITC Logistics (HK) Limited (i) | Hong Kong 2 June 2006 | HK\$1 | — | 100 | Investment holding |
| New SITC Development Company Ltd. (ii) | British Virgin Islands 14 February 2006 | US\$10,000 | — | 100 | Investment holding |
| SITC Development Company Ltd. (ii) | British Virgin Islands 27 May 2004 | US\$1 | — | 100 | Investment holding |

| 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 Logistics Co., Ltd.* # (iv) | People's Republic of China 8 March 2001 | RMB50,000,000 | — | 100 | Investment holding and provision of freight forwarding services for marine transportation |
| SITC Customs Broker Co., Ltd.** # (v) | People's Republic of China 8 October 1996 | RMB5,000,000 | — | 100 | Provision of declaration services |
| New SITC Logistics (Japan) Co., Ltd. # (vi) | Japan 6 December 1995 | JPY10,000,000 | — | 100 | Provision of freight forwarding services for marine transportation |
| SITC Transportation (Qingdao) Co., Ltd. * # (v) | People's Republic of China 9 September 2005 | RMB10,000,000 | — | 100 | Provision of freight forwarding services for marine transportation |
| SITC Container Lines Co., Ltd. (i) | Hong Kong 25 January 1994 | HK\$1,000,000 | — | 100 | Provision of container marine transportation |
| SITC Shipping Agency (HK) Company Limited (i) | Hong Kong 13 September 2004 | HK\$5,000,000 | — | 70 | Provision of shipping agency and freight forwarding services for marine transportation |
| Tailian Container Enterprises Inc. (ii) | Panama 27 March 1996 | US\$10,000 | — | 100 | Container leasing |
| Jie Lian Shipping Enterprises Inc. (ii) | Panama 21 April 1995 | US\$10,000 | — | 100 | Vessel chartering |
| Ken Link Shipping Enterprises Inc. (ii) | Panama 25 June 1991 | US\$1,000,000 | — | 100 | Vessel chartering |

| 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 | |
| Sheng Lian Shipping Enterprises Inc. (ii) | Panama 19 May 1994 | US\$10,000 | — | 100 | Vessel chartering |
| Xin Lian Shipping Enterprises Inc. (ii) | Panama 13 October 1992 | US\$10,000 | — | 100 | Vessel chartering |
| Hai Lian Shipping Enterprises Inc. (ii) | Panama 10 August 2003 | US\$10,000 | — | 100 | Vessel chartering |
| Jia Lian Shipping Enterprises Inc. (ii) | Panama 10 September 2003 | US\$10,000 | — | 100 | Vessel chartering |
| SITC Xiamen Shipping Enterprises Inc. (ii) | Panama 6 December 2004 | US\$100 | — | 100 | Vessel chartering |
| SITC Hongkong Shipping Enterprises Inc. (ii) | Panama 6 December 2004 | US\$100 | — | 100 | Vessel chartering |
| SITC Busan Shipping Enterprises Inc. (ii) | Panama 6 December 2004 | US\$100 | — | 100 | Vessel chartering |
| SITC Yantai Shipping Enterprises Inc. (ii) | Panama 6 December 2004 | US\$100 | — | 100 | Vessel chartering |
| SITC Kaoshiung Shipping Enterprises Inc. (ii) | Panama 12 February 2007 | US\$10,000 | — | 100 | Vessel chartering |
| SITC Tianjin Shipping Enterprises Inc. (ii) | Panama 17 May 2004 | US\$10,000 | — | 100 | Vessel chartering |
| SITC Nagoya Shipping Enterprises Inc. (ii) | Panama 17 May 2004 | US\$10,000 | — | 100 | Vessel chartering |
| Yu Lian Shipping Enterprises Inc. (ii) | Panama 21 April 1995 | US\$10,000 | — | 100 | Vessel chartering |
| Hua Lian Shipping Enterprises Inc. (ii) | Panama 17 November 1993 | US\$10,000 | — | 100 | Vessel chartering |
| SITC Technologies (Shanghai) Co., Ltd.* # (vii) | People's Republic of China 28 October 2005 | RMB10,000,000 | — | 100 | Provision of information technology services |

| 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 Terminal (Qingdao) Co., Ltd.* # (v) | People's Republic of China 16 November 2005 | RMB80,735,000 | — | 100 | Construction of Wharf |
| New SITC Logistics (Yantai) Co., Ltd.* # (viii) | People's Republic of China 4 December 1992 | RMB5,000,000 | — | 100 | Provision of freight forwarding services for marine transportation |
| SITC & SEDA Logistics Co., Ltd. ** # (ix) | People's Republic of China 1 September 2006 | RMB10,000,000 | — | 100 | Provision of freight forwarding services for marine transportation |
| SITC Logi Korea Co., Ltd.# (xvi) | Korea 18 June 2010 | KRW300,000,000 | — | 100 | Provision of freight forwarding services for marine transportation |
| SITC Brokers (Shandong) Co., Ltd. * # (v) | People's Republic of China 25 April 2001 | RMB1,500,000 | — | 100 | Provision of broking services of vessels |
| SITC Container Lines (Japan) Co., Ltd. # (x) | Japan 9 September 1999 | JPY10,000,000 | — | 100 | Provision of container marine transportation |
| SITC Container Lines (Shanghai) Co., Ltd.* # (xi) | People's Republic of China 11 August 2008 | RMB20,488,300 | — | 100 | Provision of container marine transportation |
| SITC Container Lines (Korea) Co., Ltd. # (xii) | Korea 7 December 2002 | KRW600,000,000 | — | 51 | Provision of container marine transportation |
| SITC Shipping Agency (Qingdao) Co., Ltd. ** # ^f (v) | People's Republic of China 19 October 2004 | RMB2,000,000 | — | 49 | Provision of shipping agency and freight forwarding services for marine transportation |

| 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 Agency (Tianjin) Co., Ltd. ** # ^Ω (xiii) | People's Republic of China 27 July 2005 | RMB2,000,000 | — | 49 | Provision of shipping agency and freight forwarding services for marine transportation |
| SITC Shipping Agency (Shanghai) Co., Ltd. ** # [@] (iv) | People's Republic of China 17 March 2006 | RMB2,000,000 | — | 49 | Provision of shipping agency and freight forwarding services for marine transportation |
| SITC Shipping Agency (Guangzhou) Co., Ltd.* # (xv) | People's Republic of China 19 October 2009 | RMB819,264 | — | 70 | Provision of shipping agency and freight forwarding services for marine transportation |
| SITC Shipping Asia PTE Limited (xiv) | Singapore 11 June 2008 | US\$100,000 | — | 100 | Provision of shipping agency and freight forwarding services for marine transportation |
| SITC Hakata Shipping Company Ltd. (xv) | Hong Kong 30 November 2009 | US\$100 | — | 100 | Vessel chartering |
| SITC Keelung Shipping Company Ltd. (xv) | Hong Kong 30 November 2009 | US\$100 | — | 100 | Vessel chartering |
| SITC Pyeongtaek Shipping Company Ltd. (xv) | Hong Kong 30 November 2009 | US\$100 | — | 100 | Vessel chartering |
| SITC Hakata Shipping Enterprises Inc. (xvi) | Panama 4 February 2010 | US\$100 | — | 100 | Vessel chartering |

| 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 Keelung Shipping Enterprises Inc. (xvi) | Panama 4 February 2010 | US\$100 | — | 100 | Vessel chartering |
| SITC Pyeongtaek Shipping Enterprises Inc. (xvi) | Panama 4 February 2010 | US\$100 | — | 100 | Vessel chartering |

* 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.

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

f 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.

(i) The statutory financial statements of the company for the three years ended 31 December 2007, 2008 and 2009 were audited by Ernst & Young.

(ii) No statutory audited financial statements have been prepared for these companies since their date of incorporation as they were incorporated in the country where there is no statutory audit requirement.

(iii) The statutory financial statements of the company for the three years ended 31 December 2007, 2008 and 2009 were audited by K.Y. Ng & Co., Ltd..

(iv) The statutory financial statements of the company for the three years ended 31 December 2007, 2008 and 2009 were audited by Qingdao Zhen Qing CPA Co., Ltd., Shanghai Branch.

(v) The statutory financial statements of the company for the three years ended 31 December 2007, 2008 and 2009 were audited by Qingdao Zhen Qing CPA Co., Ltd..

(vi) The statutory financial statements of the company for the three years ended 31 December 2007, 2008 and 2009 were audited by 朝日新和税理士法人.

(vii) The statutory financial statements of the company for the three years ended 31 December 2007, 2008 and 2009 were audited by Qingdao Zhen Qing CPA Co., Ltd., Qingdao Zhen Qing CPA Co., Ltd., Shanghai Branch and Qingdao Zhen Qing CPA Co., Ltd., Shanghai Branch, respectively.

(viii) The statutory financial statements of the company for the three years ended 31 December 2007, 2008 and 2009 were audited by Shan Dong Tong Yuan CAP Co., Ltd., Qingdao Zhen Qing CPA Co., Ltd., Shanghai Branch and Qingdao Zhen Qing CPA Co., Ltd., respectively.

(ix) The statutory financial statements of the company for the year ended 31 December 2007 were audited by Qingdao Zhen Qing CPA Co., Ltd., Shanghai Branch. No statutory audited financial statements have been prepared for the year ended 31 December 2008 and 2009 since the company is under deregistration procedures.

- (x) The statutory financial statements of the company for the three years ended 31 December 2007, 2008 and 2009 were audited by 税理士森下清隆事務所.
- (xi) The statutory financial statements of the company for the two years ended 31 December 2008 and 2009 were audited by Qingdao Zhen Qing CPA Co., Ltd., Shanghai Branch.
- (xii) The statutory financial statements of the company for the three years ended 31 December 2007, 2008 and 2009 were audited by 稅務法人SEJIN (李炳熙稅務會計事務所).
- (xiii) The statutory financial statements of the company for the three years ended 31 December 2007, 2008 and 2009 were audited by Tianjin Dong Nan CPA Co., Ltd..
- (xiv) The statutory financial statements of the company for the two years ended 31 December 2008 and 2009 were audited by Tang Cheng Lin & Co..
- (xv) No statutory audited financial statements have been prepared for the company since its date of incorporation/registration as it was incorporated/registered in 2009.
- (xvi) No statutory audited financial statements have been prepared for the company since its date of incorporation/registration as it was incorporated/registered in 2010.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group. Since the Company and the Relevant Subsidiaries were and are ultimately controlled by the Founder both before and after the completion of the Reorganisation and the Company is considered as a continuation of SITC Holdings, the financial information (the “Financial Information”) of the Group for the Track Record Periods and the comparative financial information (the “Comparative Financial Information”) of the Group for the six months ended 30 June 2009 have been prepared 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 each reporting period in the Track Record Periods and the six months ended 30 June 2009 include the results and changes in equity and cash flows of all companies now comprising the Group, as if the current structure had been in existence throughout the Track Record Periods, or since their respective dates of acquisition, incorporation or registration, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010 have been prepared to present the state of affairs of the Group as if the current structure 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 Founder and/or the Company as at the respective dates.

2.2 BASIS OF PREPARATION

The Financial Information and the Comparative Financial Information 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. All HKFRSs effective for the accounting periods commencing from 1 January 2007, 2008, 2009 and 2010 together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information and the Comparative Financial Information.

The Financial Information and the Comparative Financial Information have been prepared under the historical cost convention, except for certain derivative financial instruments and certain financial assets, which have been measured at fair value. It is presented in United States Dollar (“US\$” or “US dollars”) and all values are rounded to the nearest thousand except when otherwise indicated.

2.3 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 this Financial Information:

| | |
|-----------------------------|---|
| HKFRS1 Amendments | Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards — Limited exemption from Comparative HKFRS 7 Disclosures for First Time Adopters</i> ² |
| HKFRS 9 | <i>Financial Instruments</i> ⁴ |
| HKAS 24 (Revised) | <i>Related Party Disclosures</i> ³ |
| HKAS 32 Amendment | Amendment to HKAS 32 <i>Financial Instruments: Presentation — Classification of Rights Issues</i> ¹ |
| HK(IFRIC)-Int 14 Amendments | Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> ³ |
| HK(IFRIC)-Int 19 | <i>Extinguishing Financial Liabilities with Equity Instruments</i> ² |

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010*. Except for the amendments to HKFRS 3 and HKAS 27 which are effective for annual periods beginning on or after 1 July 2010, 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 or interpretation.

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 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of combination

The Financial Information and the Comparative Financial Information incorporate the financial statements of the Company and its subsidiaries for the Track Record Periods and the six months ended 30 June 2009, respectively. 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 purchase method of accounting is used to account for the acquisitions of subsidiaries not under common control.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first

came under the control of the controlling party. The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the interest of the controlling party. The consolidated statements of comprehensive income include 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.

The purchase method of accounting involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of acquisition is measured at the aggregate fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Under the purchase method of accounting, the results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

All income, expenses, and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on combination in full.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Group's subsidiaries. When the Group acquires or disposes of non-controlling interests of its subsidiaries, the difference between the amounts of consideration and carrying values of non-controlling interests are recognised as a reserve movement.

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 investment in a subsidiary is 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 and 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.

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 interests 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 interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

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 interests 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 interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, goodwill and non-current assets/a disposal group classified as held for sale), 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 the 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.

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 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 any entity that is a related party of the Group.

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. 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. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance and normal renovations, 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 amount 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 $\frac{1}{3}$ % |
| 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 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.

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.

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 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 the profit or loss so as to provide a constant periodic rate of charge over the lease terms.

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 are charged to profit or loss on the straight-line basis over the lease terms.

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 assets, 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. 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 profit or loss. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policy 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.

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.

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 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 the profit or loss. The loss arising from impairment is recognised in profit or loss in other operating expenses.

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 the 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 profit or loss in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in profit or loss in other operating expenses 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.

The Group evaluates its available-for-sale financial assets 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. The 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. The 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.

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 directly 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.

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 profit or loss.

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.

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.

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 consolidated statements 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 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.

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 the profit or loss in finance costs. 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 the profit or loss in finance costs.

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.

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 in finance costs.

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.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity are 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.

Current versus non-current classification

Derivative instruments that are not designated and 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 each 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 consistent 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.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

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 statements 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 statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

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.

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 each 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 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.

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 each 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.

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, when the services have been rendered;
- (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 discounts the estimated future cash receipts through the expected life of the financial instrument 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").

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 35 to the Financial Information.

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.

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.

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 in Mainland China are required to participate in a central pension scheme (the "Pension Scheme") operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the Pension Scheme. The only obligation of the Group with respect to the Pension Scheme is to pay the ongoing contributions under the Pension Scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the Pension Scheme.

Dividends

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

Foreign currencies

The Financial Information is 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 information 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 each reporting period. 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 companies are currencies other than the US dollar. As at the end of each 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 each reporting period and their profit or loss are translated into US dollars at the weighted average exchange rates for the year/period. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve as a separate component of equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statements of cash flows, the cash flows of those 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 period.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Information 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 each 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 Information:

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 its 2008 or thereafter 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 each 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 property, plant and equipment

Items of property, plant and equipment are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value. The carrying amounts of property, plant and equipment at 31 December 2007, 2008 and 2009 and 30 June 2010 were US\$157,240,000, US\$150,522,000, US\$166,611,000 and US\$163,900,000, respectively.

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 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 amounts of trade receivables at 31 December 2007, 2008 and 2009 and 30 June 2010 were US\$58,031,000, US\$29,911,000, US\$35,278,000 and US\$73,865,000, respectively.

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 each reporting period, taking into account current market conditions. The Group did not have derivative instruments at 31 December 2007. The carrying amounts of derivative financial assets at 31 December 2008 and 2009 and 30 June 2010 were US\$548,000, US\$1,298,000 and US\$381,000, respectively. The carrying amounts of derivative financial liabilities at 31 December 2008 and 2009 and 30 June 2010 were US\$11,349,000, US\$4,193,000 and US\$4,004,000, respectively.

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 2007, 2008 and 2009 and 30 June 2010.

Recognition of equity-settled share option expenses

As further disclosed in note 35, 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, expected volatility and are 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 conditions. Significant management judgement is 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 requires management to make assumptions regarding the profit forecast and likelihood of a successful IPO, and hence they are subject to uncertainty.

5. 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 services for marine transportation 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 from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income and finance costs are excluded from such measurement.

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

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The Group's revenue from external customers from each service is set out in note 6 to the Financial Information.

For each reporting period in the Track Record Periods and the six months ended 30 June 2009, there were two different customers individually accounted for 10% or more of the Group's revenue and their respective amounts of revenue are as follows:

| | Year ended 31 December | | | Six months ended 30 June | |
|-------------------------------|------------------------|---------------|---------------|--------------------------|---------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| | | | | (unaudited) | |
| Largest customer | <u>60,027</u> | <u>76,520</u> | <u>76,246</u> | <u>43,886</u> | <u>78,711</u> |
| Second largest customer . . . | <u>59,384</u> | <u>75,429</u> | <u>75,247</u> | <u>38,086</u> | <u>44,494</u> |

The sales to the above customers are included in the sea freight logistics segment.

| <u>Year ended 31 December 2007</u> | <u>Sea freight logistics</u> | <u>Land-based logistics</u> | <u>Total</u> |
|--|----------------------------------|---------------------------------|-----------------|
| | US\$'000 | US\$'000 | US\$'000 |
| Segment revenue: | | | |
| Sales to external customers | 353,654 | 222,705 | 576,359 |
| Intersegment sales | <u>54,408</u> | <u>2,993</u> | <u>57,401</u> |
| | 408,062 | 225,698 | 633,760 |
| <i>Reconciliation:</i> | | | |
| Elimination of intersegment sales | | | <u>(57,401)</u> |
| Revenue from continuing operations | | | <u>576,359</u> |
| Segment results | 25,766 | 15,583 | 41,349 |
| <i>Reconciliation:</i> | | | |
| Interest income | | | 337 |
| Finance costs | | | <u>(6,479)</u> |
| Profit before tax from continuing operations | | | <u>35,207</u> |
| Segment assets | 166,268 | 72,994 | 239,262 |
| <i>Reconciliation:</i> | | | |
| Elimination of intersegment receivables | | | (3,526) |
| Corporate and other unallocated assets | | | 30,201 |
| Assets related to a discontinued operation | | | <u>67,004</u> |
| Total assets | | | <u>332,941</u> |
| Segment liabilities | 33,472 | 34,325 | 67,797 |
| <i>Reconciliation:</i> | | | |
| Elimination of intersegment payables | | | (3,526) |
| Corporate and other unallocated liabilities | | | 149,700 |
| Liabilities related to a discontinued operation | | | <u>52,096</u> |
| Total liabilities | | | <u>266,067</u> |
| Other segment information: | | | |
| Depreciation | 8,085 | 2,262 | 10,347 |
| Recognition of prepaid land lease payments | — | 46 | 46 |
| Gain on disposal of items of property, plant and equipment, net | 4,150 | 20 | 4,170 |
| Capital expenditure | 46,274 | 4,146 | 50,420 |

| Year ended 31 December 2008 | Sea freight logistics | Land-based logistics | Total |
|---|--------------------------|-------------------------|-----------------|
| | US\$'000 | US\$'000 | US\$'000 |
| Segment revenue: | | | |
| Sales to external customers | 497,014 | 274,886 | 771,900 |
| Intersegment sales | <u>83,068</u> | <u>3,926</u> | <u>86,994</u> |
| | 580,082 | 278,812 | 858,894 |
| <i>Reconciliation:</i> | | | |
| Elimination of intersegment sales | | | <u>(86,994)</u> |
| Revenue from continuing operations | | | <u>771,900</u> |
| Segment results | 22,746 | 16,170 | 38,916 |
| <i>Reconciliation:</i> | | | |
| Interest income | | | 1,762 |
| Finance costs | | | <u>(3,966)</u> |
| Profit before tax from continuing operations | | | <u>36,712</u> |
| Segment assets | 165,691 | 36,474 | 202,165 |
| <i>Reconciliation:</i> | | | |
| Elimination of intersegment receivables | | | (890) |
| Corporate and other unallocated assets | | | 90,462 |
| Assets related to a discontinued operation | | | <u>—</u> |
| Total assets | | | <u>291,737</u> |
| Segment liabilities | 47,970 | 18,819 | 66,789 |
| <i>Reconciliation:</i> | | | |
| Elimination of intersegment payables | | | (890) |
| Corporate and other unallocated liabilities | | | 126,593 |
| Liabilities related to a discontinued operation | | | <u>—</u> |
| Total liabilities | | | <u>192,492</u> |
| Other segment information: | | | |
| Depreciation | 7,346 | 1,780 | 9,126 |
| Recognition of prepaid land lease payments | — | 46 | 46 |
| Loss on disposal/write-off of items of property, plant and equipment, net. | — | 22 | 22 |
| Capital expenditure | 371 | 1,789 | 2,160 |

| <u>Year ended 31 December 2009</u> | Sea freight logistics | Land-based logistics | Total |
|--|----------------------------------|---------------------------------|------------------|
| | US\$'000 | US\$'000 | US\$'000 |
| Segment revenue: | | | |
| Sales to external customers | 430,147 | 264,026 | 694,173 |
| Intersegment sales | <u>103,939</u> | <u>7,583</u> | <u>111,522</u> |
| | 534,086 | 271,609 | 805,695 |
| <i>Reconciliation:</i> | | | |
| Elimination of intersegment sales | | | <u>(111,522)</u> |
| Revenue from continuing operations | | | <u>694,173</u> |
| Segment results | 19,143 | 15,819 | 34,962 |
| <i>Reconciliation:</i> | | | |
| Interest income | | | 745 |
| Finance costs | | | <u>(1,745)</u> |
| Profit before tax from continuing operations | | | <u>33,962</u> |
| Segment assets | 180,111 | 61,607 | 241,718 |
| <i>Reconciliation:</i> | | | |
| Elimination of intersegment receivables | | | (3,271) |
| Corporate and other unallocated assets | | | 107,990 |
| Assets related to a discontinued operation | | | <u>—</u> |
| Total assets | | | <u>346,437</u> |
| Segment liabilities | 69,267 | 31,789 | 101,056 |
| <i>Reconciliation:</i> | | | |
| Elimination of intersegment payables | | | (3,271) |
| Corporate and other unallocated liabilities | | | 148,731 |
| Liabilities related to a discontinued operation | | | <u>—</u> |
| Total liabilities | | | <u>246,516</u> |
| 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 |

| <u>Six months ended 30 June 2009</u> | Sea freight logistics | Land-based logistics | Total |
|--|----------------------------------|---------------------------------|---------------------------------|
| | US\$'000 (unaudited) | US\$'000 (unaudited) | US\$'000 (unaudited) |
| Segment revenue: | | | |
| Sales to external customers | 184,210 | 102,401 | 286,611 |
| Intersegment sales | <u>48,402</u> | <u>4,442</u> | <u>52,844</u> |
| | 232,612 | 106,843 | 339,455 |
| <i>Reconciliation:</i> | | | |
| Elimination of intersegment sales | | | <u>(52,844)</u> |
| Revenue from continuing operations | | | <u>286,611</u> |
| Segment results | (4,472) | 14,647 | 10,175 |
| <i>Reconciliation:</i> | | | |
| Interest income | | | 60 |
| Finance costs | | | <u>(910)</u> |
| Profit before tax from continuing operations | | | <u>9,325</u> |
| Other segment information: | | | |
| Depreciation | 3,735 | 733 | 4,468 |
| Recognition of prepaid land lease payments | — | 24 | 24 |
| Loss on disposal/write-off of items of property, plant and equipment, net | — | 7 | 7 |
| Capital expenditure | 27 | 915 | 942 |

| Six months ended 30 June 2010 | Sea freight logistics | Land-based logistics | Total |
|--|--------------------------|-------------------------|----------|
| | US\$'000 | US\$'000 | US\$'000 |
| Segment revenue: | | | |
| Sales to external customers | 228,825 | 171,843 | 400,668 |
| Intersegment sales | 88,410 | 5,498 | 93,908 |
| | 317,235 | 177,341 | 494,576 |
| <i>Reconciliation:</i> | | | |
| Elimination of intersegment sales | | | (93,908) |
| Revenue from continuing operations | | | 400,668 |
| Segment results | 37,722 | 15,293 | 53,015 |
| <i>Reconciliation:</i> | | | |
| Interest income | | | 234 |
| Finance costs | | | (863) |
| Profit before tax from continuing operations | | | 52,386 |
| Segment assets | 185,785 | 133,402 | 319,187 |
| <i>Reconciliation:</i> | | | |
| Elimination of intersegment receivables | | | (68,261) |
| Corporate and other unallocated assets | | | 98,597 |
| Assets related to a discontinued operation | | | — |
| Total assets | | | 349,523 |
| Segment liabilities | 65,068 | 110,647 | 175,715 |
| <i>Reconciliation:</i> | | | |
| Elimination of intersegment payables | | | (68,261) |
| Corporate and other unallocated liabilities | | | 91,929 |
| Liabilities related to a discontinued operation | | | — |
| Total liabilities | | | 199,383 |
| Other segment information: | | | |
| Share of profits and losses of associates | — | 53 | 53 |
| Depreciation | 4,095 | 1,161 | 5,256 |
| Recognition of prepaid land lease payments | — | 23 | 23 |
| Loss on disposal/write-off of items of property, plant and equipment, net | 3 | 15 | 18 |
| Impairment of trade receivables | 440 | — | 440 |
| Investments in associates | — | 2,268 | 2,268 |
| Capital expenditure | 229 | 2,256 | 2,485 |

Geographical information

The Group's total assets are primarily dominated by its container vessels and containers. 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 containers and their operating profits and related capital expenditure to specific geographical segments as defined under HKAS 14 Segment Reporting issued by the HKICPA. These container vessels and containers are primarily utilised across the geographical market for the shipment of cargos throughout Asia. Accordingly, geographical segment information is only presented for revenue.

The revenue information from continuing operations above is based on the location of customers.

| | Year ended 31 December | | | Six months ended 30 June | |
|--------------------------|------------------------|----------------|----------------|--------------------------|----------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| | | | | (unaudited) | |
| Mainland China | 295,257 | 373,743 | 294,719 | 95,920 | 178,993 |
| Japan | 212,080 | 280,935 | 264,472 | 147,699 | 164,522 |
| Korea | 31,181 | 62,124 | 68,459 | 17,817 | 21,474 |
| Hong Kong | 18,694 | 26,241 | 33,967 | 7,099 | 8,935 |
| Taiwan | 12,862 | 15,436 | 12,113 | 11,168 | 16,342 |
| Vietnam | 421 | 5,131 | 12,074 | 5,134 | 1,966 |
| Thailand | 3,659 | 5,425 | 5,675 | 96 | 5,328 |
| Philippines | 2,205 | 2,865 | 2,694 | 1,678 | 3,108 |
| | <u>576,359</u> | <u>771,900</u> | <u>694,173</u> | <u>286,611</u> | <u>400,668</u> |

6. 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 from continuing operations is as follows:

| Notes | Year ended 31 December | | | Six months ended 30 June | |
|---|------------------------|----------------|----------------|-----------------------------|----------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 (unaudited) | US\$'000 |
| Revenue | | | | | |
| Container shipping services | 353,654 | 497,014 | 430,147 | 184,210 | 228,825 |
| Shipping agency services, freight forwarding services for marine transportation and logistics management services | 222,705 | 274,886 | 264,026 | 102,401 | 171,843 |
| | <u>576,359</u> | <u>771,900</u> | <u>694,173</u> | <u>286,611</u> | <u>400,668</u> |
| Other income | | | | | |
| Bank interest income | 337 | 1,762 | 745 | 60 | 234 |
| Other investment income | — | — | 73 | 16 | 296 |
| Government subsidies*. | 398 | 60 | 155 | 115 | 17 |
| Gross rental income | <u>3,299</u> | <u>7</u> | <u>9</u> | <u>—</u> | <u>—</u> |
| | 4,034 | 1,829 | 982 | 191 | 547 |
| Gains | | | | | |
| Amortisation of a deferred gain 32 | 4,125 | 3,094 | — | — | — |
| Foreign exchange differences, net | — | — | 1,265 | 4,637 | — |
| Gain on disposal of items of property, plant and equipment, net | 4,170 | — | — | — | — |
| Fair value gains, net: | | | | | |
| Derivative instruments - transactions not qualifying as hedges | — | — | 2,017 | 3,322 | 671 |
| Cash flow hedges (transfer from equity) 26 | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>545</u> |
| | 8,295 | 3,094 | 3,282 | 7,959 | 1,216 |
| | <u>12,329</u> | <u>4,923</u> | <u>4,264</u> | <u>8,150</u> | <u>1,763</u> |

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

7. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

| | Notes | Year ended 31 December | | | Six months ended 30 June | |
|--|-------|------------------------|----------------|---------------|-----------------------------|---------------|
| | | 2007 | 2008 | 2009 | 2009 | 2010 |
| | | US\$'000 | US\$'000 | US\$'000 | US\$'000 (unaudited) | US\$'000 |
| Cost of bunkers consumed | | 68,296 | 118,916 | 89,903 | 35,822 | 61,805 |
| Depreciation | 14 | 10,347 | 9,126 | 9,015 | 4,468 | 5,256 |
| Recognition of prepaid land lease payments | 15 | 46 | 46 | 49 | 24 | 23 |
| Auditors' remuneration | | 321 | 192 | 120 | 60 | 58 |
| Minimum lease payments under operating leases in respect of: | | | | | | |
| Land and buildings | | 3,252 | 2,149 | 2,862 | 1,288 | 1,619 |
| Vessels | | 64,602 | 78,487 | 64,948 | 39,104 | 21,458 |
| Containers | | 19,346 | 28,064 | 31,121 | 15,116 | 16,187 |
| | | <u>87,200</u> | <u>108,700</u> | <u>98,931</u> | <u>55,508</u> | <u>39,264</u> |
| Employee benefit expense (including directors' remuneration (note 9)): | | | | | | |
| Wages and salaries | | 13,217 | 24,462 | 24,453 | 8,485 | 13,082 |
| Share-based compensation expense** | | — | — | 4,597 | — | — |
| Share option expense | 35 | — | — | — | — | 277 |
| Pension scheme contributions | | 1,859 | 2,623 | 2,267 | 996 | 1,295 |
| | | <u>15,076</u> | <u>27,085</u> | <u>31,317</u> | <u>9,481</u> | <u>14,654</u> |
| Foreign exchange differences, net | | 2,150 | 17,842 | (1,265) | (4,637) | 1,111 |
| Loss on disposal/write-off of items of property, plant and equipment, net* | | — | 22 | 24 | 7 | 18 |
| Impairment of trade receivables | 20 | — | — | — | — | 440 |
| Fair value losses/(gains), net: | | | | | | |
| Cash flow hedges (transfer from equity)* | 26 | — | 184 | 1,590 | 1,647 | (545) |
| Derivative instruments — transactions not qualifying as hedges* | | — | 10,972 | (2,017) | (3,322) | (671) |
| Loss on disposal of subsidiaries* | | 81 | — | — | — | — |

* These loss items are included in "Other expenses and losses" on the face of the consolidated statements of comprehensive income of the Group during the Track Record Periods.

** On 6 October 2009, Better Master Investments Limited ("Better Master"), a company wholly-owned by the Founder, and All Precise Limited ("All Precise"), a company owned by 52 long-term employees of SITC

Holdings (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"). Resourceful Link held 75.45% interest in Grand SITC 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.

8. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

| | Year ended 31 December | | | Six months ended 30 June | |
|---|------------------------|--------------|--------------|--------------------------|------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| | | | | (unaudited) | |
| Interest on bank loans wholly repayable within five years | 2,413 | 2,331 | 1,339 | 653 | 672 |
| Interest on bank loans wholly repayable beyond five years | 1,562 | 1,303 | 399 | 250 | 191 |
| Interest on amounts due to related companies | 2,035 | 109 | — | — | — |
| Interest on finance leases | 469 | 223 | 7 | 7 | — |
| | <u>6,479</u> | <u>3,966</u> | <u>1,745</u> | <u>910</u> | <u>863</u> |

9. DIRECTORS' REMUNERATION

Directors' remuneration for the Track Record Periods, 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:

| | Year ended 31 December | | | Six months ended 30 June | |
|---|------------------------|--------------|--------------|--------------------------|------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| | | | | (unaudited) | |
| Fees | — | — | — | — | — |
| Other emoluments: | | | | | |
| Salaries, allowances and benefits in kind | 371 | 2,519 | 4,639 | 389 | 498 |
| Share option expense | — | — | — | — | 52 |
| Share-based compensation expense | — | — | 3,001 | — | — |
| Pension scheme contributions | 9 | 16 | 16 | 3 | 3 |
| | <u>380</u> | <u>2,535</u> | <u>7,656</u> | <u>392</u> | <u>553</u> |
| | <u>380</u> | <u>2,535</u> | <u>7,656</u> | <u>392</u> | <u>553</u> |

In 2009, certain directors participated in the Share Incentive Scheme, further details of which are set out in note 7 to the Financial Information. The difference between the fair value and consideration of the Transferred Shares has been recognised in profit or loss and the relevant portion is included in the above directors' remuneration disclosures.

During the six months ended 30 June 2010, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 35 to the Financial Information. The fair value of such options which is recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount is included in the above directors' remuneration disclosures.

(a) Non-executive directors and independent non-executive directors

There were no fees and other emoluments payable to non-executive directors and independent non-executive directors during the Track Record Periods.

(b) The remuneration of the executive directors for each reporting period in the Track Record Periods is set out below:

| | Fees | Salaries, allowances and benefits in kind | Share option expense | Share-based compensation expense | Pension scheme contributions | Total remuneration |
|---------------------------|----------|--|----------------------------|--|------------------------------------|-----------------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Year ended 31 | | | | | | |
| December 2007 | | | | | | |
| Mr. Yang Shaopeng . . . | — | 122 | — | — | — | 122 |
| Mr. Yang Xianxiang . . . | — | 194 | — | — | 9 | 203 |
| Mr. Liu Kecheng | — | — | — | — | — | — |
| Ms. Li Xuexia | — | — | — | — | — | — |
| Mr. Xue Peng | — | 55 | — | — | — | 55 |
| | — | 371 | — | — | 9 | 380 |
| Year ended 31 | | | | | | |
| December 2008 | | | | | | |
| Mr. Yang Shaopeng . . . | — | 1,197 | — | — | — | 1,197 |
| Mr. Yang Xianxiang . . . | — | 1,006 | — | — | 5 | 1,011 |
| Mr. Liu Kecheng | — | 50 | — | — | — | 50 |
| Ms. Li Xuexia | — | 132 | — | — | 6 | 138 |
| Mr. Xue Peng | — | 134 | — | — | 5 | 139 |
| | — | 2,519 | — | — | 16 | 2,535 |
| Year ended 31 | | | | | | |
| December 2009 | | | | | | |
| 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 |

| | Fees | Salaries, allowances and benefits in kind | Share option expense | Share-based compensation expense | Pension scheme contributions | Total remuneration |
|---------------------------|----------|--|----------------------------|--|------------------------------------|-----------------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Six months ended | | | | | | |
| 30 June 2009 | | | | | | |
| (unaudited) | | | | | | |
| Mr. Yang Shaopeng . . . | — | 210 | — | — | — | 210 |
| Mr. Yang Xianxiang . . . | — | 119 | — | — | 1 | 120 |
| Mr. Liu Kecheng | — | — | — | — | — | — |
| Ms. Li Xuexia | — | 29 | — | — | 1 | 30 |
| Mr. Xue Peng | — | 31 | — | — | 1 | 32 |
| | <u>—</u> | <u>389</u> | <u>—</u> | <u>—</u> | <u>3</u> | <u>392</u> |
| Six months ended | | | | | | |
| 30 June 2010 | | | | | | |
| Mr. Yang Shaopeng . . . | — | 266 | 25 | — | — | 291 |
| Mr. Yang Xianxiang . . . | — | 166 | 18 | — | 1 | 185 |
| Mr. Liu Kecheng | — | — | 3 | — | — | 3 |
| Ms. Li Xuexia | — | 33 | 3 | — | 1 | 37 |
| Mr. Xue Peng | — | 33 | 3 | — | 1 | 37 |
| | <u>—</u> | <u>498</u> | <u>52</u> | <u>—</u> | <u>3</u> | <u>553</u> |

There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Periods.

There were no amounts paid or payable to the directors as an inducement to join or upon joining the Company or Group or for loss of office during the Track Record Periods.

10. FIVE HIGHEST PAID INDIVIDUALS

During the year ended 31 December 2007, two of the five highest paid individuals were directors of the Company. During the years ended 31 December 2008 and 2009, four of the five highest paid individuals were directors of the Company. During the six months ended 30 June 2009 and 2010, one of the five highest paid individuals were directors of the Company.

Details of the remuneration of the remaining non-director, highest paid individuals for the Track Record Periods are as follows:

| | Year ended 31 December | | | Six months ended 30 June | |
|--|------------------------|------------|------------|--------------------------|-----------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| | | | | (unaudited) | |
| Salaries, allowances and benefits in kind | 262 | 258 | 296 | 48 | 48 |
| Share option expense | — | — | — | — | 3 |
| Share-based compensation expense. | — | — | 84 | — | — |
| Retirement scheme contributions . . | 13 | 6 | 5 | 1 | 1 |
| | <u>275</u> | <u>264</u> | <u>385</u> | <u>49</u> | <u>52</u> |

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

| | Number of employees | | | | |
|------------------------------|------------------------|----------|----------|--------------------------|----------|
| | Year ended 31 December | | | Six months ended 30 June | |
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | | | | (unaudited) | |
| Nil to US\$500,000 | <u>3</u> | <u>1</u> | <u>1</u> | <u>4</u> | <u>4</u> |

In 2009, one non-director, highest paid employee participated in the Share Incentive Scheme, further details of which are set out in note 7 to the Financial Information. The difference between the fair value and consideration of the Transferred Shares has been recognised in profit or loss and the relevant portion is included in the above non-director, highest paid employees' remuneration disclosures.

There were no amounts paid or payable to the non-director, highest paid employees as an inducement to join or upon joining the Company or Group or for loss of office during the Track Record Periods.

11. INCOME TAX

| | Year ended 31 December | | | Six months ended 30 June | |
|--|------------------------|--------------|--------------|--------------------------|--------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| | | | | (unaudited) | |
| Current: | | | | | |
| PRC | 727 | 1,007 | 1,199 | 572 | 710 |
| Japan | 55 | 247 | 79 | 68 | 141 |
| Korea | 91 | 68 | 79 | — | 14 |
| Hong Kong | 3 | — | 118 | — | 176 |
| Panama | — | — | — | — | — |
| Singapore | — | — | — | — | — |
| Vietnam | — | — | 7 | — | 10 |
| Total tax charge for the year/ period | <u>876</u> | <u>1,322</u> | <u>1,482</u> | <u>640</u> | <u>1,051</u> |

No provision for Hong Kong profits tax has been made for the year ended 31 December 2008 and the period ended 30 June 2009 as the Group did not generate any assessable profits arising in Hong Kong during these years. For the year ended 31 December 2007, Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong. For the year ended 31 December 2009 and the six months ended 30 June 2010, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries 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 for each reporting period in the Track Record Periods, based on the existing legislation, interpretations and practices in respect thereof.

Prior to 1 January 2008, the Group's subsidiaries located in other cities in the PRC are subject to PRC Corporate Income Tax ("CIT") at the statutory rate of 33%. For each of the PRC subsidiaries of the Group, CIT is provided at the applicable rate of the profits for the purpose of the PRC statutory financial reporting, adjusted for those items which are not assessable or deductible.

On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Law"), which became effective on 1 January 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%.

During the Track Record Periods, taxes on profits arising from Japan have been calculated on the estimated assessable profits and the applicable step taxation rate. The estimated assessable profits are taxed at 41.4%, 43% and 41% for the years ended 31 December 2007, 2008 and 2009, respectively, and 41% for the six months ended 30 June 2009 and 2010.

During the Track Record Periods, taxes on profits arising from Korea have been calculated on the estimated assessable profits and the applicable step taxation rate. The estimated assessable profits are taxed at 27.5% for the years ended 31 December 2007 and 2008 and at 24.2% for the year ended 31 December 2009 and the six months ended 30 June 2009 and 2010.

During the Track Record Periods, taxes on profits arising from Panama have been calculated on the estimated assessable profits and the applicable step taxation rate. The estimated assessable profits are taxed at 30% for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010. The profit of the Group's subsidiaries incorporated in Panama is mainly attributable to the intra-group rental income received from the leasing of vessels to other subsidiaries of the Group.

During the two years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, taxes on profits arising from Singapore have been calculated on the estimated assessable profits and the applicable step taxation rate. The estimated assessable profits are taxed at 22% for the years ended 31 December 2008 and 2009 and the six months ended 30 June 2009 and at 17% for the six months ended 30 June 2010.

During the year ended 31 December 2009 and the six months ended 30 June 2010, taxes on profits arising from Vietnam have been calculated on the estimated assessable profits and the applicable step taxation rate. The estimated assessable profits are taxed at 25% for the year ended 31 December 2009 and the six months ended 30 June 2010.

Year ended 31 December 2007

| | Mainland China | | Hong Kong | | Japan | | Korea | | Panama | | Total | |
|--|-------------------|--------|-----------|--------|----------|--------|----------|-------|----------|--------|----------|--------|
| | US\$'000 | % | US\$'000 | % | US\$'000 | % | US\$'000 | % | US\$'000 | % | US\$'000 | % |
| Profit before tax (including profit from a discontinued operation) | 8,541 | | 8,179 | | 164 | | 349 | | 17,974 | | 35,207 | |
| Tax at the statutory or appropriate tax rate | 2,819 | 33.0 | 1,434 | 17.5 | 68 | 41.4 | 96 | 27.5 | 5,392 | 30.0 | 9,809 | 27.9 |
| Lower tax rates for specific provinces or enacted by local authority | (830) | (9.7) | — | — | — | — | (7) | (2.0) | — | — | (837) | (2.4) |
| Income not subject to tax | (3,130) | (36.6) | (1,450) | (17.7) | (22) | (13.4) | (19) | (5.4) | (5,392) | (30.0) | (10,013) | (28.4) |
| Expenses not deductible for tax | 1,667 | 19.5 | — | — | 9 | 5.5 | 21 | 6.0 | — | — | 1,697 | 4.8 |
| Tax losses not recognised | 201 | 2.4 | 19 | 0.2 | — | — | — | — | — | — | 220 | 0.6 |
| Tax charge at the Group's effective rate | 727 | 8.5 | 3 | — | 55 | 33.5 | 91 | 26.1 | — | — | 876 | 2.5 |

Year ended 31 December 2008

| | Mainland China | | Hong Kong | | Japan | | Korea | | Panama | | Singapore | | Total | |
|---|-------------------|---------|-----------|--------|----------|-------|----------|--------|----------|--------|-----------|---|----------|--------|
| | US\$'000 | % | US\$'000 | % | US\$'000 | % | US\$'000 | % | US\$'000 | % | US\$'000 | % | US\$'000 | % |
| Profit/(loss) before tax (including profit from a discontinued operation) | (1,795) | | 37,267 | | 608 | | 365 | | 269 | | (2) | | 36,712 | |
| Tax at the statutory or appropriate tax rate | (448) | 25.0 | 6,149 | 16.5 | 262 | 43.0 | 100 | 27.5 | 81 | 30.0 | — | — | 6,144 | 16.7 |
| Lower tax rates for specific provinces or enacted by local authority | (312) | 17.4 | — | — | — | — | (3) | (0.8) | — | — | — | — | (315) | (0.9) |
| Income not subject to tax | (1,058) | 58.9 | (6,159) | (16.5) | (29) | (4.8) | (37) | (10.1) | (81) | (30.0) | — | — | (7,364) | (20.1) |
| Expenses not deductible for tax | 97 | (5.4) | 10 | — | 14 | 2.3 | 8 | 2.2 | — | — | — | — | 129 | 0.4 |
| Tax losses not recognised | 2,728 | (152.0) | — | — | — | — | — | — | — | — | — | — | 2,728 | 7.4 |
| Tax charge at the Group's effective rate | 1,007 | (56.1) | — | — | 247 | 40.6 | 68 | 18.6 | — | — | — | — | 1,322 | 3.6 |

Year ended 31 December 2009

| | Mainland China | Hong Kong | Japan | Korea | Panama | Singapore | Vietnam | Total |
|---|-------------------|--------------|----------|----------|----------|-----------|----------|----------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| | % | % | % | % | % | % | % | % |
| Profit/(loss) before tax (including profit from a discontinued operation) | (6,164) | 26,861 | 471 | 317 | 12,614 | (165) | 28 | 33,962 |
| Tax at the statutory or appropriate tax rate | (1,545) | 4,432 | 193 | 77 | 3,784 | (30) | 7 | 6,918 |
| Lower tax rates for specific provinces or enacted by local authority | — | — | (44) | — | — | — | — | (44) |
| Income not subject to tax | (383) | (4,390) | (82) | (22) | (3,784) | — | — | (8,661) |
| Expenses not deductible for tax | 2,938 | 76 | 12 | 24 | — | — | — | 3,050 |
| Tax losses not recognised | 189 | — | — | — | — | 30 | — | 219 |
| Tax charge at the Group's effective rate | 1,199 | 118 | 79 | 79 | — | — | 7 | 1,482 |
| | (19.5) | 0.4 | 16.8 | 24.9 | — | — | 25.0 | 4.4 |

Six months ended 30 June 2009

| | Mainland China | Hong Kong | Japan | Korea | Panama | Singapore | Vietnam | Total |
|---|-------------------|--------------|----------|----------|----------|-----------|----------|----------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| | % | % | % | % | % | % | % | % |
| Profit/(loss) before tax (including profit from a discontinued operation) | 2,531 | (5,344) | 398 | 174 | 11,589 | (23) | — | 9,325 |
| Tax at the statutory or appropriate tax rate | 633 | (882) | 163 | 42 | 3,476 | (4) | — | 3,428 |
| Lower tax rates for specific provinces or enacted by local authority | — | — | (8) | — | — | — | — | (8) |
| Income not subject to tax | (433) | (492) | (87) | (42) | (3,476) | — | — | (4,530) |
| Expenses not deductible for tax | 230 | 375 | — | — | — | — | — | 605 |
| Tax losses not recognised | 142 | 999 | — | — | — | 4 | — | 1,145 |
| Tax charge at the Group's effective rate | 572 | 22.6 | 68 | 17.1 | — | — | — | 640 |
| | 22.6 | — | — | — | — | — | — | 6.9 |

Six months ended 30 June 2010

| | Mainland China | | Hong Kong | | Japan | | Korea | | Panama | | Singapore | | Vietnam | | Total | |
|---|-------------------|--------|--------------|--------|----------|------|----------|--------|----------|--------|-----------|--------|----------|------|----------|--------|
| | US\$'000 | % | US\$'000 | % | US\$'000 | % | US\$'000 | % | US\$'000 | % | US\$'000 | % | US\$'000 | % | US\$'000 | % |
| Profit/(loss) before tax (including profit from a discontinued operation) | (2,314) | | 51,094 | | 145 | | 223 | | 3,353 | | (155) | | 40 | | 52,386 | |
| Tax at the statutory or appropriate tax rate | (578) | 25.0 | 8,430 | 16.5 | 59 | 41.0 | 54 | 24.2 | 1,006 | 30.0 | (26) | 17.0 | 10 | 25.0 | 8,955 | 17.1 |
| Income not subject to tax | (1) | — | (8,264) | (16.2) | — | — | (42) | (18.8) | (1,530) | (45.6) | — | — | — | — | (9,837) | (18.8) |
| Expenses not deductible for tax | 1,167 | (50.4) | 10 | — | 82 | 56.6 | 2 | 0.9 | 25 | 0.7 | 26 | (17.0) | — | — | 1,312 | 2.5 |
| Tax losses not recognised | 122 | (5.3) | — | — | — | — | — | — | 499 | 14.9 | — | — | — | — | 621 | 1.2 |
| Tax charge at the Group's effective rate | 710 | (30.7) | 176 | 0.3 | 141 | 97.2 | 14 | 6.3 | — | — | — | — | 10 | 25.0 | 1,051 | 2.0 |

12. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation.

13. DISCONTINUED OPERATION

Effective on 1 January 2008, the Group disposed of its entire interest in NTS International Transport Services Company Limited ("NTS International"). NTS International and its subsidiaries were engaged in the provision of freight forwarding services for air transportation and logistics management services (the "Air Forwarding Business"). The Group decided to cease its Air Forwarding Business because it planned to focus its resources on its marine transportation and related businesses. The Air Forwarding Business was classified as a disposal group held for sale.

The results of the Air Forwarding Business for the year/period are presented below:

| | Year ended 31 December | | | Six months ended 30 June | |
|--------------------------------------|------------------------|----------|----------|--------------------------|----------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| | | | | (unaudited) | |
| Revenue | 267,226 | — | — | — | — |
| Expenses | (260,987) | — | — | — | — |
| Finance costs | (597) | — | — | — | — |
| Profit before tax | 5,642 | — | — | — | — |
| Income tax | (784) | — | — | — | — |
| Profit for the year/period | <u>4,858</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |

The major classes of assets and liabilities of the Air Forwarding Business classified as held for sale are as follows:

| | 31 December | | | 30 June |
|--|-----------------|----------|----------|----------|
| | 2007 | 2008 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| <i>Assets</i> | | | | |
| Property, plant and equipment | 4,122 | — | — | — |
| Trade receivables | 55,078 | — | — | — |
| Prepayments, deposits and other receivables | 2,898 | — | — | — |
| Cash and pledged deposits | 4,906 | — | — | — |
| Assets classified as held for sale | <u>67,004</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| <i>Liabilities</i> | | | | |
| Trade payables | (36,761) | — | — | — |
| Tax payable | (469) | — | — | — |
| Other payables and accruals | (1,270) | — | — | — |
| Interest-bearing bank and other borrowings | (6,985) | — | — | — |
| Due to a related company | (6,593) | — | — | — |
| Finance lease payables | <u>(18)</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Liabilities directly associated with the assets classified as held for sale | <u>(52,096)</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Net assets directly associated with the disposal group | <u>14,908</u> | <u>—</u> | <u>—</u> | <u>—</u> |

The net cash flows incurred by the Air Forwarding Business are as follows:

| | Year ended 31 December | | | Six months ended 30 June | |
|--------------------------------|------------------------|----------|----------|--------------------------|----------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| | | | | (unaudited) | |
| Operating activities | 2,751 | — | — | — | — |
| Investing activities | (2,928) | — | — | — | — |
| Financing activities | 1,915 | — | — | — | — |
| Net cash inflow | <u>1,738</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |

14. PROPERTY, PLANT AND EQUIPMENT

| | Buildings | Container vessels | Containers | Computers, furniture and equipment | Motor vehicles | Construction in progress | Total |
|-----------------------------------|---------------|----------------------|--------------|---|-------------------|-----------------------------|----------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| At 1 January 2007, net of | | | | | | | |
| accumulated depreciation . . . | 4,059 | 90,384 | 28,446 | 5,415 | 1,610 | 5,579 | 135,493 |
| Additions | 88 | 46,213 | — | 2,874 | 483 | 762 | 50,420 |
| Disposal of a subsidiary | (162) | — | — | (15) | (7) | — | (184) |
| Assets included in a | | | | | | | |
| discontinued operation | (77) | — | — | (3,135) | (910) | — | (4,122) |
| Transfers | — | 5,567 | — | — | — | (5,567) | — |
| Depreciation | (280) | (4,992) | (2,984) | (1,589) | (502) | — | (10,347) |
| Disposals/write-off | — | — | (14,214) | (218) | (174) | — | (14,606) |
| Exchange realignment | 273 | — | — | 222 | 103 | (12) | 586 |
| At 31 December 2007 and | | | | | | | |
| 1 January 2008, net of | | | | | | | |
| accumulated depreciation . . . | 3,901 | 137,172 | 11,248 | 3,554 | 603 | 762 | 157,240 |
| Additions | 185 | 300 | — | 759 | 618 | 298 | 2,160 |
| Transfers | — | — | — | 6 | — | (6) | — |
| Depreciation | (315) | (5,809) | (1,527) | (1,032) | (443) | — | (9,126) |
| Disposals/write-off | (8) | (10) | (6) | (143) | (74) | (31) | (272) |
| Exchange realignment | 297 | — | 25 | 91 | 49 | 58 | 520 |
| At 31 December 2008 and | | | | | | | |
| 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 and | | | | | | | |
| 1 January 2010, net of | | | | | | | |
| accumulated depreciation . . . | 14,116 | 136,827 | 8,207 | 4,155 | 1,683 | 1,623 | 166,611 |
| Additions | — | — | — | 1,244 | 653 | 588 | 2,485 |
| Acquisition of a | | | | | | | |
| jointly-controlled entity | — | — | — | 666 | 27 | — | 693 |
| Depreciation | (205) | (3,265) | (762) | (694) | (330) | — | (5,256) |
| Disposals/write-off | (359) | — | (20) | (371) | — | — | (750) |
| Exchange realignment | 82 | — | — | (104) | 139 | — | 117 |
| At 30 June 2010, net of | | | | | | | |
| accumulated depreciation . . . | <u>13,634</u> | <u>133,562</u> | <u>7,425</u> | <u>4,896</u> | <u>2,172</u> | <u>2,211</u> | <u>163,900</u> |

| | Buildings | Container vessels | Containers | Computers, furniture and equipment | Motor vehicles | Construction in progress | Total |
|--|---------------|----------------------|---------------|---|-------------------|-----------------------------|----------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| At 1 January 2007: | | | | | | | |
| Cost | 4,945 | 104,076 | 42,328 | 8,424 | 2,794 | 5,579 | 168,146 |
| Accumulated depreciation | (886) | (13,692) | (13,882) | (3,009) | (1,184) | — | (32,653) |
| Net carrying value | <u>4,059</u> | <u>90,384</u> | <u>28,446</u> | <u>5,415</u> | <u>1,610</u> | <u>5,579</u> | <u>135,493</u> |
| At 31 December 2007 and 1 January 2008: | | | | | | | |
| Cost | 4,732 | 155,855 | 16,935 | 6,734 | 1,335 | 762 | 186,353 |
| Accumulated depreciation | (831) | (18,683) | (5,687) | (3,180) | (732) | — | (29,113) |
| Net carrying value | <u>3,901</u> | <u>137,172</u> | <u>11,248</u> | <u>3,554</u> | <u>603</u> | <u>762</u> | <u>157,240</u> |
| At 31 December 2008 and 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 | <u>4,060</u> | <u>131,653</u> | <u>9,740</u> | <u>3,235</u> | <u>753</u> | <u>1,081</u> | <u>150,522</u> |
| 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 | <u>14,116</u> | <u>136,827</u> | <u>8,207</u> | <u>4,155</u> | <u>1,683</u> | <u>1,623</u> | <u>166,611</u> |
| At 30 June 2010: | | | | | | | |
| Cost | 15,707 | 167,174 | 16,907 | 10,851 | 4,377 | 2,211 | 217,227 |
| Accumulated depreciation | (2,073) | (33,612) | (9,482) | (5,955) | (2,205) | — | (53,327) |
| Net carrying value | <u>13,634</u> | <u>133,562</u> | <u>7,425</u> | <u>4,896</u> | <u>2,172</u> | <u>2,211</u> | <u>163,900</u> |

The net book values of the Group's fixed assets held under finance leases included in the total amount of containers were US\$11,108,000 and US\$9,718,000 as at 31 December 2007 and 2008, respectively. The Group had no fixed assets held under finance leases as at 31 December 2009 and 30 June 2010.

Certain of the Group's container vessels were pledged to secure the mortgage loans guaranteed to the Group (note 29). The net book values of these container vessels were US\$137,172,000, US\$131,653,000, US\$125,833,000 and US\$122,903,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

As at 31 December 2007, 2008 and 2009 and 30 June 2010, certain of the Group's buildings located in Shanghai and Qingdao, the PRC, and Japan with aggregate net book values of approximately US\$3,901,000, US\$4,060,000, US\$14,116,000 and US\$13,643,000, respectively, 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

| | 31 December | | | 30 June |
|---|--------------|--------------|--------------|--------------|
| | 2007 | 2008 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Carrying amount at beginning of year/period | 1,453 | 1,507 | 1,562 | 2,086 |
| Additions | — | — | 573 | — |
| Recognised during the year/period | (46) | (46) | (49) | (23) |
| Exchange realignment | 100 | 101 | — | 9 |
| Carrying amount at end of year/period . . . | 1,507 | 1,562 | 2,086 | 2,072 |
| Current portion included in prepayments, deposits and other receivables | (46) | (49) | (60) | (60) |
| Non-current portion | <u>1,461</u> | <u>1,513</u> | <u>2,026</u> | <u>2,012</u> |

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

As at 31 December 2009 and 30 June 2010, certain of the Group's land located in Qingdao, the PRC with aggregate net book values of approximately US\$569,000 and US\$565,000, respectively, did not have land use right certificates registered under the names of the respective jointly-controlled entities of the Group. In the opinion of the directors, the Group is entitled to lawfully and validly occupy and use the land for its daily operations, notwithstanding the fact that the related land use right certificates have not yet been obtained.

16. INVESTMENT IN A SUBSIDIARY

Company

| | 31 December | | | 30 June |
|------------------------------------|-------------|----------|----------|---------------|
| | 2007 | 2008 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Unlisted shares, at cost | <u>—</u> | <u>—</u> | <u>—</u> | <u>59,413</u> |

17. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

Particulars of the jointly-controlled entities throughout the Track Record Periods are as follows:

| Name | Particulars of issued shares held/capital | Place of registration and operations | Percentage of | | | Principal activities |
|---|---|--------------------------------------|--------------------|---------------|----------------|--|
| | | | Ownership interest | Voting power* | Profit sharing | |
| 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 40(d)).

@ SITC Vietnam and SITC Thailand were incorporated on 8 May 2009 and 21 December 2009, respectively.

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

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

| | 31 December | | | 30 June | |
|---|------------------------|---------------|---------------|--------------------------|--------------|
| | 2007 | 2008 | 2009 | 2010 | |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | |
| Share of the jointly-controlled entities' assets and liabilities: | | | | | |
| Non-current assets | 8,181 | 8,452 | 8,090 | 7,295 | |
| Current assets | 7,568 | 10,321 | 14,174 | 19,212 | |
| Current liabilities | (4,753) | (5,665) | (8,955) | (11,679) | |
| Non-current liabilities | — | — | — | (832) | |
| Net assets | <u>10,996</u> | <u>13,108</u> | <u>13,309</u> | <u>13,996</u> | |
| | Year ended 31 December | | | Six months ended 30 June | |
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| | | | | (unaudited) | |
| Share of the jointly-controlled entities' results: | | | | | |
| Revenue | 13,129 | 15,227 | 16,728 | 7,133 | 10,551 |
| Other income | <u>252</u> | <u>74</u> | <u>78</u> | <u>24</u> | <u>51</u> |
| | 13,381 | 15,301 | 16,806 | 7,157 | 10,602 |
| Total expenses | (9,829) | (10,996) | (12,473) | (4,970) | (8,013) |
| Income tax | <u>(431)</u> | <u>(857)</u> | <u>(962)</u> | <u>(384)</u> | <u>(585)</u> |
| Profit after tax | <u>3,121</u> | <u>3,448</u> | <u>3,371</u> | <u>1,803</u> | <u>2,004</u> |

18. INVESTMENTS IN ASSOCIATES

| | 31 December | | | 30 June | |
|-------------------------------|-------------|----------|--------------|--------------|--|
| | 2007 | 2008 | 2009 | 2010 | |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | |
| Share of net assets | <u>—</u> | <u>—</u> | <u>2,268</u> | <u>2,268</u> | |

Particulars of the associates throughout the Track Record Periods are as follows:

| Name | Particulars of issued shares held/capital | Place of registration and operations | Percentage of | | | Principal activities |
|---|---|--------------------------------------|--------------------|---------------|----------------|--|
| | | | Ownership interest | Voting power* | Profit sharing | |
| 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, respectively.

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

| | 31 December | | | 30 June |
|-----------------------|-------------|----------|----------|----------|
| | 2007 | 2008 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Assets | — | — | 10,705 | 10,637 |
| Liabilities | — | — | 1,668 | 1,700 |
| Revenues | — | — | 13,958 | 4,449 |
| Profit | — | — | 276 | 143 |

19. AVAILABLE-FOR-SALE INVESTMENT

| | 31 December | | | 30 June |
|---|-------------|----------|----------|----------|
| | 2007 | 2008 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Club debenture, at fair value | 263 | 325 | 384 | 384 |

20. TRADE RECEIVABLES

| | 31 December | | | 30 June |
|-----------------------------|---------------|---------------|---------------|---------------|
| | 2007 | 2008 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Trade receivables | 58,031 | 29,911 | 35,278 | 74,305 |
| Impairment | — | — | — | (440) |
| | <u>58,031</u> | <u>29,911</u> | <u>35,278</u> | <u>73,865</u> |

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 day for 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 each reporting period in the Track Record Periods, based on the invoice date and net of provisions, is as follows:

| | 31 December | | | 30 June |
|--------------------------|---------------|---------------|---------------|---------------|
| | 2007 | 2008 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Within 1 month | 50,528 | 20,890 | 28,780 | 60,177 |
| 1 to 2 months | 4,432 | 4,082 | 5,056 | 11,026 |
| 2 to 3 months | 1,594 | 3,896 | 863 | 1,757 |
| Over 3 months | 1,477 | 1,043 | 579 | 905 |
| | <u>58,031</u> | <u>29,911</u> | <u>35,278</u> | <u>73,865</u> |

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

| | 31 December | | | 30 June |
|---|-------------|----------|----------|------------|
| | 2007 | 2008 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| At 1 January | — | — | — | — |
| Impairment losses recognised (note 7) . . . | — | — | — | 440 |
| | <u>—</u> | <u>—</u> | <u>—</u> | <u>440</u> |

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of US\$440,000 with a carrying amount before provision of US\$440,000 as at 30 June 2010. The Group does not hold any collateral or other credit enhancements over these balances.

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

| | 31 December | | | 30 June |
|---|---------------|---------------|---------------|---------------|
| | 2007 | 2008 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Neither past due nor impaired | 56,554 | 28,868 | 34,699 | 72,960 |
| Less than one month past due | 1,477 | 1,043 | 579 | 905 |
| | <u>58,031</u> | <u>29,911</u> | <u>35,278</u> | <u>73,865</u> |

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 are amounts due from the companies controlled by the Founder of US\$31,671,000 as at 31 December 2007, which are repayable on similar credit terms to those offered to the major customers of the Group.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 31 December | | | 30 June |
|--|--------------|--------------|--------------|---------------|
| | 2007 | 2008 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Prepayments | 2,139 | 5,770 | 3,900 | 6,816 |
| Deposits and other receivables | 4,968 | 4,389 | 3,070 | 3,730 |
| | 7,107 | 10,159 | 6,970 | 10,546 |
| Non-current portion | — | (2,440) | — | — |
| Current portion | <u>7,107</u> | <u>7,719</u> | <u>6,970</u> | <u>10,546</u> |

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.

The non-current portion represents deposits for the purchase of a building situated in Shanghai, the PRC.

22. DUE FROM/TO RELATED COMPANIES

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

| | 31 December | | | 30 June |
|---------------------------------------|---------------|---------------|---------------|--------------|
| | 2007 | 2008 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Due from related companies: | | | | |
| Companies controlled by the Founder . | <u>5,300</u> | <u>19,834</u> | <u>30,255</u> | <u>2,754</u> |
| Due to related companies: | | | | |
| Companies controlled by the Founder . | <u>10,118</u> | <u>—</u> | <u>15,208</u> | <u>4,109</u> |

The maximum outstanding amounts due from the companies controlled by the Founder for the year ended 31 December 2007, 2008 and 2009 and six months ended 30 June 2010 were US\$31,245,000, US\$29,078,000, US\$44,621,000 and US\$49,545,000, respectively.

The balances are non-trade in nature, unsecured, non-interest bearing and are repayable on demand except for the balance of US\$10,118,000 due to related companies as at 31 December 2007, which was unsecured, interest-bearing at an interest rate of 5% per annum and repayable on demand. The outstanding balances were fully repaid during 2008.

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

| | Note | 31 December | | | 30 June |
|---------------------------------------|------|---------------|----------------|---------------|---------------|
| | | 2007 | 2008 | 2009 | 2010 |
| | | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Cash and bank balances | | 28,752 | 42,402 | 57,932 | 67,037 |
| Time deposits. | | <u>390</u> | <u>15,741</u> | <u>8,319</u> | <u>16,715</u> |
| | | 29,142 | 58,143 | 66,251 | 83,752 |
| Less: Pledged time deposits | 29 | <u>—</u> | <u>(6,779)</u> | <u>—</u> | <u>—</u> |
| Cash and cash equivalents | | <u>29,142</u> | <u>51,364</u> | <u>66,251</u> | <u>83,752</u> |

The cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US\$4,689,000, US\$18,937,000, US\$23,719,000 and US\$43,566,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. 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

| | 31 December | | | 30 June |
|-------------------------------------|-------------|---------------|---------------|----------|
| | 2007 | 2008 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Unlisted investments, at fair value | | | | |
| PRC | <u>—</u> | <u>15,363</u> | <u>27,534</u> | <u>—</u> |

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 at the end of each reporting period in the Track Record Periods is as follows:

| | 31 December | | | 30 June |
|----------------------|---------------|---------------|---------------|---------------|
| | 2007 | 2008 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Within 1 month | 37,817 | 45,828 | 63,467 | 66,520 |
| 1 to 2 months | 5,947 | 6,920 | 5,628 | 14,839 |
| 2 to 3 months | 1,439 | 868 | 970 | 2,851 |
| Over 3 months | <u>2,744</u> | <u>1,575</u> | <u>1,677</u> | <u>3,522</u> |
| | <u>47,947</u> | <u>55,191</u> | <u>71,742</u> | <u>87,732</u> |

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 Founder of US\$13,340,000, US\$1,502,000, US\$6,054,000 and US\$3,975,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively, which are repayable within 30 days, which represents similar credit terms to those offered by the companies controlled by the Founder to their major customers.

26. DERIVATIVE FINANCIAL INSTRUMENTS

| | 31 December | | | | | | 30 June | |
|-----------------------|-------------|-------------|----------|-------------|----------|-------------|----------|-------------|
| | 2007 | | 2008 | | 2009 | | 2010 | |
| | Assets | Liabilities | Assets | Liabilities | Assets | Liabilities | Assets | Liabilities |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Forward currency | | | | | | | | |
| contracts | — | — | 516 | 7,424 | 1,186 | 177 | 381 | 481 |
| Swaps | — | — | 32 | 3,925 | 112 | 4,016 | — | 3,523 |
| | — | — | 548 | 11,349 | 1,298 | 4,193 | 381 | 4,004 |
| Portion classified as | | | | | | | | |
| non-current: | | | | | | | | |
| Swaps | — | — | — | (3,591) | (97) | (3,395) | — | (2,930) |
| Current portion | — | — | 548 | 7,758 | 1,201 | 798 | 381 | 1,074 |

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 2008 and 2009 and 30 June 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 2008 and 2009 and 30 June 2010 relating to expected future sales from January to July 2009, from January to December 2010 and from July 2010 to September 2011, respectively, were assessed to be highly effective and net losses of US\$2,394,000, net gains of US\$3,402,000 and net losses of US\$1,402,000 were included in the hedging reserve, respectively, as follows:

| | Year ended 31 December | | | Six months ended 30 June | |
|--|------------------------|----------|----------|--------------------------|----------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| | | | | (Unaudited) | |
| Total fair value gains/(losses) included in the hedging reserve . | — | (2,578) | 1,812 | 581 | (857) |
| Reclassified from other comprehensive income and recognised in the consolidated statements of comprehensive income | — | 184 | 1,590 | 1,647 | (545) |
| Net gains/(losses) on cash flow hedges | — | (2,394) | 3,402 | 2,228 | (1,402) |

27. OTHER PAYABLES AND ACCRUALS

| | 31 December | | | 30 June |
|--------------------------|---------------|---------------|---------------|---------------|
| | 2007 | 2008 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Other payables | 11,598 | 8,300 | 17,117 | 17,966 |
| Accruals | 5,969 | 8,622 | 7,341 | 2,325 |
| | <u>17,567</u> | <u>16,922</u> | <u>24,458</u> | <u>20,291</u> |

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

28. DIVIDENDS PAYABLE

The Company had not been incorporated before 9 April 2010. The dividends disclosed were declared and approved by the relevant directors of SITC Holdings on 15 December 2009 to Grand SITC prior to the Reorganisation.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | 31 December | | | | 30 June | | | | |
|---|-----------------------------|----------------|-----------------------------|----------------|-----------------------------|---------------|-----------------------------|---------------|--------|
| | 2007 | | 2008 | | 2009 | | 2010 | | |
| | Effective interest rate (%) | US\$'000 | Effective interest rate (%) | US\$'000 | Effective interest rate (%) | US\$'000 | Effective interest rate (%) | US\$'000 | |
| | Maturity | | Maturity | | Maturity | | Maturity | | |
| Current | | | | | | | | | |
| Bank loans - secured | 5.6-6.5 | 11,961 | 1.87 | 6,250 | LIBOR+1.35 | 5,000 | 5.31-5.84 | 2010-2011 | 707 |
| | — | — | 7.5-8.6 | 509 | 5.31 | 702 | — | — | — |
| Current portion of long term bank loans - secured | LIBOR+0.8-LIBOR+1.2 | 19,623 | LIBOR+0.8-LIBOR+1.2 | 11,088 | LIBOR+0.8-LIBOR+1.2 | 10,879 | LIBOR+0.8-LIBOR+1.2 | 2011 | 11,266 |
| | TIBOR+1 | 520 | TIBOR+1 | 656 | TIBOR+1 | 641 | TIBOR+1 | 2011 | 670 |
| Bank loans - unsecured | 6.93 | 4,107 | — | — | — | — | — | — | — |
| Finance lease payables (note 30) | 9.1-21.6 | 2,266 | 6.69-8.59 | 1,363 | — | — | — | — | — |
| | | <u>38,477</u> | | <u>19,866</u> | | <u>17,222</u> | | <u>12,643</u> | |
| Non-current | | | | | | | | | |
| Bank loans - secured | LIBOR+0.8-LIBOR+1.2 | 93,047 | LIBOR+0.8-LIBOR+1.2 | 84,404 | LIBOR+0.8-LIBOR+1.2 | 69,822 | LIBOR+0.8-LIBOR+1.2 | 2012-2017 | 66,548 |
| | TIBOR+1 | 3,835 | TIBOR+1 | 4,184 | TIBOR+1 | 3,443 | TIBOR+1 | 2012-2014 | 3,264 |
| Finance lease payables (note 30) | 9.1-21.6 | 2,586 | — | — | — | — | — | — | — |
| | | <u>99,468</u> | | <u>88,588</u> | | <u>73,265</u> | | <u>69,812</u> | |
| | | <u>137,945</u> | | <u>108,454</u> | | <u>90,487</u> | | <u>82,455</u> | |

| | 31 December | | | 30 June |
|---|----------------|----------------|---------------|---------------|
| | 2007 | 2008 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Analysed into: | | | | |
| Bank loans repayable: | | | | |
| Within one year or on demand | 36,211 | 18,503 | 17,222 | 12,643 |
| In the second year | 9,881 | 11,745 | 11,519 | 11,936 |
| In the third to fifth years, inclusive. . | 32,798 | 37,957 | 40,991 | 39,672 |
| Beyond five years | <u>54,203</u> | <u>38,886</u> | <u>20,755</u> | <u>18,204</u> |
| | <u>133,093</u> | <u>107,091</u> | <u>90,487</u> | <u>82,455</u> |
| Other borrowings repayable: | | | | |
| Within one year or on demand | 2,266 | 1,363 | — | — |
| In the second year | <u>2,586</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| | <u>4,852</u> | <u>1,363</u> | <u>—</u> | <u>—</u> |
| | <u>137,945</u> | <u>108,454</u> | <u>90,487</u> | <u>82,455</u> |

Notes:

- (a) Certain of the Group's bank loans were secured by:
- (i) Mortgages over the Group's container vessels with an aggregate carrying value at 31 December 2007, 2008 and 2009 and 30 June 2010 of approximately US\$137,172,000, US\$131,653,000, US\$125,833,000 and US\$122,903,000, respectively.
 - (ii) The pledge of certain of the Group's time deposits amounting to US\$6,779,000 as at 31 December 2008. The Group had no pledged time deposits as at 31 December 2007, 31 December 2009 and 30 June 2010.
- In addition, the Founder 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\$1,173,000) as at 31 December 2009 and 30 June 2010.
- (b) Except for certain secured bank loans of JPY7,045,195,000 (equivalent to approximately US\$77,980,000), JPY5,989,173,000 (equivalent to approximately US\$64,716,000) and JPY5,562,848,000 (equivalent to approximately US\$62,818,000) which are denominated in Japanese Yen as at 31 December 2008 and 2009 and 30 June 2010, all other bank loans and finance lease payables are in US dollars.

30. FINANCE LEASE PAYABLES

The Group leased certain of its containers for its business use. These leases were classified as finance leases and had remaining lease terms ranging from one to two years as at 31 December 2007 and 2008.

At the end of each reporting period in the Track Record Periods, the total future minimum lease payments under finance leases and their present values were as follows:

| | Minimum lease payments | | | | Present value of minimum lease payments | | | |
|--|------------------------|----------|----------|----------|---|--------------|----------|----------|
| | 31 December | | 30 June | | 31 December | | 30 June | |
| | 2007 | 2008 | 2009 | 2010 | 2007 | 2008 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Amounts payable: | | | | | | | | |
| Within one year | 2,452 | 1,370 | — | — | 2,266 | 1,363 | — | — |
| In the second year | 2,630 | — | — | — | 2,586 | — | — | — |
| In the third to fifth years, inclusive | — | — | — | — | — | — | — | — |
| Total minimum finance lease payments | 5,082 | 1,370 | — | — | <u>4,852</u> | <u>1,363</u> | <u>—</u> | <u>—</u> |
| Future finance charges | (230) | (7) | — | — | | | | |
| Total net finance lease payables | 4,852 | 1,363 | — | — | | | | |
| Portion classified as current liabilities (note 29) | (2,266) | (1,363) | — | — | | | | |
| Non-current portion (note 29) . | <u>2,586</u> | <u>—</u> | <u>—</u> | <u>—</u> | | | | |

31. DEFERRED TAX

The Group had tax losses arising in Hong Kong of US\$206,000, US\$93,000, US\$22,000 and US\$22,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arise. The Group also had tax losses arising in Mainland China of US\$531,000, US\$978,000, US\$1,587,000 and US\$1,587,000 at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively, 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 10%. The Group is therefore liable to 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.

At the end of each reporting period in the Track Record Periods, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and jointly-controlled entities established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and jointly-controlled entities will distribute all such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and jointly-controlled entities in Mainland China for which deferred tax liabilities have not been recognised at 31 December 2008 and 2009 and 30 June 2010 of approximately US\$194,000, US\$219,000 and US\$125,000, respectively.

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

32. OTHER LIABILITY

In 2005, the Group entered into a sale and lease-back arrangement with two independent third parties (the "Third Parties") pursuant to which the Group agreed to sell two container vessels to the Third Parties and lease back the vessels under an operating lease for a term of three years. As the sales proceeds were higher than the fair value of the vessels at the date of disposal, the excess of the fair value was deferred and amortised over the lease period of 36 months from 2005 to 2008.

33. SHARE CAPITAL

| | Notes | Number of shares | Amounts HK\$'000 | Equivalent to US\$'000 |
|---|-------|---------------------|---------------------|------------------------------|
| Authorised ordinary shares of HK\$0.1 each: | | | | |
| At 31 December 2007, 2008 and 2009 | (a) | — | — | — |
| At 30 June 2010 | (b) | 3,800,000 | 380 | 49 |
| Issued and fully paid ordinary shares of HK\$0.1 each | | | | |
| At 31 December 2007, 2008 and 2009 | (a) | — | — | — |
| At 30 June 2010 | (b) | <u>98,211</u> | <u>10</u> | <u>1</u> |

The movements in the Company's issued ordinary share capital during the Track Record Periods are as follows:

| | Notes | Numbers of shares in issue | Issued share capital | Share premium account | Total | Equivalent to |
|---|-------|----------------------------------|----------------------------|-----------------------------|-----------|------------------|
| | | | HK\$'000 | HK\$'000 | HK\$'000 | US\$'000 |
| At 1 January 2007, 31 December 2007, 1 January 2008, 31 December 2008, 1 January 2009 and 31 December 2009 | (a) | — | — | — | — | — |
| At 1 January 2010 | (a) | — | — | — | — | — |
| Issue of shares | (b) | <u>98,211</u> | <u>10</u> | <u>—</u> | <u>10</u> | <u>1</u> |
| At 30 June 2010 | | <u>98,211</u> | <u>10</u> | <u>—</u> | <u>10</u> | <u>1</u> |

Notes:

- (a) There was no authorised and issued capital on 1 January 2007, 31 December 2007, 1 January 2008, 31 December 2008, 1 January 2009, 31 December 2009 and 1 January 2010 because the Company was not yet incorporated.
- (b) 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 1 of which was issued and fully paid at par. On 16 April 2010, the Company issued 98,210 ordinary shares to Grand SITC to acquire the entire interests of SITC Holdings held by Grand SITC as part of the Reorganisation, further details of which are set out in note 1 to the Financial Information.

Share options

Details of the Company's share option scheme are included in note 35 to the Financial Information.

34. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the Track Record Periods are presented in the consolidated statements of changes in equity.

(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 to use.

(c) *Merger reserve*

The merger reserve represents the difference between 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.

(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 3 to the Financial Information. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

(f) *Exchange fluctuation reserve*

The exchange fluctuation reserve represents the differences arising from the translation of assets and liabilities and profit or loss of overseas subsidiaries and jointly-controlled entities, which the functional currencies are not in 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.

Company

| | Share premium account |
|---|----------------------------------|
| | US\$'000 |
| At 9 April 2010 (date of incorporation) | — |
| Issue of shares | <u>59,412</u> |
| At 30 June 2010 | <u>59,412</u> |

35. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. 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 Scheme became effective on 31 March 2010 and will be effective for 5 years commencing on the listing date of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing").

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

The exercise price of share options is to be determined at a price equivalent to a 20% discount to the expected IPO price of the Company's shares.

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

During the Track Record Periods, the movements in share options pursuant to the Scheme are as follows:

| | 31 December | | | 30 June |
|---------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 2007 | 2008 | 2009 | 2010 |
| | Number of share options | Number of share options | Number of share options | Number of share options |
| At beginning of year/period | — | — | — | — |
| Granted during the year/period . . . | — | — | — | 79,160,000 |
| At end of year/period | — | — | — | 79,160,000 |

No share option was exercised and there has been no cancellation or modification to the Scheme during the Track Record Periods.

The aggregate fair value of the share options granted is US\$2,084,000 and the Group recognised a share option expense of US\$277,000 for the six months period ended 30 June 2010 (note 7). No share option expenses were recognised for the years ended 31 December 2007, 2008 and 2009.

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:

| | |
|---------------------------------------|----------------------|
| Expected IPO date | 30 September 2010 |
| Expected maturity date | 30 September 2015 |
| Expected stock price | IPO price |
| Expected exercise price* | 80% of the IPO price |
| Expected 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.

As at 30 June 2010, the Company had 79,160,000 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 79,160,000 additional ordinary shares of the Company.

36. DISPOSAL OF SUBSIDIARIES

| | Year ended 31 December | | | Six months ended 30 June | |
|---|------------------------|--------------|----------|--------------------------|----------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Net assets disposed of: | | | | | |
| Property, plant and equipment (note 14) | 184 | 4,122 | — | — | — |
| Cash and bank balances | 6 | 4,906 | — | — | — |
| Trade receivables | 22 | 55,078 | — | — | — |
| Prepayments and other receivables | 232 | 2,898 | — | — | — |
| Due from a related company | — | 3,245 | — | — | — |
| Trade payables | (200) | (36,761) | — | — | — |
| Other payables and accruals | (4) | (1,270) | — | — | — |
| Tax payable | (23) | (469) | — | — | — |
| Interest-bearing bank and other borrowings | — | (6,985) | — | — | — |
| Due to a related company | — | (16,137) | — | — | — |
| Finance lease payables | — | (18) | — | — | — |
| | <u>217</u> | <u>8,609</u> | | | |
| Release of reserves | 81 | — | — | — | — |
| Loss on disposal of subsidiaries | (81) | — | — | — | — |
| | <u>217</u> | <u>8,609</u> | | | |
| Satisfied by: | | | | | |
| Due from related companies | 217 | — | — | — | — |
| Cash | — | 8,609 | — | — | — |
| | <u>217</u> | <u>8,609</u> | | | |

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

| | Year ended 31 December | | | Six months ended 30 June | |
|--|------------------------|--------------|----------|--------------------------|----------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Cash consideration | — | 8,609 | — | — | — |
| Cash and bank balances disposed of | (6) | (4,906) | — | — | — |
| Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries | <u>(6)</u> | <u>3,703</u> | | | |

37. 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 sank.

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

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.

38. 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 each reporting period in the Track Record Periods, the Group had total minimum lease payments under non-cancellable operating leases falling due as follows:

| | 31 December | | | 30 June |
|---|---------------|---------------|---------------|---------------|
| | 2007 | 2008 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Within one year | 42,400 | 51,625 | 20,455 | 10,851 |
| In the second to fifth years, inclusive . . . | 754 | 788 | 2,180 | 12,958 |
| | <u>43,154</u> | <u>52,413</u> | <u>22,635</u> | <u>23,809</u> |

39. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 38 above, the Group had the following commitments at the end of each reporting period in the Track Record Periods:

| | 31 December | | | 30 June |
|-----------------------------------|-------------|--------------|--------------|--------------|
| | 2007 | 2008 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Contracted, but not provided for: | | | | |
| Office buildings | — | 8,200 | — | — |
| Plant and machinery | — | — | 128 | 48 |
| Computer systems | — | — | 1,160 | 1,078 |
| | <u>—</u> | <u>8,200</u> | <u>1,288</u> | <u>1,126</u> |

40. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed in notes 20, 22 and 25 to the Financial Information, the Group had the following material transactions with related parties during the Track Record Periods:

| | Year ended 31 December | | | Six months ended 30 June | |
|--|------------------------|----------|----------|--------------------------|----------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| | | | | (unaudited) | |
| Companies controlled by the Founder: | | | | | |
| Container marine transportation services income | 83,732 | 147,468 | 136,130 | 41,485 | 78,546 |
| Shipping agency income | 259 | 266 | 288 | 109 | 85 |
| Freight forwarding services income for marine transportation | 166 | 777 | 2,827 | 2,292 | 81 |
| IT services income | — | — | 100 | — | — |
| Shipping agency fee expenses | 18,609 | 23,819 | 26,284 | 11,644 | 14,286 |
| Container vessels rent expenses | 1,384 | 1,395 | 1,336 | 691 | 692 |
| Vessel management fee | 504 | 878 | 876 | 434 | 516 |
| Land and buildings rent expenses | 561 | 838 | 848 | 255 | 256 |
| Management fee expenses | — | 3,453 | — | — | — |
| Finance costs | 2,035 | 109 | — | — | — |
| Labour service fee expenses | — | 62 | 262 | — | — |
| Associates: | | | | | |
| Container marine transportation services income | — | — | 1,372 | — | 2,554 |
| Shipping agency fee expenses | — | — | 167 | — | 26 |
| Jointly-controlled entities: | | | | | |
| Container marine transportation services income | — | — | — | — | 5,004 |
| Freight forwarding services income for marine transportation | 428 | 569 | 504 | 140 | 274 |
| Warehousing expenses | 2,555 | 2,907 | 2,958 | 960 | 1,447 |
| Freight forwarding services expenses | 90 | 108 | 102 | — | 33 |

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

The directors of the Company also confirmed that except for container marine transportation service income, shipping agency income, freight forwarding services income, IT services income, shipping agency fee expenses, management fee expenses, finance cost and labour service fee set out in note (a) above, all the above transactions will continue after the Listing.

(b) Compensation of key management personnel of the Group

| | Year ended 31 December | | | Six months ended 30 June | |
|--|------------------------|--------------|--------------|--------------------------|------------|
| | 2007 | 2008 | 2009 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| | | | | (unaudited) | |
| Short term employee benefits. | 727 | 3,213 | 5,580 | 605 | 731 |
| Post-employment benefits . . . | 30 | 41 | 45 | 6 | 7 |
| Share option expense | — | — | — | — | 55 |
| Share-based compensation expense | — | — | 3,263 | — | — |
| Total compensation paid to key management | <u>757</u> | <u>3,254</u> | <u>8,888</u> | <u>611</u> | <u>793</u> |

Further details of directors' emoluments are included in note 9 to the Financial Information.

- (c) In 2009, the Group acquired 25% interests in i-Logistics from a company controlled by the Founder at 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 Founder.
- (d) In 2010, the Group acquired 50% interests in Bright Logistics from a company controlled by the Founder 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) In 2010, 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.

41. FINANCIAL INSTRUMENTS BY CATEGORY

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

31 December 2007

Financial assets

| | Financial assets at fair value through profit or loss - designated as such upon initial recognition | Loans and receivables | Available- for-sale financial assets | Total |
|---|--|--------------------------|---|---------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Available-for-sale investment | — | — | 263 | 263 |
| Trade receivables | — | 58,031 | — | 58,031 |
| Financial assets included in prepayments, deposits and other receivables | — | 4,968 | — | 4,968 |
| Due from related companies | — | 5,300 | — | 5,300 |
| Cash and cash equivalents | — | 29,142 | — | 29,142 |
| | <u>—</u> | <u>97,441</u> | <u>263</u> | <u>97,704</u> |

Financial liabilities

| | Financial liabilities at fair value through profit or loss - designated as such upon initial recognition | Financial liabilities at amortised cost | Total |
|--|--|--|----------------|
| | US\$'000 | US\$'000 | US\$'000 |
| Trade payables | — | 47,947 | 47,947 |
| Financial liabilities included in other payables and accruals | — | 11,598 | 11,598 |
| Due to related companies | — | 10,118 | 10,118 |
| Interest-bearing bank and other borrowings | — | 137,945 | 137,945 |
| | <u>—</u> | <u>207,608</u> | <u>207,608</u> |

31 December 2008

Financial assets

| | Financial assets at fair value through profit or loss - designated as such upon initial recognition | Loans and receivables | Available- for-sale financial assets | Total |
|---|--|--------------------------|---|----------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Available-for-sale investment | — | — | 325 | 325 |
| Trade receivables | — | 29,911 | — | 29,911 |
| Financial assets included in prepayments, deposits and other receivables | — | 4,389 | — | 4,389 |
| Due from related companies | — | 19,834 | — | 19,834 |
| Derivative financial instruments | 548 | — | — | 548 |
| Financial assets at fair value through profit or loss | 15,363 | — | — | 15,363 |
| Pledged deposits | — | 6,779 | — | 6,779 |
| Cash and cash equivalents | — | 51,364 | — | 51,364 |
| | <u>15,911</u> | <u>112,277</u> | <u>325</u> | <u>128,513</u> |

Financial liabilities

| | Financial liabilities at fair value through profit or loss - designated as such upon initial recognition | Financial liabilities at amortised cost | Total |
|--|--|--|----------------|
| | US\$'000 | US\$'000 | US\$'000 |
| Trade payables | — | 55,191 | 55,191 |
| Financial liabilities included in other payables and accruals | — | 8,300 | 8,300 |
| Derivative financial instruments | 11,349 | — | 11,349 |
| Interest-bearing bank and other borrowings | — | 108,454 | 108,454 |
| | <u>11,349</u> | <u>171,945</u> | <u>183,294</u> |

31 December 2009

Financial assets

| | Financial assets at fair value through profit or loss - designated as such upon initial recognition | Loans and receivables | Available- for-sale financial assets | Total |
|---|--|----------------------------------|---|-----------------|
| | US\$'000 | US\$'000 | US\$'000 | 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 |
| | <u>28,832</u> | <u>134,854</u> | <u>384</u> | <u>164,070</u> |

Financial liabilities

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

30 June 2010

Financial assets

| | Financial assets at fair value through profit or loss - designated as such upon initial recognition | Loans and receivables | Available- for-sale financial assets | Total |
|---|--|--------------------------|---|----------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Available-for-sale investment | — | — | 384 | 384 |
| Trade receivables | — | 73,865 | — | 73,865 |
| Financial assets included in prepayments, deposits and other receivables | — | 3,698 | — | 3,698 |
| Due from related companies | — | 2,754 | — | 2,754 |
| Derivative financial instruments | 381 | — | — | 381 |
| Financial assets at fair value through profit or loss | — | — | — | — |
| Pledged deposits | — | — | — | — |
| Cash and cash equivalents | — | 83,752 | — | 83,752 |
| | <u>381</u> | <u>164,069</u> | <u>384</u> | <u>164,834</u> |

Financial liabilities

| | Financial liabilities at fair value through profit or loss - designated as such upon initial recognition | Financial liabilities at amortised cost | Total |
|--|--|--|----------------|
| | US\$'000 | US\$'000 | US\$'000 |
| Trade payables | — | 87,732 | 87,732 |
| Financial liabilities included in other payables and accruals | — | 17,966 | 17,966 |
| Due to related companies | — | 4,109 | 4,109 |
| Derivative financial instruments | 1,074 | — | 1,074 |
| Interest-bearing bank and other borrowings | — | 82,455 | 82,455 |
| | <u>1,074</u> | <u>192,262</u> | <u>193,336</u> |

42. 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)

The Group held the following financial instruments measured at fair value:

As at 31 December 2007, the Group held the following financial instruments measured at fair value:

Assets measured at fair value as at 31 December 2007:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------|----------------|----------------|--------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Available-for-sale investment | <u>263</u> | <u>—</u> | <u>—</u> | <u>263</u> |

As at 31 December 2008, the Group held the following financial instruments measured at fair value:

Assets measured at fair value as at 31 December 2008:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|----------------|----------------|----------------|---------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Available-for-sale investment | 325 | — | — | 325 |
| Financial assets at fair value through profit or loss | — | 15,363 | — | 15,363 |
| Derivative financial instruments | <u>—</u> | <u>548</u> | <u>—</u> | <u>548</u> |
| | <u>325</u> | <u>15,911</u> | <u>—</u> | <u>16,236</u> |

Liabilities measured at fair value as at 31 December 2008:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|----------------|----------------|----------------|---------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Derivative financial instruments | <u>—</u> | <u>11,349</u> | <u>—</u> | <u>11,349</u> |

During the year ended 31 December 2008, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Assets measured at fair value as at 31 December 2009:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|----------------|----------------|----------------|---------------|
| | US\$'000 | US\$'000 | US\$'000 | 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 |
| | <u>384</u> | <u>28,832</u> | <u>—</u> | <u>29,216</u> |

Liabilities measured at fair value as at 31 December 2009:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|----------------|----------------|----------------|--------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Derivative financial instruments | — | 4,193 | — | 4,193 |

During the year ended 31 December 2009, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Assets measured at fair value as at 30 June 2010:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|----------------|----------------|----------------|--------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Available-for-sale investment | 384 | — | — | 384 |
| Financial assets at fair value through profit or loss | — | — | — | — |
| Derivative financial instruments | — | 381 | — | 381 |
| | <u>384</u> | <u>381</u> | <u>—</u> | <u>765</u> |

Liabilities measured at fair value as at 30 June 2010:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|----------------|----------------|----------------|--------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Derivative financial instruments | — | 4,004 | — | 4,004 |

During the six months ended 30 June 2010, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, finance leases, 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 3 to the Financial Information.

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 2007, 2008 and 2009 and 30 June 2010, after taking into account the effect of the swaps, approximately 20%, 15%, 28% and 29% 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 |
| 31 December 2007 | | |
| United States dollar | 100 | (573) |
| Renminbi | 100 | (96) |
| Japanese Yen | 100 | (605) |
| United States dollar | (100) | 573 |
| Renminbi | (100) | 96 |
| Japanese Yen | (100) | 605 |
| 31 December 2008 | | |
| United States dollar | 100 | (224) |
| Renminbi | 100 | (5) |
| Japanese Yen | 100 | (717) |
| United States dollar | (100) | 224 |
| Renminbi | (100) | 5 |
| Japanese Yen | (100) | 717 |
| 31 December 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 |
| 30 June 2010 | | |
| United States dollar | 100 | (189) |
| Japanese Yen | 100 | (628) |
| United States dollar | (100) | 189 |
| Japanese Yen | (100) | 628 |

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. As at 31 December 2007, 2008 and 2009 and 30 June 2010, approximately 57.1%, 58.6%, 64.0% and 66.2% of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, whilst almost 37.8%, 38.8%, 43.2% and 42.2% 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 any individual transactions in excess of Japanese Yen 100,000,000, for which payment is anticipated more than one month after the Group has entered into a firm commitment for a sale or purchase. 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 2008 and 2009 and 30 June 2010, the Group had hedged 10% and 10.5% and 11.2%, respectively, of its foreign currency sales for which firm commitments existed at the end of each reporting period in the Track Record Periods.

The following table demonstrates the sensitivity at the end of each reporting period in the Track Record Periods 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.

| | <u>Increase/ (decrease) in rate</u> | <u>Increase/ (decrease) in profit before tax</u> |
|---|---|--|
| | % | US\$'000 |
| 31 December 2007 | | |
| If United States dollar weakens against Renminbi | 5.0 | 153 |
| If United States dollar strengthens against Renminbi . . . | (5.0) | (153) |
| If United States dollar weakens against Japanese Yen . . | 5.0 | (3,412) |
| If United States dollar strengthens against Japanese Yen | (5.0) | 3,412 |
| 31 December 2008 | | |
| If United States dollar weakens against Renminbi | 5.0 | 911 |
| If United States dollar strengthens against Renminbi . . . | (5.0) | (911) |
| If United States dollar weakens against Japanese Yen . . | 5.0 | (4,982) |
| If United States dollar strengthens against Japanese Yen | (5.0) | 4,982 |
| 31 December 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 |
| 30 June 2010 | | |
| If United States dollar weakens against Renminbi | 5.0 | 2,924 |
| If United States dollar strengthens against Renminbi . . . | (5.0) | (2,924) |
| If United States dollar weakens against Japanese Yen . . | 5.0 | (2,713) |
| If United States dollar strengthens against Japanese Yen | (5.0) | 2,713 |

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 Information.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and finance lease payables.

The Group's policy is that not more than 40% of borrowings should mature in any 12-month period. 39%, 22%, 19% and 15% of the Group's debts would mature in less than one year as at 31 December 2007, 2008 and 2009 and 30 June 2010 based on the carrying values of borrowings reflected in the Financial Information.

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

| | 31 December 2007 | | | | |
|--|------------------------------------|-----------------------|--|---|----------------|
| | Within one year or on demand | In the second year | In the third to fifth years, inclusive | In the sixth to tenth years, inclusive | Total |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Finance lease payables. | 2,452 | 2,630 | — | — | 5,082 |
| Interest-bearing bank borrowings | 39,126 | 11,551 | 37,592 | 57,697 | 145,966 |
| Trade payables | 47,947 | — | — | — | 47,947 |
| Financial liabilities included in other payables and accruals | 11,598 | — | — | — | 11,598 |
| Due to related companies | 10,227 | — | — | — | 10,227 |
| | <u>111,350</u> | <u>14,181</u> | <u>37,592</u> | <u>57,697</u> | <u>220,820</u> |

31 December 2008

| | Within one year or on demand | In the second year | In the third to fifth years, inclusive | In the sixth to tenth years, inclusive | Total |
|--|------------------------------------|-----------------------|--|---|----------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Finance lease payables. | 1,370 | — | — | — | 1,370 |
| Interest-bearing bank borrowings | 20,173 | 13,685 | 42,238 | 40,953 | 117,049 |
| Trade payables | 55,191 | — | — | — | 55,191 |
| Financial liabilities included in other payables and accruals | 8,300 | — | — | — | 8,300 |
| | <u>85,034</u> | <u>13,685</u> | <u>42,238</u> | <u>40,953</u> | <u>181,910</u> |

31 December 2009

| | Within one year or on demand | In the second year | In the third to fifth years, inclusive | In the sixth to tenth years, inclusive | Total |
|--|------------------------------------|-----------------------|--|---|----------------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | 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 |
| | <u>163,285</u> | <u>13,597</u> | <u>44,295</u> | <u>21,721</u> | <u>242,898</u> |

| 30 June 2010 | | | | | |
|---|------------------------------------|-----------------------|--|---|----------------|
| | Within one year or on demand | In the second year | In the third to fifth years, inclusive | In the sixth to tenth years, inclusive | Total |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Interest-bearing bank borrowings | 14,803 | 13,316 | 42,245 | 18,672 | 89,036 |
| Trade payables | 87,732 | — | — | — | 87,732 |
| Financial liabilities included in other payables and accruals | 17,439 | 32 | 495 | — | 17,966 |
| Due to related companies | 4,109 | — | — | — | 4,109 |
| | <u>124,083</u> | <u>13,348</u> | <u>42,740</u> | <u>18,672</u> | <u>198,843</u> |

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. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Track Record Periods.

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 and other 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 each reporting period in the Track Record Periods were as follows:

| | As at 31 December | | | As at 30 June |
|---|-------------------|----------------|----------------|----------------|
| | 2007 | 2008 | 2009 | 2010 |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| Interest-bearing bank and other borrowings | 137,945 | 108,454 | 90,487 | 82,455 |
| Trade payables | 47,947 | 55,191 | 71,742 | 87,732 |
| Other payables and accruals | 17,567 | 16,922 | 24,458 | 20,291 |
| Due to related companies | 10,118 | — | 15,208 | 4,109 |
| Dividend payable | — | — | 40,000 | — |
| Less: Cash and bank balances | (29,142) | (51,364) | (66,251) | (83,752) |
| Net debt | <u>184,435</u> | <u>129,203</u> | <u>175,644</u> | <u>110,835</u> |
| Equity attributable to owners of the parent | 62,880 | 97,788 | 98,026 | 148,018 |
| Hedging reserve | — | 2,394 | (1,008) | 394 |
| Adjusted capital | <u>62,880</u> | <u>100,182</u> | <u>97,018</u> | <u>148,412</u> |
| Capital and net debt | <u>247,315</u> | <u>229,385</u> | <u>272,662</u> | <u>259,247</u> |
| Gearing ratio | <u>74.6%</u> | <u>56.3%</u> | <u>64.4%</u> | <u>42.8%</u> |

44. EVENTS AFTER THE REPORTING PERIOD

- (a) Subsequent to the end of the reporting period, on 11 August 2010, one of the Group's derivative financial instruments with notional amount of JPY1,044,288,000 (equivalent to approximately US\$11,780,000) (the "Derivative") was terminated and a termination cost of US\$5,800,000 was paid (the "Termination").

The fair values of the Derivative, recorded as a derivative financial instrument liability, as at 30 June 2010 and immediately before the Termination are US\$2,885,000 and US\$2,500,000, respectively. The change in fair values of the Derivative of US\$385,000, as well as the financial loss in respect of the Termination, which is the difference between the termination cost and the carrying amount of the Derivative immediately before the Termination, of US\$3,300,000 would be included in profit or loss for the year ending 31 December 2010.

- (b) On 10 September 2010, written resolutions of the shareholders of the Company were passed to approve the matters set out in the section headed "Resolutions in writing of the shareholders of our Company passed on September 10, 2010" in Appendix VIII to the Prospectus.

III. FINANCIAL STATEMENTS AFTER THE TRACK RECORD PERIODS

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any reporting period after 30 June 2010.

Yours faithfully,
Ernst & Young
Certified Public Accountants
 Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets prepared in accordance with paragraph 4.29 of the Listing Rules is for illustrative purposes only, and is set out here to illustrate the effect of the Global Offering on the Group’s consolidated net tangible assets as of June 30, 2010 as if it had taken place on June 30, 2010.

The unaudited pro forma adjusted consolidated net tangible assets have been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the Group’s consolidated net tangible assets as of June 30, 2010 or any future date following the Global Offering. It is prepared based on the audited consolidated net tangible assets of the Group as of June 30, 2010 as set out in the Accountants’ Report in Appendix I, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants’ Report as set out in Appendix I to this prospectus.

| | Audited consolidated net tangible assets attributable to owners of the parent as of June 30, 2010 | Estimated net proceeds from the Global Offering | Unaudited pro forma adjusted consolidated net tangible assets | Unaudited pro forma adjusted consolidated net tangible assets per Share | |
|--|--|--|--|--|-----------------|
| | US\$’000 | US\$’000 | US\$’000 | US\$ | HK\$ |
| | (Note 1) | (Note 2) | | (Note 3) | (Note 4) |
| Based on an Offer Price of HK\$4.78 per Share | \$148,019 | 379,446 | 527,465 | 0.20 | 1.58 |
| Based on an Offer Price of HK\$6.28 per Share | \$148,019 | 500,779 | 648,798 | 0.25 | 1.95 |

1. The audited consolidated net tangible assets of the Group attributable to owners of the parent as of June 30, 2010 is extracted from the Group’s audited financial information included in the Accountants’ Report as set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK\$4.78 and HK\$6.28 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any Shares which may be issued upon the exercise of the Pre-IPO Share Option Scheme or the Share Option Scheme.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments as described in note 2 above and on the basis that 2,600,000,000 Shares are in issue assuming that the Capitalization Issue and the Global Offering has been completed on June 30, 2010 but takes no account of any Shares which may be issued under the Pre-IPO Share Option Scheme or the Share Option Scheme.
4. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars (“HK\$”) at the rate of HK\$7.8 to US\$1. No representation is made that the US\$ amount has been, could have been or may be converted to HK\$, or vice versa, at that rate.
5. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2010.
6. As of July 31, 2010, the buildings owned by our Company were valued by Jones Lang LaSalle Sallmanns Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix IV to this prospectus. In accordance with our accounting policies, the buildings owned by our Company are stated at cost less accumulated depreciation and any impairment losses. As such, the valuation deficit has not been included in the calculation of unaudited pro forma adjusted net tangible assets. Since there is a net valuation deficit, no additional depreciation charge would be incurred had these buildings been stated at such valuation.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

B. UNAUDITED PRO FORMA ESTIMATED EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per Share prepared in accordance with paragraph 4.29 of the Listing Rules is for illustrative purposes only, and is set out here to illustrate the effect of the Global Offering as if it had taken place on January 1, 2010.

The unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the Global Offering.

Unaudited forecast consolidated profit attributable to
owners of the parentNot less than US\$109 million⁽¹⁾⁽³⁾
(approximately HK\$853 million)

Unaudited pro forma forecast earnings per Share based
on forecast consolidated profit attributable to
owners of the parentNot less than US4.21 cents⁽²⁾⁽³⁾
(approximately HK32.81 cents)

Notes:

- (1) The bases and assumptions on which the above profit forecast for the year ending December 31, 2010 has been prepared and summarized in Appendix III — “Profit Forecast” to this prospectus.
- (2) The unaudited pro forma forecast earnings per Share for the year ending December 31, 2010, on a fully diluted basis, is calculated by dividing the unaudited forecast consolidated profit attributable to owners of the parent for the year ending December 31, 2010 by 2,600,000,000 Shares assumed to be issued and outstanding during the entire year, adjusted as if the Global Offering had occurred on January 1, 2010, but without taking into account any Shares which may be issued under the Pre-IPO Share Option Scheme or the Share Option Scheme.
- (3) The unaudited forecast consolidated profit attributable to owners of the parent for the year ending December 31, 2010 and the unaudited pro forma forecast earnings per Share for the year ending December 31, 2010, on a fully diluted basis, are converted into Hong Kong dollars at the rate of HK\$7.8 to US\$1. No representation is made that the US\$ amount has been, could have been or may be converted to HK\$, or vice versa, at that rate.

C. REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION



18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

20 September 2010

The Directors
SITC International Holdings Company Limited
Citigroup Global Markets Asia Limited

Dear Sirs,

We report on the unaudited pro forma adjusted consolidated net tangible assets and unaudited pro forma forecast earnings per share (the “Unaudited Pro Forma Financial Information”) of SITC International Holdings Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which have been prepared by the directors of the Company (the “Directors”) for illustrative purposes only, to provide information about how the global offering of 650,000,000 shares of the Company might have affected the financial information presented, for inclusion in Appendix II to the prospectus of the Company dated 20 September 2010 (the “Prospectus”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Prospectus.

Respective Responsibilities of the Directors and Reporting Accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated, that such bases are consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 June 2010 or any future dates; or
- the forecast earnings per share of the Group for the year ending 31 December 2010 or any future periods.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated;
- (b) such bases are consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

The forecast of the consolidated profit attributable to owners of the parent for the year ending December 31, 2010 is set out in the section headed “Financial Information - Profit Forecast” in this prospectus.

A. BASES AND ASSUMPTIONS

Our Directors have prepared the forecast of the consolidated profit attributable to owners of the parent for the year ending December 31, 2010 on the basis of (i) the consolidated audited result of the Company and its subsidiaries (the “Group”) for the six month-period ended June 30, 2010; and (ii) the forecast of the consolidated results of the Group for the six-month period ending December 31, 2010.

The profit forecast has been prepared on the basis of accounting policies consistent in all material respects with those currently adopted by the Group, as summarized in the Accountants’ Report set out in Appendix I, and on the following principal assumptions:

- There will be no material changes in the existing political, legal, fiscal, market or economic conditions in the countries and the jurisdictions in which the Group operates;
- There will be no material changes in the bases or rates of taxation, both direct and indirect, in the PRC, Hong Kong and other jurisdictions in which the Group operates;
- There will be no material changes in inflation and interest rate from those presently prevailing and applicable to the business activities of the Group;
- The forecasted foreign exchange rates are based on the forward exchange rate provided by major banks;
- The Group’s operations and financial performance will not be materially and/or adversely impacted by any of the risk factors set out in the section headed “Risk Factors” in the Prospectus of the Group;
- The Group’s operations and business will not be severely interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including the occurrence of natural disasters or catastrophes (such as floods and typhoons), epidemics or serious accidents;
- The Group will not lose any major customers, nor will the commercial terms under existing contracts vary significantly from the Group’s historical experience;
- There will be no further capital raising activities after the IPO during the six-month period ending 31 December 2010.

B. LETTER FROM THE REPORTING ACCOUNTANTS ON THE PROFIT FORECAST

18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

20 September 2010

The Directors
SITC International Holdings Company Limited
Citigroup Global Markets Asia Limited

Dear Sirs,

We have reviewed the calculations of and the accounting policies adopted in arriving at the forecast of the consolidated profit attributable to equity holders of SITC International Holdings Company Limited (the “Company”, together with its subsidiaries, hereinafter collectively referred to as the “Group”) for the year ending 31 December 2010 (the “Profit Forecast”) as set out in the subsection headed “Financial Information — Profit Forecast” under the section headed “Financial Information” in the prospectus of the Company dated 20 September 2010 (the “Prospectus”) for which the directors of the Company (the “Directors”) are solely responsible.

We conducted our work with reference to Auditing Guideline 3.341 “Accountants’ Report on Profit Forecasts” issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast has been prepared by the Directors based on the audited consolidated results of the Group for the six months ended 30 June 2010 and a forecast of the consolidated results of the Group for the remaining six months ending 31 December 2010.

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions made by the Directors as set out in Appendix III to the Prospectus under the section headed “Profit Forecast”, and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants’ report dated 20 September 2010, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

C. LETTER FROM THE SPONSOR ON THE PROFIT FORECAST

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

20 September 2010

The Directors
SITC International Holdings Company Limited

Dear Sirs,

We refer to the forecast of the consolidated profit attributable to owners of SITC International Holdings Company Limited (the "Company") for the year ending December 31, 2010 (the "Profit Forecast") as set out in the subsection headed "Profit Forecast" under the section headed "Financial Information" in this prospectus of the Company dated September 20, 2010 (the "Prospectus").

We understand that the Profit Forecast has been prepared by the Directors of the Company based on (i) the consolidated audited result of the Company and its subsidiaries (the "Group") for the six month-period ended June 30, 2010; and (ii) the forecast of the consolidated results of the Group for the six-month period ending December 31, 2010.

We have discussed with you the bases and assumptions made by the Directors of the Company as set out in Part A of Appendix III to the Prospectus upon which the Profit Forecast has been made. We have also considered the letter dated September 20, 2010 addressed to the Company and ourselves from Ernst & Young, Certified Public Accountants, Hong Kong, regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by Ernst & Young, Certified Public Accountants, Hong Kong, we are of the opinion that the Profit Forecast, for which you as Directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of

Citigroup Global Markets Asia Limited
Florence Fan
Managing Director

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 31 July 2010 of the property interests of the Group. As described in section “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix IX, a copy of the full valuation report will be made available for public inspection.



Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road Quarry Bay Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

20 September 2010

The Board of Directors
SITC International Holdings Company Limited
Suite 4202, Office Tower, Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which SITC International Holdings Company Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) have interests in the People’s Republic of China (the “PRC”), Hong Kong, Japan and Korea, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 July 2010 (the “date of valuation”).

Our valuation of the property interests represents the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

We have valued the property interests in Groups I and II by direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

We have attributed no commercial value to the property interests in Groups III and IV, which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

As the Group is in compliance with paragraph 3(b) of Practice Note 16 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and section 6 of Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, the full details of the individual leased properties which are leased from various independent third parties under operating lease have been excluded from the valuation certificates in our valuation report to this prospectus, of which a summary is included in the Summary of Values and the certificates for leased properties.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Haiwen & Partners, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB). In valuing property interests in Groups II and IV, we have adopted exchange rates of HK\$1 to RMB0.8724, KRW1 to RMB0.0060 and JPY1 to RMB0.0783, which were approximately the prevailing exchange rates as at the date of valuation.

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 27 years' experience in the valuation of properties in the PRC, extensive property valuation experience in Hong Kong and the United Kingdom, and relevant valuation experience in the Asia-Pacific region including Japan and South Korea.

SUMMARY OF VALUES

Group I — Property interest held and occupied by the Group in the PRC

| No. Property | Capital value in existing state as at 31 July 2010 <i>RMB</i> | Interest attributable to the Group | Capital value attributable to the Group as at 31 July 2010 <i>RMB</i> |
|---|---|--|--|
| 1. Building No. 30 No. 1388 Zhangdong Road Pudong New District Shanghai The PRC | No commercial value | 100% | No commercial value |
| Sub-total: | <u><u>Nil</u></u> | | <u><u>Nil</u></u> |

Group II — Property interest owned and occupied by the Group in Japan

| No. Property | Capital value in existing state as at 31 July 2010 <i>RMB</i> | Interest attributable to the Group | Capital value attributable to the Group as at 31 July 2010 <i>RMB</i> |
|--|---|--|--|
| 2. Room 706 of a building 23-banchi-14 Shinkaichi 1-chome Hyougo-ku Kobe-si Hyouyo-ken Japan | 783,000 | 100% | 783,000 |
| Sub-total: | <u><u>783,000</u></u> | | <u><u>783,000</u></u> |

Group III — Property interests rented and occupied by the Group in the PRC

| No. Property | Capital value attributable to the Group as at 31 July 2010 RMB |
|---|---|
| 3. A parcel of land and 3 buildings located in Qianwan International Logistics & Industry Park Qingdao City Shandong Province The PRC | No commercial value |
| 4. 40 properties located in Liaoning Province Fujian Province Guangdong Province Jiangsu Province Hubei Province Shandong Province Zhejiang Province Hebei Province Tianjin and Shanghai The PRC | No commercial value |
| Sub-total: | <u>Nil</u> |

Group IV — Property interests rented and occupied by the Group in Hong Kong and overseas countries

| No. Property | Capital value attributable to the Group as at 31 July 2010 <i>RMB</i> |
|---|---|
| 5. 2 properties On Level 42, Office Tower, Convention Plaza No. 1 Harbour Road Wanchai Hong Kong | No commercial value |
| 6. 4 properties located in Japan | No commercial value |
| 7. 9 properties located in Korea | No commercial value |
| Sub-total: | <u><u>Nil</u></u> |
| | Capital value attributable to the Group as at 31 July 2010 <i>RMB</i> |
| Grand total: | <u><u>783,000</u></u> |

VALUATION CERTIFICATE

Group I — Property interest held and occupied by the Group in the PRC

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 July 2010 <i>RMB</i> |
|-----|--|---|---|--|
| 1. | Building No. 30 No. 1388 Zhangdong Road Pudong New District Shanghai The PRC | The property comprises a 3-storey office building completed in 2007. The property has a gross floor area of approximately 3,525.64 sq.m. | The property is currently occupied by the Group for office use. | No commercial value |

Notes:

1. Pursuant to 6 Sale & Purchase Contracts dated 16 December 2008 entered into between Shanghai Zhangjiang Integrate Circuit Industry Zone Development Company Limited (上海張江集成電路產業區開發有限公司) and Qingdao Fanlian Technologies Company Limited (“Qingdao Fanlian”), now known as SITC Information Technologies (Shanghai) Co., Ltd. (上海海豐信息技術有限公司) (“SITC Technologies”), a wholly-owned subsidiary of the Company, the property with a gross floor area of approximately 3,525.64 sq.m. was purchased by Qingdao Fanlian at a total consideration of RMB70,794,851.2, of which RMB56,635,880.96 had been paid by Qingdao Fanlian up to the date of valuation.
2. As advised by the Company, the title certificates of the property are under application.
3. We have attributed no commercial value to the property which has not obtained any proper title certificates. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB80,737,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - a. There is no legal impediment for SITC Technologies to apply for the Real Estate Title Certificate of the property upon paying off the remaining consideration according to the Sale & Purchase Contracts mentioned in note 1 and going through the relevant ownership title registration procedure according to the PRC laws;
 - b. After fulfilling the relevant ownership title registration procedure, SITC Technologies can legally, completely and effectively occupy, use, lease, transfer and mortgage the property; and
 - c. The property is not subject to guarantee and other material adverse impact on the property such as mortgage, compelling confiscation, lawsuit and dissension.

VALUATION CERTIFICATE

Group II — Property interest owned and occupied by the Group in Japan

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 July 2010 RMB |
|-----|---|---|--|--|
| 2. | Room 706 of a building 23-banchi-14 Shinkaichi 1-chome Hyougo-ku Kobe-si Hyouyo-ken Japan | The property comprises a unit on Level 7 of a 14-storey residential building completed in 1987. The property has a gross floor area of approximately 46.82 sq.m. | The property is currently occupied by the Group for residential use. | 783,000 100% interest attributable to the Group: RMB 783,000 |

Notes:

- Pursuant to a Sale & Purchase Contract entered into between Miyata Jinan (宮田治男) and Shandong International Shipping (Japan) Co., Ltd. (山東省國際貨運日本株式會社) (“Shipping Japan”), now known as SITC International Shipping (Japan) Co., Ltd. (海豐國際航運日本株式會社), a wholly-owned subsidiary of the Company, the property with a gross floor area of approximately 46.82 sq.m. was purchased by Shipping Japan at consideration of RMB1,504,700, which had been fully paid by Shipping Japan.

VALUATION CERTIFICATE

Group III — Property interests rented and occupied by the Group in the PRC

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 July 2010 RMB |
|-----|--|---|---|---|
| 3. | A parcel of land and 3 buildings located in Qianwan International Logistics & Industry Park Qingdao City Shandong Province The PRC | <p>The property comprises a parcel of land with a site area of approximately 5,000 sq.m. and 3 buildings erected thereon which were completed in 2006.</p> <p>The buildings have a total gross floor area of approximately 548.43 sq.m.</p> <p>The buildings comprise an office building, a maintaining building and an oil supply house.</p> <p>The parcel of land of the property is leased to SITC Transportation (Qingdao) Co., Ltd. (青島新海豐運輸有限公司) (“Transportation Qingdao”), a wholly-owned subsidiary of the Company, from SITC Maritime Group Co., Ltd. (山東海豐國際航運集團有限公司) (“Shandong SITC”), a connected party of the Company, for a term of 10 years commencing from 1 January 2006 and expiring on 31 December 2015.</p> | The property is currently occupied by the Group for industrial use. | No commercial value |

Notes:

1. Pursuant to a State-owned Land Use Rights Lease Agreement (“Lease Agreement”) and a Supplementary Agreement, a parcel of land with a site area of approximately 5,000 sq.m. is leased to Transportation Qingdao, a wholly-owned subsidiary of the Company, from Shandong SITC, a connected party of the Company, for a term of 10 years commencing from 1 January 2006 and expiring on 31 December 2015 at a current annual rent of RMB90,000 for industrial use.
2. Pursuant to the Supplementary Agreement mentioned in note 1, Shandong SITC agreed that Transportation Qingdao could occupy and use 3 buildings with a total gross floor area of approximately 548.43 sq.m. constructed by Transportation Qingdao for free during the land lease term.
3. We have been provided with a legal opinion on the legality of the Lease Agreement and the Supplementary Agreement to the property issued by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Lease Agreement and the Supplementary Agreement mentioned in note 1 are valid, binding and enforceable;
 - b. Shandong SITC has obtained the State-owned Land Use Rights Certificate of the property and has the rights to lease the land of the property to the Group under the relevant stipulations stated in the Lease Agreement;
 - c. The Group has the rights, which are protected by the PRC laws, to legally and validly use the land of the property under the relevant stipulations stated in the Lease Agreement; and
 - d. For the 3 buildings mentioned in note 2 with a total gross floor area of approximately 548.43 sq.m., Shandong SITC has not obtained the Building Ownership Certificates. There exists legal risk that using these 3 buildings by Transportation Qingdao may not be protected by the PRC laws. However, Shandong SITC has provided confirmation letters undertaking to compensate for all the loss arising from the title defects of these 3 buildings. Meanwhile, the Group has confirmed that these 3 buildings are not used as major operation buildings and it will not have adverse impact on the business operation of the Group.

VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 July 2010 RMB |
|-----|---|--|--|---|
| 4. | 40 properties located in Liaoning Province Fujian Province Guangdong Province Hubei Province Jiangsu Province Shandong Province Zhejiang Province Hebei Province Tianjin and Shanghai The PRC | <p>The properties comprise 40 units in various cities in the PRC which were completed in various stages between 1985 and 2009.</p> <p>The properties have a total lettable area of approximately 11,946.05 sq.m. The properties are leased to the Group from various independent third parties for various terms with the expiry dates between 31 August 2010 and 5 July 2013.</p> | The properties are currently occupied by the Group for office use. | No commercial value |

Notes:

1. Pursuant to various Tenancy Agreements, 40 units with a total lettable area of approximately 11,946.05 sq.m. are leased to the Group from various independent third parties (the "Lessors") for various terms with the expiry dates between 31 August 2010 and 5 July 2013 at a total annual rent of RMB10,406,915, exclusive of management fees, water and electricity charges for office use. As advised by the Group, the leases which have expired before the date of this report will be renewed.
2. We have been provided with a legal opinion on the legality of the Tenancy Agreements to the properties issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. For 36 out of the 40 units with a total lettable area of approximately 11,582.64 sq.m., the Lessors have obtained the Real Estate Title Certificates or Building Ownership Certificates or relevant property owner's consent to sublease, and have the rights to lease such units. The relevant Tenancy Agreements are valid, binding and enforceable. The Group has the rights, which are protected by the PRC laws, to legally and validly use the units under the stipulations stated in the Tenancy Agreements;
 - b. For the remaining 4 units with a total lettable area of approximately 363.41 sq.m., the Lessors have not provided us with the relevant title certificates. It is uncertain whether the relevant Tenancy Agreements are legal or valid or using these 4 units by the Group is protected by the PRC laws. However, the Lessors have provided confirmation letters to confirm their rights to the leased units which are not subject to any third party encumbrance, and undertake to compensate for all the loss arising from the title defects of these units; and
 - c. For 4 out of the 40 units with a total lettable area of approximately 722.28 sq.m., the relevant Tenancy Agreements have been properly registered with relevant government authorities. While, for the remaining 36 units with a total lettable area of approximately 11,223.77 sq.m., the relevant Tenancy Agreements have not been properly registered with relevant government authorities. Non-compliance of such registration requirements will not affect the validity and enforceability of the Tenancy Agreements. Lack of such registration will not have adverse impact on using such units by the Group and the Group will not be punished.

VALUATION CERTIFICATE

Group IV — Property interests rented and occupied by the Group in Hong Kong and overseas countries

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 July 2010 RMB |
|-----|--|--|--|---|
| 5. | 2 properties On Level 42 Office Tower Convention Plaza No. 1 Harbour Road Wanchai Hong Kong | <p>The properties comprise 2 units on Level 42 of a 49-storey office building completed in 1985.</p> <p>The properties have a total lettable area of approximately 943.18 sq.m.</p> <p>The properties are leased to the Group from China Shandong Group Limited (華魯集團有限公司) (“China Shandong”), an independent third party of the Group, for terms with the expiry dates on 28 February 2011 and 30 June 2011 respectively at a total annual rent being equivalent to approximately RMB1,953,026.</p> | The properties are currently occupied by the Group for office use. | No commercial value |

Notes:

- Pursuant to two Tenancy Agreements, 2 units with a total lettable area of approximately 943.18 sq.m. are leased to the Group from China Shandong for terms with the expiry dates on 28 February 2011 and 30 June 2011 respectively at a total annual rent being equivalent to approximately RMB1,953,026 for office use.

VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 July 2010 RMB |
|-----|-------------------------------|--|--|---|
| 6. | 4 properties located in Japan | <p>The properties comprise 4 units completed between 1998 and 2005.</p> <p>The properties have a total lettable area of approximately 610.69 sq.m.</p> <p>The properties are subject to various tenancy agreements for various terms with the expiry dates between 30 November 2010 and 30 September 2014 at a total annual rent being equivalent to approximately RMB3,812,339.</p> | The properties are currently occupied by the Group for office use. | No commercial value |

Notes:

1. Pursuant to various Tenancy Agreements entered into between the Group and various independent third parties, 4 units with a total lettable area of approximately 610.69 sq.m. are leased to the Group for various terms with the expiry dates between 30 November 2010 and 30 September 2014 at a total annual rent being equivalent to approximately RMB3,812,339 for office use.

VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Capital value in existing state as at 31 July 2010 RMB |
|-----|-------------------------------|--|--|---|
| 7. | 9 properties located in Korea | <p>The properties comprise 9 units completed between 1979 and 2009.</p> <p>The properties have a total lettable area of approximately 1,364.89 sq.m.</p> <p>The properties are subject to various tenancy agreements for various terms with the expiry dates between 28 May 2010 and 31 December 2011 at a total annual rent being equivalent to approximately RMB1,658,294.</p> | <p>The properties are currently occupied by the Group for office and residential uses.</p> | No commercial value |

Notes:

1. Pursuant to various Tenancy Agreements entered into between the Group and various independent third parties, 9 units with a total lettable area of approximately 1,364.89 sq.m. are leased to the Group for various terms with the expiry dates between 28 May 2010 and 31 December 2011 at a total annual rent being equivalent to approximately RMB1,658,294 for office and residential uses. As advised by the Group, the leases which have expired before the date of this report will be renewed.

APPENDIX V**LIST OF VESSELS**

The following sets forth a list of vessels owned and operated by our Company as of June 30, 2010:

| No. | Vessel name | Capacity (TEU) | Designed speed (knots) | Year of purchase | Year of completion of construction and commencing the voyage | Place of registration |
|-----|-----------------|-------------------|------------------------------|---------------------|---|--------------------------|
| 1. | SITC HAKATA | 1,016 | 17 | 2009 | 1995 | Hong Kong |
| 2. | SITC KEELUNG | 1,016 | 17 | 2009 | 1994 | Hong Kong |
| 3. | SITC PYEONGTAEK | 1,016 | 17 | 2009 | 1994 | Hong Kong |
| 4. | SITC KAOHSIUNG | 938 | 18 | 2007 | 2007 | Panama |
| 5. | SITC HONGKONG | 907 | 18 | 2004 | 2007 | Panama |
| 6. | SITC XIAMEN | 907 | 18 | 2004 | 2007 | Panama |
| 7. | SITC TIANJIN | 907 | 18 | 2004 | 2006 | Panama |
| 8. | SITC NAGOYA | 907 | 18 | 2004 | 2006 | Panama |
| 9. | SITC SHANGHAI | 847 | 18 | 2001 | 2002 | Panama |
| 10. | SITC TOKYO | 847 | 18 | 2001 | 2002 | Panama |
| 11. | SITC NINGBO | 831 | 18 | 2003 | 2004 | Hong Kong |
| 12. | SITC KOBE | 831 | 18 | 2003 | 2004 | Panama |
| 13. | SITC YOKOHAMA | 831 | 18 | 2003 | 2004 | Panama |
| 14. | SITC YANTAI | 378 | 12.6 | 2005 | 2006 | Tuvalu |
| 15. | SITC BUSAN | 378 | 12.6 | 2005 | 2006 | Tuvalu |

The following sets forth a list of vessels chartered and operated by our Company as of June 30, 2010:

| No. | Vessel name | Capacity (TEU) | Designed speed (knots) | Year of completion of construction | Place of registration | Vessel owner ⁽¹⁾ | Expiry of charter |
|-----|----------------------------|-------------------|------------------------------|---|--------------------------|--|----------------------------------|
| 1. | HARRIER | 1,102 | 18 | 2008 | Bahamas | LEGENDA MARITIME S.A. | January 2011 |
| 2. | HYPERION | 1,102 | 18 | 2007 | Bahamas | CONTINENT MARITIME, S.A. | September 2010 ⁽²⁾ |
| 3. | HALCYON | 1,102 | 18 | 2007 | Bahamas | CONTINENT MARITIME, S.A. | November 2010 |
| 4. | FORMOSA CONTAINER NO. 5 | 1,100 | 19 | 2006 | Liberia | FORMOSA PLASTICS TRANSPORT CORP. | August 2010 ⁽³⁾ |
| 5. | JOSCO VIEW | 1,049 | 18 | 2006 | Hong Kong | JOSCO VIEW SHIPPING COMPANY LIMITED | October 2010 |
| 6. | JOSCO STAR | 1,049 | 18 | 2006 | Hong Kong | JOSCO STAR SHIPPING COMPANY LIMITED | August 2010 ⁽⁴⁾ |

APPENDIX V
LIST OF VESSELS

| No. | Vessel name | Capacity (TEU) | Designed speed (knots) | Year of completion of construction | Place of registration | Vessel owner ⁽¹⁾ | Expiry of charter |
|-----|---------------------------|-------------------|------------------------------|---|--------------------------|---|----------------------------------|
| | | | | | | | |
| 7 | LANTAU BREEZE | 1,049 | 18 | 2007 | Antigua & Barbuda | Koeppling Reedereigessellschaft Ms "Lantau Breeze" mbH&Co. KG, schuelp/Rendsburg Germany | November 2010 |
| 8. | SITC PRESTIGE | 1,049 | 18 | 2006 | Antigua & Barbuda | MarCliff Schiffahrtsgesellschaft mbH & Co. KG | October 2010 |
| 9. | LANTAU BEE | 1,043 | 18 | 2008 | Antigua & Barbuda | Köpping Reedereigesellschaft MS "Lantau Bee" mbH & Co. KG | October 2010 |
| 10. | SITC PROGRESS | 1,043 | 18 | 2005 | Antigua & Barbuda | MS "Sara" Schiffahrtsgesellschaft mbH & Co. KG | July 2010 ⁽⁵⁾ |
| 11. | SITC PASSION | 1,043 | 18 | 2006 | Antigua & Barbuda | MS "Alice" Schiffahrtsgesellschaft mbH & Co. KG | August 2010 ⁽⁵⁾ |
| 12. | ANNIKA | 987 | 18 | 2008 | Liberia | SEA HARMONY NAVIGATION CO. | December 2010 |
| 13. | FORMOSA CONTAINER NO.4 | 938 | 17 | 2007 | Liberia | FORMOSA PLASTICS TRANSPORT CORP. | September 2010 ⁽⁶⁾ |
| 14. | SITC EXPRESS | 917 | 18 | 2005 | Gibraltar | BELUGA SHIPPING GMBH & CO KG MS "BELUGA MAGICIAN" | July 2011 |
| 15. | SITC MODERATION | 917 | 18 | 2009 | Liberia | BELUGA SHIPPING INC. | July 2011 |
| 16. | SITC MELODY | 917 | 18 | 2009 | Antigua & Barbuda | Unitas Schiffahrtsges. mbH & Co. MS "Unisky" KG | December 2010 |
| 17. | SITC MIRACLE | 917 | 18 | 2009 | Antigua & Barbuda | Unitas Schiffahrtsges. mbH & Co. MS "UNISEA" KG | December 2010 |
| 18. | TRINITY | 907 | 18 | 2007 | Bahamas | LEGENDA MARITIME, S.A. | April 2011 |
| 19. | TRIUMPH | 907 | 18 | 2007 | Bahamas | CONTINENT MARITIME, S.A. | February 2011 |
| 20. | CAPE COOK | 834 | 18 | 1999 | Marshall Islands | CAPE COOK SHIPPING COMPANY LIMITED | April 2011 |
| 21. | HAMILTON STRAIT | 834 | 18 | 2000 | Marshall Islands | FHH Foud Nr.22 "MS Hamilton Strait" GmbH&Co. Contain erschiff KG | October 2010 |
| 22. | SITC QINGDAO | 787 | 18 | 1999 | Antigua & Barbuda | ESMERALDA Schiffahrts- Verwaltungsgesellschaft mbH | June 2011 |
| 23. | SITC DALIAN | 787 | 18 | 2000 | Antigua & Barbuda | MS "Silvana" Schiffahrtsgesellschaft mbH + Co. KG | June 2011 |
| 24. | VEGA DOLOMIT | 704 | 17 | 2007 | Gibraltar | MS "VEGA DOLOMIT" SCHIFFFAHRTSGESELLSCHAFT | December 2010 |
| 25. | TINI | 672 | 17.5 | 2004 | Antigua & Barbuda | KG Schiffahrtsgesellschaft MS "TINI" mbH & Co. | January 2011 |

| No. | Vessel name | Capacity (TEU) | Designed speed (knots) | Year of completion of construction | Place of registration | Vessel owner ⁽¹⁾ | Expiry of charter |
|-----|---------------------|-------------------|------------------------------|---|--------------------------|---------------------------------------|----------------------|
| 26. | OSG ACME | 585 | 15 | 1994 | Hong Kong | OCEANTEC MARITIME LIMITED HONGKONG | December 2010 |
| 27. | HAI FENG LIAN FA | 358 | 14 | 1997 | China | SITC STEAMSHIPS CO., LTD. | December 2011 |

- (1) All vessel owners are independent third parties except for SITC Steamships Co., Ltd., a related company of our Company.
- (2) Our Company has an option to extend the relevant charter for a period of 30 days. We are currently in the process of negotiating with the owners of the vessel for renewing or extending the relevant charter following the expiry of the option period. In the event we are not successful in doing so, we plan to charter alternative vessels from other vessel owners in the market, and do not expect difficulty in obtaining such charter in a timely manner.
- (3) The charter has been extended to February 2011.
- (4) The charter has been extended to October 2010.
- (5) The charter has been extended to April 2011.
- (6) Our Company has an option to extend the charter for a term of six months after its expiry.

The charterer of all chartered vessels is SITC Shipping Company Limited. In practice, our Company generally begins negotiations on the renewals of charter agreements with the relevant vessel owners a few months prior to its expiry, and may from time to time seek to charter alternative vessels from other vessel owners in the market.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9 April 2010 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on September 10, 2010. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether

directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) ***Remuneration***

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be

entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director

appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) ***Borrowing powers***

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special

resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision

shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be

submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of

transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which,

at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as

such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the

name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 20 April 2010.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix IX. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

PRC TAXATION*Enterprise Income Tax*

On March 16, 2007, the National People's Congress of the PRC (中華人民共和國全國人民代表大會) enacted the Enterprise Income Tax Law of the PRC(中華人民共和國企業所得稅法) (the "2008 EIT Law"), and on December 6, 2007, the State Council enacted the Implementation Rules of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) (the "New Implementation Rules"), both of which became effective as of January 1, 2008.

According to the 2008 EIT Law and its Implementation Rules, both domestic enterprises and foreign invested enterprises in the PRC are subject to the enterprise income tax at a uniform rate of 25%. The 2008 EIT Law grants a transition period for enterprises that are receiving preferential tax treatments under the old foreign invested enterprise tax law. In particular, enterprises that are entitled to exemptions or reduced tax rate for a fixed term under the old foreign invested enterprise tax law will continue to enjoy such treatment until the fixed term expires. For any foreign invested enterprise, which is entitled to a two-year exemption and a 50% reduction during the succeeding three-year period, from the enterprise income tax under the old foreign invested enterprise tax law but which has not yet had a profitable year, the two-year exemption will begin to run from January 1, 2008, regardless of whether the enterprise is profitable at that time.

Under the 2008 EIT Law, enterprises are classified as either resident enterprises or non-resident enterprises. A resident enterprise is an enterprise incorporated under the PRC law or that is incorporated under the law of a jurisdiction outside of the PRC with its de facto management body located within the PRC. Such resident enterprises with de facto management body in China will be subject to PRC enterprise income tax rate of 25% on its global income. Under the New Implementation Rules, "de facto management body" is defined as a body that exercise overall management and control over the business, personnel, accounting and assets of an enterprise. In addition, the State Administration of Taxation (國家稅務總局), or the SAT, issued the Notice on Issues Relating to Determination of Chinese-Controlled Offshore Enterprises as PRC Resident Enterprises by Applying the "De Facto Management Body" Test (國家稅務總局關於境外注冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知), or the SAT Circular 82, on April 22, 2009, which took effective retrospectively from January 1, 2008. The SAT Circular 82 provides for certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore enterprise is located in China, including, among others, (1) whether the senior management in charge of daily operations and its offices are in China; (2) whether decisions or authorizing departments regarding financial management and human resources are in China; (3) whether primary assets, accounting books, seals, records and files of shareholders' meetings or board of directors are in China; and (4) whether directors or senior management with fifty percent or more voting rights habitually reside in China. Whether or not Chinese-controlled offshore enterprise is an offshore-registered resident enterprise is subject to the preliminary review by the local tax bureau where the de facto management body of Chinese controlled offshore enterprise is based and is subject to the final confirmation by SAT. Although the SAT Circular 82 provides that it only applies to offshore enterprises controlled by PRC enterprises, there is a possibility that these rules apply to offshore enterprises controlled by PRC individual as well.

The 2008 EIT Law provides that a withholding tax rate of 20% will normally be applicable to dividends payable to non-PRC resident enterprises, unless there exists a tax treaty between the PRC and the relevant jurisdictions in which such non-PRC resident enterprise shareholders reside whereupon the relevant tax may be reduced or exempted. Pursuant to the New Implementation Rules, a reduced withholding tax rate of 10% shall be applicable to any dividends payable to non-PRC enterprise investors of foreign invested enterprises.

Pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), which took effective on December 8, 2006, as amended thereafter, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more interest in that particular PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% interest in that subsidiary. Pursuant to the Notice of the SAT on the Issues Concerning the Application of the Dividends Clauses of Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知), which came into force as of February 20, 2009, the corporate recipients of dividends distributed by PRC enterprises must satisfy the direct ownership thresholds at all times during the 12 consecutive months preceding the receipt of the dividends. On August 24, 2009, the SAT issued the Administrative Measures for Non-resident Enterprises to Enjoy Treatments under Tax Treaties (For Trial Implementation) (非居民享受稅收協定待遇管理辦法(試行)), which requires that the non-resident enterprises obtain the approval for enjoying the treatments in connection with dividends distributed by PRC enterprises under tax treaties from the competent tax authority.

Pursuant to the Interim Measures for the Administration of Source-based Withholding of Enterprise Income Tax on Non-resident Enterprises (非居民企業所得稅源泉扣繳管理暫行辦法), effective on January 1, 2009, and the Notice on Strengthening the Administration of the Income Tax relating to the Equity Transfer by Non-residential Enterprises (關於加強非居民企業股權轉讓所得企業所得稅管理的通知), which was issued by the SAT on December 10, 2009 and became effective retroactively from January 1, 2008, the non-resident enterprises shall be subject to the PRC withholding tax at a rate of up to 10% on its PRC sourced capital gains, while the shares of PRC resident enterprises trading in the public securities market were excluded from the capital gains.

Business Tax

Pursuant to the PRC Provisional Regulations on Business Tax (中華人民共和國營業稅暫行條例) and its implementation rules, as amended and effective as of January 1, 2009, a business tax is levied on all units and individuals engaged in taxable services, the transfer of intangible assets or the sale of real properties within the territory of the PRC. The tax rates range from 3% to 20% depending on the type of underlying transactions.

Value-Added Tax

Pursuant to the PRC Provisional Regulations on Value-added Tax (中華人民共和國增值稅暫行條例) and its implementation rules, as amended and effective as of January 1, 2009, all units and individuals engaged in the sales of goods, provision of processing, repairs and replacement services, and the importation of goods within the territory of the PRC will be imposed with the value-added tax, and shall generally pay the value-added tax at a rate of 17%.

PRC Stamp Duties

Under the PRC Provisional Regulations on Stamp Tax (中華人民共和國印花稅暫行條例) and its implementation rules, effective as of October 1, 1988, all institutions and individuals who create and obtain taxable documents within the PRC shall pay stamp tax. The list of taxable documents include purchase and sale contracts, processing contracts, constructions project contract, property lease contracts, cargos freight contracts, warehousing and storage contracts, loan contracts, property insurance contracts, technical contracts, other documents that resemble a contract in nature, title transfer deeds, business account books, certificates of rights, licenses and other taxable documents specified by the Ministry of Finance (財政部).

FOREIGN EXCHANGE

According to the PRC Foreign Exchange Administration Rules (中華人民共和國外匯管理條例) promulgated in 1996 and revised in 1997 and 2008, respectively, the foreign exchange activities are divided into current account related activities and capital account related activities. The current account activities include those activities such as the receipts and payments in connection with trade and services and the payment of interest and dividend, which is generally not subject to the approval from the SAFE or its local branches, if applicable. The receipt of foreign currency payments under current account may be retained by the domestic enterprises or individuals and the foreign currency receipts and remittance under the current account should have a genuine and legitimate basis and financial institutions processing such transactions shall verify the authenticity of the relevant transaction documents and their consistency with the foreign currency receipts or remittances. The capital account activities generally include the investment related transactions, either through equity or debt or relevant derivative instruments, which require the approval from the SAFE or its local branches, if applicable, before the conversion for the foreign currency into RMB or RMB into the foreign currency. Under the Administration Rules of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) promulgated by the People's Bank of China (中國人民銀行) on June 20, 1996, foreign invested enterprises in the PRC generally may purchase foreign exchange without the approval or review of the SAFE or its local branches, if applicable, if such purchases are trade and service related foreign exchange transactions and commercial documents evidencing these transactions are produced. They may also retain foreign exchange, subject to a cap approved by the SAFE or its local branches, if applicable, under current account items. Foreign invested enterprises are permitted to remit their profits or dividends in foreign currencies out of their foreign exchange accounts or exchange RMB for foreign currencies through banks authorized to conduct foreign exchange business for the remittance of their profits or dividends.

In October 2005, the SAFE issued the "Notice on Issues Relating to the Administration of Foreign Exchange in Funding-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose vehicles" (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理問題的通知) (the "SAFE Circular 75"). According to the SAFE Circular 75, a special purpose vehicle ("SPV") refers to an offshore company established or indirectly controlled by PRC residents for the special purpose of carrying out financing of their assets or equity interest in PRC domestic enterprises. Prior to establishing or assuming control of an SPV, each PRC resident, either an individual or a legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch. Any PRC resident that is a shareholder of an SPV is required to amend its SAFE registration with respect to that SPV in connection with any increase or decrease of capital, transfer of shares, merger, division, equity investment, creation of any security interest or any other material change in share capital. In 2009, the SAFE issued SAFE Circular 77 to its local branches to supplement the SAFE Circular 75 with respect to the operational process for the SAFE registration, which standardized more specific and stringent supervision on the registration relating to the SAFE Circular 75. Failure to comply with those rules by the PRC residents may subject the PRC residents or the domestic companies to fines or other penalties and may limit the domestic companies' ability to distribute the dividends or other distributions to the SPVs or the SPVs' ability to contribute additional capital into the domestic companies.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on April 9, 2010. We have established a place of business in Hong Kong at Room 4202, 42/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on May 18, 2010. Ms. GUO Zhiyun, who resides at Flat B, 14/F Wang On Court, 310A King's Road, North Point, Hong Kong has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution comprising the Memorandum of Association and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix VI to this prospectus.

2. Change in share capital

Our authorized share capital as at the date of our incorporation was HK\$380,000 divided into 3,800,000 Shares of HK\$0.10 each. On April 9, 2010, one subscriber Share was transferred to Grand SITC Holdings.

On April 16, 2010, we allotted and issued an aggregate of 98,210 Shares to our existing shareholder Grand SITC Holdings in exchange for all the shares of SITC Holdings. On April 16, 2010 Grand SITC Holdings distributed all its shares in the Company to its shareholders Resourceful Link Management Limited and Watercrest Profits Limited.

Pursuant to the resolutions in writing of the shareholders of our Company passed on September 10, 2010 below, the authorized share capital of our Company was increased from HK\$380,000 to HK\$500,000,000 by the creation of an additional 4,996,200,000 Shares.

Immediately following completion of the Global Offering and the Capitalization Issue but not taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or the Pre-IPO Share Option Scheme, the issued share capital of our Company will be HK\$260,000,000 divided into 2,600,000,000 Shares, all fully paid or credited as fully paid and 2,400,000,000 Shares will remain unissued.

Save for aforesaid and as mentioned in the paragraph headed "Resolutions in writing of the shareholders of our Company passed on September 10, 2010" below, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of the shareholders of our Company passed on September 10, 2010

Pursuant to the written resolutions passed by the shareholders of our Company on September 10, 2010:

- (a) we approved and adopted the Articles of Association;
- (b) the authorized share capital of our Company was increased from HK\$380,000 to HK\$500,000,000 by the creation of an additional 4,996,200,000 Shares;

- (c) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Capitalisation Issue and the Shares to be issued as mentioned in this prospectus (including any additional Shares which may fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme or the Pre-IPO Share Option Scheme); (ii) the entering into of the agreement on the Offer Price between the Joint Bookrunners and our Company on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
- (i) the Global Offering was approved and the Directors were authorized to allot and issue the new Shares pursuant to the Global Offering;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the sub-section entitled “— D. Other Information — 1. Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme;
 - (iii) the rules of the Pre-IPO Share Option Scheme, the principal terms of which are set out in the sub-section entitled “— D. Other Information — 2. Pre-IPO Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme;
 - (iv) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, our Directors were authorized to capitalise an amount of HK\$194,990,178.90 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 1,949,901,789 Shares, such Shares to be allotted and issued to our shareholders as of the date of the passing of the resolution on a pro rata basis.
- (d) a general unconditional mandate was given to the Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the shareholders of our Company in general meeting, unissued Shares with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and Capitalization Issue (but taking no account of any Shares which may be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme or the Pre-IPO Share Option Scheme), such mandate to remain in effect until the

conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the shareholders in general meeting, whichever occurs first;

- (e) a general unconditional mandate was given to the Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue (but taking no account of any Shares which may be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme or the Pre-IPO Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the shareholders in general meeting, whichever occurs first; and
- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above.

4. Corporate reorganization

Our Company underwent a Reorganization in preparation from the listing of our Shares on the Hong Kong Stock Exchange. For information relating to the Reorganization, please refer to the section "Our History and Reorganization".

5. Changes in share capital of subsidiaries

Certain information on our subsidiaries is contained in the Accountants' Report in Appendix I to this prospectus. The following sets out the changes to the share capital made by the subsidiaries of our Company during the two years preceding the date of this prospectus:

- (a) On September 2, 2009, SITC Customs Broker Co., Ltd. increased its registered capital from RMB5,000,000 to RMB5,500,000. On December 30, 2009, SITC Customs Broker Co., Ltd. further increased its registered capital from RMB5,500,000 to RMB10,000,000.
- (b) On December 30, 2009, SITC Container Lines (Shanghai) Co., Ltd. increased its registered capital from US\$1,000,000 to US\$3,000,000.
- (c) On July 9, 2010, SITC Terminal (Qingdao) Co., Ltd. reduced its registered capital from US\$10,000,000 to US\$2,000,000.

Save as set out above, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listing is on the Main Board of Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) *Shareholders' approval*

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by specific approval of a particular transaction.

(Note: Pursuant to resolution passed by the shareholders of our Company on September 10, 2010, a general unconditional mandate (the “**Buyback Mandate**”) was granted to the Directors authorising the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of the shareholders of our Company in general meeting, whichever is the earliest.)

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and its shareholders for our Directors to have a general authority from shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company or the proceeds of a fresh issue of shares made for the purpose of the purchase or, subject to the Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Companies Law, out of capital.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) *Share capital*

Exercise in full of the Buyback Mandate, on the basis of 2,600,000,000 Shares in issue immediately after the listing of the Shares (but taking no account of Shares which may be allotted and issued pursuant to the exercise of the options granted under the Share Option Scheme), could accordingly result in up to 260,000,000 Shares being repurchased by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or
- (iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of the shareholders in general meeting, whichever occurs first.

(e) *General*

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No connected person (as defined in the Listing Rules) has notified us that he/she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is exercised.

If as a result of a securities repurchase pursuant to the Buyback Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). Accordingly, a shareholder, or a group of shareholders acting in concert, depending on the level of increase of the shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the Global Offering and the Capitalization Issue but taking no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or the Pre-IPO Share Option Scheme), the total number of Shares which will be repurchased pursuant to the Buyback Mandate shall be 260,000,000 Shares (being 10% of the issued share capital of our Company based on the aforesaid assumptions). The percentage shareholding of our Controlling Shareholders will be increased from approximately 55.07% to approximately 61.2% of the issued share capital of our Company immediately following the full exercise of the Buyback Mandate, which will not trigger an obligation by the Controlling Shareholders to make a mandatory offer in accordance with Rule 26 of the Code.

B. INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) a share transfer agreement dated December 27, 2008 between Shandong SITC and SITC Logistics pursuant to which Shandong SITC agreed to transfer 25% of the equity interest in i-Logistics (山東愛通海豐國際儲運有限公司) to SITC Logistics for consideration of RMB14,917,264.37;
- (b) a joint venture contract between Shanghai Steamship and SITC Container Lines dated December 23, 2009 for the establishment of SITC Shipping (Shanghai) Co., Ltd. (上海海嵐豐航運有限公司);
- (c) a share transfer agreement dated January 18, 2010 between Shandong SITC and SITC Logistics pursuant to which Shandong SITC agreed to transfer 50% of the equity interest in Bright Logistic (Shanghai) Co., Ltd. (上海怡豐倉儲運輸有限公司) to SITC Logistics for consideration of RMB8,905,894;
- (d) a share and shareholder's loans transfer agreement dated March 31, 2010 between SITC Shipowning Holdings Pte. Ltd. and SITC Development Co. Ltd. pursuant to which SITC Shipowning Holdings Pte. Ltd. transferred all its equity interests in and shareholder's loans extended to SITC Hakata Shipping Company Ltd., SITC Keelung Shipping Company Ltd. and SITC Pyeongtaek Shipping Company Ltd. to SITC Development Co. Ltd. for an aggregate consideration of US\$10,960,000;
- (e) the deed of indemnity dated September 10, 2010 given by our Controlling Shareholders in favour of our Company being the deed of indemnity containing indemnities in respect of, amongst others, taxation referred to in the section headed "— D. Other Information — 4. Tax and other indemnities" in this Appendix;
- (f) the Deed of Non-Competition dated September 10, 2010 between our Company and the Controlling Shareholders; and
- (g) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of the Group

Set out below are particulars as of the Latest Practicable Date of all the intellectual and industrial property rights which are material in relation to the Group's business:

(a) Trademarks

As of the Latest Practicable Date, our Company was the registered proprietor of, or has been licensed to use, the following trademarks:

| Trademark | Registration Number | Class | Name of Registered Proprietor | Place of Registration | Date of Application | Expiry Date |
|-----------|---------------------|-------|-------------------------------|-----------------------|---------------------|-------------------------------------|
| SITC | 4414160 | 39 | Shandong SITC | Japan | September 1, 2000 | September 1, 2010 ^(Note) |
| SITC | 200008918 | 39 | Shandong SITC | Hong Kong | July 15, 1999 | July 15, 2016 |

Note: Application for extension has already been made.

| <u>Trademark</u> | <u>Registration Number</u> | <u>Class</u> | <u>Name of Registered Proprietor</u> | <u>Place of Registration</u> | <u>Date of Application</u> | <u>Expiry Date</u> |
|------------------|----------------------------|--------------|---------------------------------------|------------------------------|----------------------------|--------------------|
| SITC | 1430624 | 39 | Shandong SITC | China | August 7, 2000 | August 6, 2020 |
| SITC | T03/10266F | 39 | Shandong SITC | Singapore | July 9, 2003 | July 8, 2013 |
| SITC | 01093611 | 39 | Shandong SITC | Taiwan | April 1, 2004 | March 31, 2014 |
| SITC | Bor27552 | 39 | Shandong SITC | Thailand | January 7, 2005 | January 6, 2015 |
| SITC | 2932422 | 39 | Shandong SITC | America | March 15, 2005 | March 14, 2015 |
| SITC | 62096 | 39 | Shandong SITC | Vietnam | April 21, 2005 | April 20, 2015 |
| SITC | 30577856 | 39 | Shandong SITC | Germany | December 29, 2005 | December 31, 2015 |
| 新海豐 | 3548646 | 39 | Shandong SITC | China | April 28, 2005 | April 27, 2015 |
| 海豐LOGO | 1448949 | 39 | Shandong SITC | China | September 21, 2000 | September 20, 2020 |
| SITC | 572734 | 39 | Shandong SITC | India | January 4, 2005 | January 3, 2015 |
| SITC | 4-2005-000099 | 39 | Shandong SITC | Philippines | January 13, 2006 | January 12, 2016 |
| 海豐 | 301037646 | 39 | SITC International Holdings Co., Ltd. | Hong Kong | January 23, 2008 | January 22, 2018 |
| SITC | 1258751 | 39 | SITC International Holdings Co., Ltd. | Australia | August 22, 2008 | August 21, 2018 |
| SITC | 200850060 | 39 | SITC International Holdings Co., Ltd. | Turkey | August 22, 2008 | August 21, 2018 |
| 海豐 | T0811826I | 39 | SITC International Holdings Co., Ltd. | Singapore | August 29, 2008 | August 28, 2018 |

As of the Latest Practicable Date, Shandong SITC had applied for the registration of the following trademarks which will be licensed for our use upon their registrations:

| <u>Trademark</u> | <u>Application Number</u> | <u>Class</u> | <u>Name of Applicant</u> | <u>Place of Application</u> | <u>Date of Application</u> |
|------------------|---------------------------|--------------|--------------------------|-----------------------------|----------------------------|
| SITC | 05016076 | 39 | Shandong SITC | Malaysia | September 27, 2005 |
| SITC | 301604349 | 39 | Shandong SITC | Hong Kong | May 4, 2010 |

(b) *Domain names*

As of the Latest Practicable Date, our Company was the registered proprietor of or has been licensed to use, the following domain names:

| <u>Domain Name</u> | <u>Name of Proprietor</u> | <u>Expiry Date</u> |
|-----------------------------|---------------------------|--------------------|
| <u>www.sitc.com</u> | our Company | May 5, 2015 |
| <u>www.sitclog.com</u> | our Company | October 11, 2010 |
| <u>www.sitcmaritime.com</u> | our Company | November 2, 2010 |

| <u>Domain Name</u> | <u>Name of Proprietor</u> | <u>Expiry Date</u> |
|--|---------------------------|--------------------|
| www.sitcchina.com | our Company | November 2, 2010 |
| www.sitccn.com | our Company | November 2, 2010 |
| www.sitcjp.com | our Company | November 2, 2010 |
| www.sitckorea.com | our Company | November 2, 2010 |
| www.sitckr.com | our Company | November 2, 2010 |
| www.sitccanada.com | our Company | November 2, 2010 |
| www.sitcsingapore.com | our Company | November 2, 2010 |
| www.sitcsg.com | our Company | November 2, 2010 |
| www.sitctaiwan.com | our Company | November 2, 2010 |
| www.sitctw.com | our Company | November 2, 2010 |
| www.sitcnetherlands.com | our Company | November 2, 2010 |
| www.sitcnl.com | our Company | November 2, 2010 |
| www.sitcfrance.com | our Company | November 2, 2010 |
| www.sitcfr.com | our Company | November 2, 2010 |
| www.sitcgermany.com | our Company | November 2, 2010 |
| www.sitcde.com | our Company | November 2, 2010 |
| www.sitcdenmark.com | our Company | November 2, 2010 |
| www.sitcdk.com | our Company | November 2, 2010 |
| www.sitcturkey.com | our Company | November 2, 2010 |
| www.sitctr.com | our Company | November 2, 2010 |
| www.sitcisrael.com | our Company | November 2, 2010 |
| www.sitcil.com | our Company | November 2, 2010 |
| www.sitcindia.com | our Company | November 2, 2010 |
| www.sitcin.com | our Company | November 2, 2010 |
| www.sitcmalaysia.com | our Company | November 2, 2010 |
| www.sitcmy.com | our Company | November 2, 2010 |
| www.sitcthailand.com | our Company | November 2, 2010 |
| www.sitcth.com | our Company | November 2, 2010 |
| www.sitcphilippines.com | our Company | November 2, 2010 |
| www.sitcph.com | our Company | November 2, 2010 |
| www.sitevietnam.com | our Company | November 2, 2010 |
| www.sitcca.com | our Company | November 2, 2010 |
| www.sitcholland.com | our Company | November 2, 2010 |
| www.sitchk.com | our Company | November 2, 2010 |
| www.sitcus.com | our Company | November 2, 2010 |
| www.sitcuk.com | our Company | November 2, 2010 |
| www.sitcnz.com | our Company | November 2, 2010 |
| www.sitcau.com | our Company | November 2, 2010 |
| www.sitclogistics.sg | our Company | August 7, 2011 |
| www.sitc.co.in | our Company | August 16, 2011 |
| www.sitc.com.ph | our Company | September 14, 2011 |
| www.sitclogistics.vn | our Company | July 2, 2012 |

| Domain Name | Name of Proprietor | Expiry Date |
|--|--------------------|-----------------|
| www.sitc.com.my | our Company | July 4, 2011 |
| www.sitc.sg | our Company | August 7, 2012 |
| www.sitcline.com | our Company | July 6, 2015 |
| www.sitclog.com.cn | our Company | March 31, 2018 |
| www.sitcbrokers.com | our Company | March 31, 2018 |
| www.sitc.com.cn | our Company | August 1, 2018 |
| www.sitc.cn | Shandong SITC | March 17, 2011 |
| www.sitclogistics.com.cn | Shandong SITC | May 11, 2011 |
| www.sitclogistics.cn | Shandong SITC | May 11, 2011 |
| www.sitc.ph | Shandong SITC | August 11, 2011 |
| www.sitclogistics.ph | Shandong SITC | August 11, 2011 |
| www.sitclogistics.com.ph | Shandong SITC | August 11, 2011 |
| www.sitclogistics.in | Shandong SITC | August 16, 2011 |
| www.sitc.in | Shandong SITC | August 16, 2011 |

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Disclosure of interest — interests and short positions of the Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following completion of the Global Offering and the Capitalization Issue and assuming that the options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme have not been exercised, the interest or short position of the Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our 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 will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies, once the Shares are listed are as follows:

(i) *Interest in our 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, 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 our Company.

(ii) Interest in underlying Shares

| <u>Name of Director</u> | <u>Nature of Interest</u> | <u>Number of Shares in our Company subject to options under the Pre-IPO Share Option Scheme</u> | <u>Approximate percentage of shareholding attributable to the options under the Pre-IPO Share Option Scheme ^(Note)</u> |
|--------------------------|---------------------------|---|---|
| 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

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

Notes:

- (1) Resourceful is interested in approximately 55.07% of the issued share capital of our Company after completion of the Global Offering and the Capitalisation Issue and assuming that the options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme have not been exercised. Resourceful 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 is interested in approximately 55.07% of the issued share capital of our Company after completion of the Global Offering and the Capitalisation Issue and assuming that the options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme have not been exercised. Jixiang Investments Limited is interested in 16.33% of the issued share capital of Resourceful. 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 is interested in approximately 55.07% of the issued share capital of our Company after completion of the Global Offering and the Capitalisation Issue and assuming that the options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme have not been exercised. Yicheng Investments Limited is interested in 3.05% of the issued share capital of Resourceful. 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.

(b) *Particulars of service contracts*

Each of the executive Directors and non-executive Director has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than one month' notice in writing served by either party on the other.

Each of our independent non-executive Directors entered into a letter of appointment with our Company for a term of one year commencing from the Listing Date.

(c) *Directors' emoluments*

For each of the years ended December 31, 2007, 2008 and 2009, aggregate basic salaries, bonuses, housing allowances, other allowances and benefits in kind was approximately US\$371,000, US\$2,519,000 and US\$4,639,000 respectively, aggregate pension scheme contributions for Directors or past Directors was approximately US\$9,000, US\$16,000 and US\$16,000 respectively. In such three years we did not pay any inducement to any Director to join or upon any Director joining the Company, or any compensation to any directors or past Directors for loss of office as Director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group contractual or otherwise, and there were no arrangements under which any Director waived or agreed to waive any emoluments. The estimated aggregate remuneration payable to, and benefits in kind receivable by, the Directors or any proposed Directors of the Company by any member of the Group in respect of the current financial year under the arrangements in force at the date of this prospectus is USD2,980,000.

2. Substantial Shareholders

So far as the Directors are aware, immediately following the completion of the Global Offering and the Capitalization Issue and assuming that the options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme have not been exercised, the following persons (other than the Directors and chief executives of our Company) will have or be 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 ⁽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 Trustee (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 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 our Directors to hold their family interests in our Company.
- (2) The sole shareholder of Watercrest Profits Limited is WANG Yanan, who holds such interest as the trustee for certain employees of our Company.

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Company.

4. Disclaimers

Save as disclosed herein:

- (a) none of our Directors or chief executives of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of

- the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed;
- (b) none of our Directors or experts referred to under the heading “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Company, or are proposed to be acquired or disposed of by or leased to any member of our Company;
 - (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Company taken as a whole;
 - (d) none of our Directors has any existing or proposed service contracts with any member of our Company (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
 - (e) taking no account of Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Company;
 - (f) none of the experts referred to under the heading “Consents of experts” in this Appendix has any shareholding in any member of our Company or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Company; and
 - (g) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Company.

D. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on September 10, 2010.

(a) *Purpose*

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognize and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group; and

- (ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) *Who may join*

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “Eligible Participants”) to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below to:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any Directors (including independent non-executive Directors) of our Company or any of its subsidiaries; and
- (iii) any advisors, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) *Acceptance of an offer of Options*

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favor of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an Option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the Exercise Price for the Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial advisor as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the Grantee certificates in respect of the Shares so allotted.

The exercise of any Option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorized share capital of our Company.

(d) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering (but taking no account of any Shares which may be allotted or issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme), being 260,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of the shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to the shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial advisor shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of consolidation, capitalization issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

- (ii) the approval of the shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:
 - (aa) the Eligible Participant's name, address and occupation;
 - (bb) the date on which an Option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
 - (cc) the date upon which an offer for an Option must be accepted;
 - (dd) the date upon which an Option is deemed to be granted and accepted in accordance with paragraph (c);
 - (ee) the number of Shares in respect of which the Option is offered;
 - (ff) the subscription price and the manner of payment of such price for the Shares on and in consequence of the exercise of the Option;
 - (gg) the date of the notice given by the grantee in respect of the exercise of the Option; and
 - (hh) the method of acceptance of the Option which shall, unless the Board otherwise determines, be as set out in paragraph (c).

(f) ***Price of Shares***

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) ***Granting options to connected persons***

Any grant of options to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares

issued and to be issued upon exercise of options granted and to be granted (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by our Company and the approval of the shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favor, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to the shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
 - (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent shareholders as to voting;
 - (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
 - (iv) the information required under Rule 2.17 of the Listing Rules.
- (h) ***Restrictions on the times of grant of Options***

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the Listing Rules)

and ending on the date of actual publication of the results announcement, and where an option is granted to a Director:

- (iii) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

- (iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) ***Rights are personal to grantee***

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) ***Time of exercise of Option and duration of the Share Option Scheme***

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(k) ***Performance target***

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) ***Rights on ceasing employment or death***

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(m) ***Rights on dismissal***

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of the Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, or has been convicted of any criminal offense involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(n) *Rights on takeover*

If a general offer is made to all the shareholders (or all such shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) *Rights on winding-up*

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) *Rights on compromise or arrangement between our Company and its members or creditors*

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise.

(r) *Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial advisor shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on September 5, 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approval independent financial advisor, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on the Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an Option is entitled to subscribe pursuant to the Options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offense involving his or her integrity or honesty, or in relation to an employee of the Group (if so determined by the Board), or has been insolvent, bankrupt or has made compositions with his/her creditors generally or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are canceled in accordance with paragraph (u) below.

(t) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by the shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by shareholders in general meeting.

(u) *Cancellation of Options*

Subject to paragraph (i) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any Option is cancelled pursuant to paragraph (m).

(v) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) *Administration of the Board*

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within two calendar months from the Adoption Date:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) *Present status of the Share Option Scheme*

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 260,000,000 Shares in total.

2. Pre-IPO Share Option Scheme

(a) *Summary of terms*

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

- (i) the exercise price per Share is a price equivalent to a 20% discount to the Offer Price;
- (ii) the total number of Shares subject to the Pre-IPO Share Option Scheme is 79,160,000 Shares, representing approximately 3.0% of the issued share capital of our Company immediately upon completion of the Global Offering and after exercise of all options granted under the Pre-IPO Share Option Scheme, but excluding all Shares which may fall to be issued upon the exercise of options granted or to be granted under the Share Option Scheme and the Over-Allotment Option;
- (iii) 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 our Company or the full-time employees of any of the subsidiaries of the level of manager or above and other full-time employees of our Company or any of the subsidiaries who have been in employment with our 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 our Company and/or any of the subsidiaries;

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

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

(b) *Outstanding options*

As of the date of this prospectus, options to subscribe for an aggregate of 79,160,000 Shares at an exercise price equivalent to a 20% discount to the Offer Price have been conditionally granted by our Company under the Pre-IPO Share Option Scheme. A total of 915 eligible participants have been granted options under the Pre-IPO Share Option Scheme. Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company as consideration for each grant of the option.

Below is a list of the Directors, senior management and personnel who have been granted with 800,000 options or more under the Pre-IPO Share Option Scheme:

| Grantee and position | Address | Number of Shares under the options granted | Approximate percentage of shareholding upon the exercise of the options |
|--|--|--|---|
| YANG Shaopeng (Executive Director) | Household 401, Unit 5, Building 81, 316 Hong Kong East Road, Qingdao, Shandong, PRC | 7,200,000 | 0.27% |
| YANG Xianxiang (Executive Director) | Room 2701, No. 19, Lane 1399, Ding Xiang Road, Pudong District, Shanghai PRC | 5,220,000 | 0.19% |
| LIU Kecheng (Executive Director) | Room 2603, No. 20, Lane 1599, Ding Xiang Road Pudong District, Shanghai, PRC | 800,000 | 0.03% |
| LI Xuexia (Executive Director) | Room 2601, Building No. 12, Lane 188 Ming Yue Road, Pudong District, Shanghai, PRC | 800,000 | 0.03% |

APPENDIX VIII

STATUTORY AND GENERAL INFORMATION

| Grantee and position | Address | Number of Shares under the options granted | Approximate percentage of shareholding upon the exercise of the options |
|---|--|--|---|
| XUE Peng (Executive Director) | Room 301, No. 22, Lane 910, Ding Xiang Road Pudong District, Shanghai, PRC | 800,000 | 0.03% |
| XUE Mingyuan (President of SITC Container Lines) | Household 1702, Building 16, No. 1355 Yingchun Road, Shanghai, PRC | 800,000 | 0.03% |
| XU Weili (Director of Safety Operations) | Room 1201, Building 4, Lane 258, Huangjincheng Avenue, Shanghai, PRC | 800,000 | 0.03% |
| JI Bin (President of SITC Logistics) | Room 301, No. 9, Lane 333, Fangdian Road, Pudong District, Shanghai, PRC | 800,000 | 0.03% |
| XIAO Senyuan (President of SITC Development Group Co., Ltd.) | Household 203, Unit 3, Building 6, 26 Gaoyou Lake Road, Qingdao, PRC | 800,000 | 0.03% |
| JI Wenguang (General Manager of SITC Brokers Co., Ltd.) | Room 1003, No. 20, Lane 200, Boshan Road, Pudong District, Shanghai, PRC | 800,000 | 0.03% |
| Yu Jian (General Manager of SITC Shipping Agency (Shanghai) Co., Ltd.) | Room 1201, Building 12, Lane 1355, Yingchun Road, Pudong District, Shanghai, PRC | 800,000 | 0.03% |
| Qiu Li (仇莉) (Business Consultant) | Room 1403, No. 28, Lane 888, Jinxiu Road, Pudong, Shanghai, PRC | 800,000 | 0.03% |

| Grantee and position | Address | Number of Shares under the options granted | Approximate percentage of shareholding upon the exercise of the options |
|---|---|--|---|
| Wang Yanan (王婭男) (Business Consultant) | Room 1002, Building No. 19, Lane 99, Liushan Road, Pudong, Shanghai, PRC | 800,000 | 0.03% |
| Lv Jianying (呂劍瑛) (Director of Unlisted Group) | Room 402, Unit 1, No. 93, Danxian Road, Shinan District, Qingdao, Shandong Province, PRC | 800,000 | 0.03% |
| | | 22,020,000 | 0.82% |

In addition to the above grantees, 901 other employees of our Company have been granted options to subscribe for an aggregate number of 57,140,000 Shares, representing approximately 2.13% of the issued share capital of our Company immediately upon completion of the Global Offering and after exercise of all options granted under the Pre-IPO Share Option Scheme, with individual grant ranging from 40,000 to 200,000 Shares. Except for our Directors, none of the grantees disclosed above is a connected person of our Company as defined in the Listing Rules.

The options granted under the Pre-IPO Share Option Scheme are personal to the grantees and not transferable.

Save for the above, no further options has been offered under the Pre-IPO Share Option Scheme and no further options will be offered thereunder on or after the Listing Date.

The shareholding structure of our Company before and after the full exercise of all the options granted under the Pre- IPO Share Option Scheme will be as follows:

| | Before any exercise | After full exercise |
|---|---------------------|-----------------------|
| Resourceful | 55.07% | 53.43% ⁽²⁾ |
| Watercrest Profits Limited | 19.93% | 19.33% |
| Grantees under Pre-IPO Share Option Scheme ⁽¹⁾ | 0% | 2.99% ⁽²⁾ |
| Public | <u>25%</u> | <u>24.25%</u> |
| Total | 100% | 100% |

(1) Comprising 0.55% to directors and 2.44% to employees.

(2) Upon consolidation of the 0.49% attributable to Messrs YANG Shaopeng, YANG Xianxiang and LIU Kecheng under Resourceful Link Management Limited, Resourceful Management Limited would hold 53.92%

We will ensure compliance with the minimum public float requirement of Rule 8.08 of the Listing Rules.

(c) *Valuation of the options granted under the Pre-IPO Share Option Scheme*

The valuation of options granted under the Pre-IPO Share Option Scheme was conducted based on the Binomial Model with the following assumptions:

| | |
|--|------------------------|
| Date of grant | : March 31, 2010 |
| Estimated share price at the date of grant | : US\$0.072 (HK\$0.56) |
| Annual risk free rate | : 2.23% |
| Expected volatility | : 56.70% |
| Life of the option | : 5 years |
| Expected dividend yield | : 2% |

The share-based payment expense in relation to the Pre-IPO Share Option Scheme is estimated to be approximately US\$2.08 million (HK\$16.18 million) million, which will be amortized over the vesting period of the share options from year 2010 to year 2015.

The fair value per share option:

| | |
|-----------|------------------------|
| 30-Sep-11 | US\$0.0256 (HK\$0.198) |
| 30-Sep-12 | US\$0.0261 (HK\$0.203) |
| 30-Sep-13 | US\$0.0263 (HK\$0.204) |
| 30-Sep-14 | US\$0.0263 (HK\$0.204) |

The result of the Binomial Model can be materially affected by changes in the aforesaid assumptions so an option's actual value may be differ from the estimated fair value of the options due to limitations of the Binomial Model. All options forfeited before expiry of the Pre-IPO Share Option Scheme will be treated as lapsed and will not be added back to the number of shares available to be issued under the Pre-IPO Share Option Scheme.

(d) *Effect on the earnings per share as a result of the pre-IPO share options*

Assuming that all the options granted under the Pre-IPO Share Option Scheme had been exercised in full during the year ending December 31, 2010 and that 2,679,160,000 Shares, comprising 2,600,000,000 Shares to be in issue immediately after the Global Offering and 79,160,000 Shares to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme, were deemed to have been in issue throughout the year ending December 31, 2010, but not taking into account any Shares which may be allotted and issued upon the exercise of the Over-Allotment Option, the dilution effect would be approximately 3% and would not have a material effect on our unaudited forecast basic earnings per Share.

(e) *Waiver*

We have applied for (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under rule 17.02 (1)(b) and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) a certificate of exemption under section 342A of the Companies Ordinance from the SFC in strict compliance with the disclosure requirements of paragraph 10 of Part I of the Third Schedule to the Companies Ordinance, on the grounds that the exemption would not prejudice the interests of the investing public and that strict compliance with the relevant rules would be unduly burdensome. It is estimated that a complete disclosure of the name, address and

options granted to each grantee would require over 75 pages of this prospectus, significantly increasing the cost for drafting and printing. Furthermore, full disclosure may also negatively impact our relationships with the grantees, as some grantees may become dissatisfied with the options granted to them after comparing with other grantees.

The Stock Exchange has granted the waiver to us, subject to the following conditions:

- (1) full disclosure in this prospectus on all options under the Pre-IPO Share Option Scheme granted to each of the Directors, senior management and personnel who has been granted with 800,000 options or more, including all particulars required under paragraph 10 of Part I of the Third Schedule to the Companies Ordinance, rule 17.02(1)(b) and paragraph 27 of Appendix IA to the Listing Rules;
- (2) disclose in this prospectus, for the remaining grantees on an aggregate basis:
 - (i) their aggregate number and the number of Shares underlying the options granted;
 - (ii) the consideration paid for the options;
 - (iii) the exercise period of the option; and
 - (iv) the exercise price for the options;
- (3) disclose in this prospectus (i) the aggregate number of Shares underlying the options under the Pre-IPO Share Option Scheme, (ii) the percentage of our issued share capital represented by such Shares and (iii) the dilution effect and impact on earnings per share upon full exercise of the options under the Pre-IPO Share Option Scheme; and
- (4) a full list of all the grantees (including the persons referred to in paragraph (1) above) who have been granted options to subscribe for Shares under the Pre-IPO Share Option Scheme, containing all the details as required under rule 17.02 (1)(b) and paragraph 27 of Appendix IA to the Listing Rules and paragraph 10 of Part I of the Third Schedule of the Companies Ordinance, is made available for public inspection as referred to the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix IX to this prospectus.

The SFC (pursuant to section 342A of the Companies Ordinance) has granted the certificate of exemption to us on the following conditions:

- (1) full disclosure in this prospectus on all options under the Pre-IPO Share Option Scheme granted to each of the Directors, senior management and personnel who has been granted with 800,000 options or more, including all particulars required under paragraph 10 of Part I of the Third Schedule to the Companies Ordinance;
- (2) disclose in this prospectus, for the remaining grantees on an aggregate basis:
 - (i) their aggregate number and the number of Shares underlying the options granted;
 - (ii) the consideration paid for the options;
 - (iii) the exercise period of the option; and
 - (iv) the exercise price for the options;
- (3) disclose in this prospectus (i) the aggregate number of Shares underlying the options under the Pre-IPO Share Option Scheme, and (ii) the percentage of our issued share capital represented by such Shares; and
- (4) a full list of all the grantees (including the persons referred to in paragraph (1) above) who have been granted options to subscribe for Shares under the Pre-IPO Share Option Scheme, containing all the details as required under Paragraph 10 of Part I of the Third Schedule of the Companies Ordinance, is made available for public inspection as referred to the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix IX to this prospectus.

(f) Summary of the main terms of the Pre-IPO Share Option Scheme**(i) Purpose**

The Pre-IPO Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions that the Eligible Participants (as defined in paragraph (ii) below) have or may have made to our Company. The Pre-IPO Share Option Scheme will provide the Eligible Participants with an opportunity to have a personal stake in our Company with a view to achieving the following objectives:

- (1) motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Company; and
- (2) attract and retain or otherwise maintain relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Company.

(ii) Who may join

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price set out in paragraph (iv) below to:

- (1) any full-time employees, executives or officers of our Company; or
- (2) any Directors (including non-executive Directors and independent non-executive Directors) of our Company; or
- (3) any full-time employees of any subsidiaries of our Company of the level of manager or above and other full-time employees of our Company or its subsidiaries who have been in employment with our Company for over 1 year prior to the date of the adoption of the Pre-IPO Share Option Scheme; or
- (4) any other persons who, in the sole opinion of the Board, have contributed or will contribute to the Company or any of its subsidiaries.

(iii) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme is 79,160,000 Shares.

(iv) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Pre-IPO Share Option Scheme shall be a price equivalent to a 20% discount to the Offer Price.

(v) Rights are personal to grantee

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do.

(vi) Time of exercise of option and duration of the Pre-IPO Share Option Scheme

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 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.

(vii) Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

(viii) Effect of alterations to capital

In the event of capitalization issue, rights issue, open offer, consolidation, subdivision or reduction of share capital of our Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option and/or the method of exercise of the option as the auditors of our Company or an independent financial advisor shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to pre-IPO share option schemes (the “**Supplemental Guidance**”). Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company (as interpreted in accordance with the Supplementary Guidance for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on the full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be

made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations. Any adjustment to be made will comply with the Listing Rules, the Supplemental Guidance and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(ix) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (1) the expiry of the respective stated exercise period in the Pre-IPO Share Option Scheme;
- (2) the date of expiry of the option as may be determined by the Board;
- (3) the date of commencement of the winding-up of our Company in accordance with the Companies Law;
- (4) the date on which the grantee ceases to be an Eligible Participant for any reason. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (5) the date on which the Board shall exercise our Company's right to cancel the option in accordance with paragraph (xii) below.

(x) *Alteration of the Pre-IPO Share Option Scheme*

The Pre-IPO Share Option Scheme may be altered in any respect by resolution of the Board except that any material alteration to the terms and conditions of the Pre-IPO Share Option Scheme or any change to the terms of options granted, shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Pre-IPO Share Option Scheme.

(xi) *Cancellation of Options*

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options.

(xii) *Termination of the Pre-IPO Share Option Scheme*

We may by resolution in general meeting or the Board at any time terminate the Pre-IPO Share Option Scheme and in such event no further option shall be offered but the provisions of the Pre-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme.

Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Pre-IPO Share Option Scheme.

(xiii) Administration of the Board

The Pre-IPO Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Pre-IPO Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(xiv) Disclosure in annual and interim reports

We will disclose details of the Pre-IPO Share Option Scheme in our annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

Our Directors confirm that they will not exercise any options granted under the Pre-IPO Share Option Scheme if as a result of the conversion our Company would not be able to comply with the minimum public float requirement of the Listing Rules.

3. The Watercrest Trust

In 2006, the Watercrest Trust and the Loyal Mate Trust were established to hold indirect interests in the shares of Grand SITC Holdings for the benefit of employees, with Wang Yanan acting as the trustee for both trusts. Subsequently in October 2009, the All Precise Trust was established to hold indirect interests in the shares of Grand SITC Holdings (through its shareholding in Resourceful) for a further group of employees, and Wang Yanan was also appointed trustee for such trust.

As described under the section of this prospectus entitled “Our History and Reorganization,” in April 2010, the Loyal Mate Trust and All Precise Trust were subsumed under the Watercrest Trust, and their assets became trust assets under the Watercrest Trust, and their beneficiaries became beneficiaries under the Watercrest Trust. As of the date of this prospectus, the Watercrest Trust is interested in approximately 26.57% of the share capital of the Company, or approximately 19.93% of the share capital of the Company after completion of the Global Offering (assuming the Over-Allotment Option is not exercised).

Under the Watercrest Trust, beneficiaries have attributable interests in Shares which are calculated based on their interests as beneficiaries in the trust assets of the Watercrest Trust. The following Directors are beneficiaries of the Watercrest Trust and their attributable interests in Shares (after completion of the Global Offering but taking no account of any Shares that may be allotted or issued pursuant to the exercise of any options granted under the Share Option Scheme or the Pre-IPO Share Option Scheme) are as follows:

| Name | Attributable interest in Shares | Approximate percentage interest in the Company |
|-------------------------|------------------------------------|---|
| Mr. XUE Peng | 12,866,176 | 0.495% |
| Ms. LI Xuexia | 12,707,334 | 0.489% |

The Watercrest Trust contains the following terms:

(i) ***Pro rata entitlement to dividends on Shares***

All dividends on Shares received by the Watercrest Trust are required to be distributed to the beneficiaries of the Watercrest Trust pro rata according to their interests as beneficiaries, but subject to the withholding and/or payment of all relevant costs and expenses including but not limited to any income, profits or withholding taxes and any costs of currency exchange.

(ii) ***Rights issue and open offer entitlements***

In the event of rights issues or open offers or other pro rata issuance of securities by the Company, the trustee may sell entitlements accruing to the Watercrest Trust in the market for cash for pro rata distribution to beneficiaries or, to the extent compliant with all applicable laws and regulations, renounce such entitlements in favour of the relevant beneficiaries.

(iii) ***Moratorium periods and share disposal program***

Beneficiaries under the Watercrest Trust are subject to a moratorium period of one year with respect to their attributable interests in Shares. A beneficiary is entitled, with respect to attributable interests in Shares which have already been released from the moratorium, to make a written request to the trustee for the relevant underlying Shares to be sold in the market by the Watercrest Trust and for the net cash proceeds, after deducting costs and expenses such as stamp duties, transaction levies and trading fees and any income, profits or withholding taxes, to be used to effect a proportionate redemption of the beneficiary's interest in the trust assets of the Watercrest Trust.

The share disposal program implemented by the Watercrest Trust will comprise the following elements: (i) the Watercrest Trust will commence a sale program at the commencement of each financial quarter; (ii) requests to participate in such a sale program must be received by the trustee not later than five business days prior to the commencement of the financial quarter when the sale program will begin; (iii) the sale program will persist for two quarters and if there are any Shares which the trustee has not sold at the end of such period then the corresponding requests to participate in the sale program will be considered to have *pro tanto* amended and (iv) the trustee will consult with the Company and determine the amount of sales that should be made in any sale program, the timing of sales and all other matters in connection with the making of such sales.

In respect of attributable interests in Shares which have already been released from the moratorium, the trustee may also exercise a power available under the trust deed to appropriate to such beneficiary such Shares, in satisfaction of the whole or relevant proportion of the beneficiary's beneficial interest under these trusts, to the extent such an appropriation would be compliant with all applicable laws and regulations and subject to deduction of relevant costs and expenses such as stamp duties, transaction levies and trading fees and any income, profits or withholding taxes.

The trustee of the Watercrest Trust is not permitted, except in the circumstances set out above, acting of the trustee's own accord to dispose of any of the Shares held under the Watercrest Trust.

(iv) *No voting rights*

The trustee is required under the trust deed to exercise the voting and other rights attached to Shares held by the Watercrest Trust in accordance with the directions of the Board of Directors of the Company.

(v) *Change of trustee*

The power of appointing new or additional trustees for the Watercrest Trust is vested in the Company.

(vi) *Amendment of trust deed*

The Company may by deed delivered to the trustee vary, amend, modify, alter or extend the trusts, powers and provisions of the trust deed in any manner and in any particular whatsoever.

4. Tax and other indemnities

Our Controlling Shareholders have entered into a deed of indemnity with and in favor of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in paragraph (e) of the sub-section headed “Summary of material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any claim to which any member of our Company may be subject and payable on or before the date when the Global Offering becomes unconditional.

5. Litigation

Save as disclosed in the paragraph headed “Legal Proceedings” in the section headed “Our Business” in this prospectus, as of the Latest Practicable Date, no member of our Company was engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Company.

6. Sponsor

The Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for a listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Pre-IPO Share Option Scheme).

7. Preliminary expenses

The estimated preliminary expenses incurred or to be incurred by our Company are approximately HK\$390,000 and are payable by our Company.

8. Promoter

Our Company has no promoter for the purposes of the Listing Rules.

9. Taxation of holders of Shares**(a) Hong Kong**

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Company.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

10. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

| Name | Qualifications |
|---|--|
| Citigroup Global Markets Asia Limited | Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the SFO, acting as the Sponsor of the Global Offering |
| Ernst & Young | Certified Public Accountants |
| Haiwen & Partners | PRC legal advisors |
| Conyers Dill & Pearman | Cayman Islands attorneys-at-law |
| Jones Lang LaSalle Sallmanns Limited | Property valuer |
| Drewry Maritime Services (Asia) Pte Limited | Industry consultant |

11. Consents of experts

Each of the experts named in paragraph 10 of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

12. Interests of experts in our Company

None of the persons named in paragraph 10 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Company or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Company.

13. Selling Shareholders

If the Over-allotment Option is exercised, the following Shareholders will sell their Shares under the Over-allotment Option:

| <u>Name</u> | <u>Description</u> | <u>Registered office</u> | <u>Number of Sale Shares⁽¹⁾</u> |
|---|--------------------|--|--|
| Resourceful Link Management Limited | Corporation | P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | 71,594,900 |
| Watercrest Profits Limited | Corporation | P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | 25,905,100 |
| Total | | | <u>97,500,000</u> |

Note:

(1) Assuming the Over-allotment Option has been exercised in full.

14. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

15. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) there are no founder, management or deferred shares nor any debentures in our Company;

- (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company since June 30, 2010 (being the date to which the latest audited combined financial statements of our Company were made up);
- (d) there has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 12 months preceding the date of this prospectus;
- (e) the principal register of members of our Company will be maintained in the Cayman Islands by Butterfield Fulcrum Group (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;
- (f) no company within our Company is presently listed on any stock exchange or traded on any trading system; and
- (g) our Directors have been advised that, under the Companies Law, the use of a Chinese name by our Company does not contravene the Companies Law.

16. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the **WHITE, YELLOW** and **GREEN** application forms;
- (b) the written consents referred to in the section headed “Statutory and General Information — D. Other Information” in Appendix VIII to this prospectus;
- (c) copies of the material contracts referred to in the section headed “Statutory and General Information — B. Further Information about the Business” in Appendix VIII to this prospectus; and
- (d) a statement of particulars of the Selling Shareholders.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Sidley Austin, Level 39, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) our Memorandum and Articles of Association;
- (b) the Accountants’ Report from Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the report received from Ernst & Young relating to the unaudited pro forma financial information of our Group, the texts of which are set out in Appendix II to this prospectus;
- (d) the letters relating to the profit forecast from Ernst & Young and the sole Sponsor respectively, the texts of which are set out in Appendix III to this prospectus;
- (e) the letter, summary of values and valuation certificate relating to our property interests prepared by Jones Lang LaSalle Sallmanns Limited, the texts of which are set out in Appendix IV to this prospectus, and the full valuation report of Jones Lang LaSalle Sallmanns Limited referred to in Appendix IV to this prospectus;
- (f) the PRC legal opinion(s) dated this prospectus date issued by Haiwen & Partners, our legal advisers on the PRC law;
- (g) our Pre-IPO Share Option Scheme;
- (h) our Share Option Scheme;
- (i) the material contracts referred to in the section headed “Statutory and General Information — B. Further Information about the Business — 1. Summary of Material Contracts” in Appendix VIII to this prospectus;
- (j) the written consents referred to in the section headed “Statutory and General Information — D. Other Information — 11. Consents of Experts” in Appendix VIII to this prospectus;
- (k) the service agreements referred to in the section headed “Statutory and General Information — C. Further Information about Directors and Substantial Shareholders — 1. Directors — (b) Particulars of Service Contracts” in Appendix VIII to this prospectus;

- (l) the letter of advice prepared by Conyers Dill and Pearman summarizing certain aspects of the Cayman Islands Companies Law as referred to in Appendix VI to this prospectus;
- (m) the Cayman Islands Companies Law;
- (n) the full list of all the grantees of the Pre-IPO Share Option Scheme, containing all the details in respect of each option required under paragraph 10 of the Third Schedule of the Companies Ordinance and Rule 17.02(1)(b) and paragraph 27 of Part A of Appendix 1 to the Listing Rules; and
- (o) a statement of particulars of the Selling Shareholders.



SITC International Holdings Company Limited

海豐國際控股有限公司