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SITC International Holdings Company Limited
海豐國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1308)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

Financial Highlights

- Revenue for the year ended 31 December 2011 was approximately US$1,087.2 million, up by approximately 22.0% as compared with approximately US$891.5 million for the year ended 31 December 2010.
- Gross profit for the year ended 31 December 2011 decreased from approximately US$171.8 million for the year ended 31 December 2010 to approximately US$126.9 million for the corresponding period in year 2011, which translated to a gross profit margin of approximately 11.7% for the year ended 31 December 2011 compared to approximately 19.3% for the year ended 31 December 2010.
- Profit for the year ended 31 December 2011 decreased by approximately 15.9% to approximately US$94.4 million from approximately US$112.3 million for the year ended 31 December 2010, which correspond to a net profit margin of approximately 8.7% for the year 2011 compared to approximately 12.6% for the corresponding period in the year 2010.
- Basic earnings per share for the year ended 31 December 2011 amounted to 3.60 US cents (2010: 4.31 US cents).

The board (the "**Board**") of directors (the "**Directors**") of SITC International Holdings Company Limited (the "**Company**" or "**SITC**", together with its subsidiaries, the "**Group**") is pleased to announce the consolidated results of the Group for the year ended 31 December 2011, together with the comparative figures for the year ended 31 December 2010, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") as below.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2011 US$'000	2010 US$'000
REVENUE	4	1,087,241	891,510
Cost of sales		(960,332)	(719,694)
Gross profit		126,909	171,816
Other income and gains	4	34,603	3,054
Administrative expenses		(57,434)	(52,144)
Other expenses and losses		(4,524)	(6,166)
Finance costs	6	(1,625)	(1,678)
Share of profits and losses of associates		258	133
PROFIT BEFORE TAX	5	98,187	115,015
Income tax expense	7	(3,752)	(2,684)
PROFIT FOR THE YEAR		94,435	112,331
OTHER COMPREHENSIVE INCOME/(LOSS)			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year		(2,360)	(4,511)
Reclassification adjustments for losses included in profit or loss		4,207	943
		1,847	(3,568)
Exchange differences on translation of foreign operations		2,003	1,303
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		3,850	(2,265)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		98,285	110,066

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

	Notes	Year ended 31 December 2011 *US$'000*	2010 *US$'000*
Profit for the year attributable to:			
Owners of the parent		93,608	111,983
Non-controlling interests		827	348
		94,435	112,331
Total comprehensive income attributable to:			
Owners of the parent		97,442	109,624
Non-controlling interests		843	442
		98,285	110,066
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic (US cents per share)		3.60	4.31
Diluted (US cents per share)		3.60	4.29

Details of the final dividend proposed for the year are disclosed in note 8.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2011 US$'000	2010 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment		271,081	194,823
Prepaid land lease payments		3,783	2,045
Investments in associates		9,187	2,402
Available-for-sale investments		782	394
Total non-current assets		284,833	199,664
CURRENT ASSETS			
Bunkers		16,088	11,796
Trade receivables	10	84,290	55,910
Prepayments, deposits and other receivables		29,525	15,476
Due from related companies		871	2,133
Pledged deposits		79	75
Cash and cash equivalents		449,018	515,334
Total current assets		579,871	600,724
CURRENT LIABILITIES			
Trade payables	11	151,355	93,194
Other payables and accruals		19,821	27,160
Due to related companies		866	1,096
Derivative financial instruments		775	2,693
Interest-bearing bank borrowings		31,205	12,772
Tax payable		1,792	1,221
Total current liabilities		205,814	138,136
NET CURRENT ASSETS		374,057	462,588
TOTAL ASSETS LESS CURRENT LIABILITIES		658,890	662,252

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Notes	31 December 2011 US$'000	31 December 2010 US$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		658,890	662,252
NON-CURRENT LIABILITIES			
Derivative financial instruments		239	430
Interest-bearing bank borrowings		5,948	65,644
Deferred tax liabilities		49	205
Total non-current liabilities		6,236	66,279
Net assets		652,654	595,973
EQUITY			
Equity attributable to owners of the parent			
Issued capital		33,446	33,522
Reserves		576,031	520,026
Proposed final dividend	8	39,997	40,088
		649,474	593,636
Non-controlling interests		3,180	2,337
Total equity		652,654	595,973

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

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

Group Reorganisation

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

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

Merger accounting for business combination under common control

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

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Other than the Reorganisation which was accounted for using the principles of merger 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 that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

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

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

2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

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

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

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

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

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

3 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has two reportable operating segments as follows:

(a) the sea freight logistics segment is engaged in the provision of marine transportation services and related businesses; and

(b) the land-based logistics segment is engaged in the provision of freight forwarding, shipping agency, depot and warehousing, trucking and ship brokerage services and related businesses.

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

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

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

The Group's revenue from external customers from each service is set out in note 4.

Year ended 31 December 2011

	Sea freight logistics *US$'000*	Land-based logistics *US$'000*	Total *US$'000*
Segment revenue:			
Sales to external customers	375,013	712,228	1,087,241
Intersegment sales	464,585	20,740	485,325
	839,598	732,968	1,572,566
Reconciliation:			
Elimination of intersegment sales			(485,325)
Revenue			1,087,241
Segment results	45,175	42,079	87,254
Reconciliation:			
Bank interest income			10,941
Other investment income			1,617
Finance costs			(1,625)
Profit before tax			98,187

	Sea freight logistics	Land-based logistics	Total
	US$'000	*US$'000*	*US$'000*
Segment assets	274,986	393,499	668,485
Reconciliation:			
Elimination of intersegment receivables			(281,113)
Corporate and other unallocated assets			477,332
Total assets			864,704
Segment liabilities	99,597	348,373	447,970
Reconciliation:			
Elimination of intersegment payables			(281,113)
Corporate and other unallocated liabilities			45,193
Total liabilities			212,050
Other segment information:			
Share of profits and losses of associates	—	258	258
Depreciation	7,945	4,553	12,498
Recognition of prepaid land lease payments	—	54	54
Gain on disposal of items of property, plant and equipment, net	817	71	888
Impairment of trade receivables	—	15	15
Investments in associates	—	9,187	9,187
Capital expenditure*	71,276	25,238	96,514

* Capital expenditure consists of additions to property, plant and equipment.

Year ended 31 December 2010

	Sea freight logistics *US$'000*	Land-based logistics *US$'000*	Total *US$'000*
Segment revenue:			
Sales to external customers	433,796	457,714	891,510
Intersegment sales	261,012	15,160	276,172
	694,808	472,874	1,167,682
Reconciliation:			
Elimination of intersegment sales			(276,172)
Revenue			891,510
Segment results	89,391	25,818	115,209
Reconciliation:			
Interest income			1,484
Finance costs			(1,678)
Profit before tax			115,015
Segment assets	204,753	208,438	413,191
Reconciliation:			
Elimination of intersegment receivables			(143,788)
Corporate and other unallocated assets			530,985
Total assets			800,388
Segment liabilities	67,161	190,076	257,237
Reconciliation:			
Elimination of intersegment payables			(143,788)
Corporate and other unallocated liabilities			90,966
Total liabilities			204,415

	Sea freight logistics	Land-based logistics	Total
	US$'000	*US$'000*	*US$'000*
Other segment information:			
Share of profits and losses of associates	—	133	133
Depreciation	8,883	1,670	10,553
Recognition of prepaid land lease payments	—	43	43
Loss on disposal/write-off of items of property, plant and equipment, net	13	1,040	1,053
Impairment of trade receivables	680	190	870
Investments in associates	—	2,402	2,402
Capital expenditure*	36,783	2,905	39,688

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

Geographical information

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

The revenue information is based on the location of customers.

	2011	2010
	US$'000	*US$'000*
Mainland China	485,196	479,361
Japan	419,026	307,951
Korea	61,040	44,825
Others	121,979	59,373
	1,087,241	891,510

4 REVENUE, OTHER INCOME AND GAINS

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

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

	2011	**2010**
	US$'000	*US$'000*
Revenue		
Container shipping services	375,013	433,796
Shipping agency services, freight forwarding services for transportation and logistics management services	712,228	457,714
	1,087,241	891,510

	2011	**2010**
	US$'000	*US$'000*
Other income		
Bank interest income	10,941	1,484
Other investment income	1,617	37
Terminal compensation income	2,363	—
Government subsidies*	74	619
	14,995	2,140
Gains		
Gain on disposal of items of property, plant and equipment, net	888	—
Fair value gains on derivative instruments - transactions not qualifying as hedges	—	914
Foreign exchange differences, net	18,720	—
	19,608	914
	34,603	3,054

* The amount received represented subsidies received from the relevant authorities in the PRC and Japan for the Group's operation of container lines and logistics business.

5. PROFIT BEFORE TAX

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

	2011	2010
	US$'000	*US$'000*
Cost of bunkers consumed	206,454	129,452
Depreciation	12,498	10,553
Recognition of prepaid land lease payments	54	43
Auditors' remuneration	372	247
Minimum lease payments under operating leases in respect of:		
Land and buildings	4,309	3,608
Vessels	94,252	49,354
Containers	49,740	35,983
	148,301	88,945
Employee benefit expense (including directors' remuneration):		
Wages and salaries	35,092	28,755
Equity-settled share option expenses	867	838
Pension scheme contributions (defined contribution scheme)	5,461	2,989
	41,420	32,582
Foreign exchange differences, net	(18,720)	7,674
Loss on disposal/write-off of items of property, plant and equipment, net*	—	1,053
Impairment of trade receivables*	15	870
Loss on early termination of derivative instruments*	—	3,300
Fair value losses on cash flow hedges (transfer from equity)*	4,207	943
Fair value losses on derivative instruments — transactions not qualifying as hedges*	302	—

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2011	**2010**
	US$'000	*US$'000*
Interest on bank loans wholly repayable within five years	1,263	624
Interest on bank loans wholly repayable beyond five years	362	1,054
	1,625	1,678

7. INCOME TAX EXPENSE

	2011	**2010**
	US$'000	*US$'000*
Group:		
Current:		
Mainland China	2,503	1,772
Hong Kong	1,005	379
Elsewhere	400	328
Deferred	(156)	205
Total tax charge for the year	3,752	2,684

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

8. DIVIDEND

	2011		2010	
	HK$'000	*US$'000 equivalent*	*HK$'000*	*US$'000 equivalent*
Proposed final — HK12 cents (equivalent to US1.54 cents) per ordinary share (2010: HK12 cents (equivalent to US1.54 cents))	310,764	39,997	312,000	40,088

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

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

The calculation of basic earnings per share amount for the year ended 31 December 2011 is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,599,662,866 in issue during the year ended 31 December 2011.

The calculation of basic earnings per share amount for the year ended 31 December 2010 is based on the profit for the year attributable to the ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,600,000,000 in issue during the year ended 31 December 2010, on the assumption that the Reorganisation, the capitalisation issue of shares and the issue of shares in connection with the Listing had been completed on 1 January 2010.

The calculation of diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year ended 31 December 2010, as used in the basic earnings per share calculation, and the weighted average of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amount presented for year ended 31 December 2011 in respect of a dilution as the shares oustanding under the two Share Option Schemes had an anti-dilutive effect on the basis earnings per share amount presented.

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

	2011	2010
	US$'000	*US$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	93,608	111,983

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	2,599,662,866	2,600,000,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	—	10,934,643
	2,599,662,866	2,610,934,643

10. TRADE RECEIVABLES

	Group	
	2011	2010
	US$'000	*US$'000*
Trade receivables	84,634	56,243
Impairment	(344)	(333)
	84,290	55,910

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 15 days, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	Group	
	2011	**2010**
	US$'000	*US$'000*
Within 1 month	72,886	41,705
1 to 2 months	9,136	12,691
2 to 3 months	1,358	971
Over 3 months	910	543
	84,290	55,910

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2011	**2010**
	US$'000	*US$'000*
Neither past due nor impaired	83,380	55,367
Less than 1 month past due	910	543
	84,290	55,910

11. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2011	**2010**
	US$'000	*US$'000*
Within 1 month	138,011	66,260
1 to 2 months	6,078	18,397
2 to 3 months	3,092	4,663
Over 3 months	4,174	3,874
	151,355	93,194

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

12. EVENTS AFTER THE REPORTING PERIOD

On 28 February 2012, SITC Investment Holdings (Qingdao) Company Limited ("Qingdao SITC Investment"), an investment holding company in which 62.5% interest is owned by the Controlling Shareholder, entered into an equity transfer agreement with SITC Shipping Management (Shanghai) Co., Ltd. ("Shanghai SITC Shipping Management"), a subsidiary of the Group, pursuant to which Qingdao SITC Investment agreed to sell, and Shanghai SITC Shipping Management agreed to purchase, the entire equity interest in SITC Ship Management (Shangdong) Co., Ltd. ("Shangdong Shipping Management") for a total consideration of approximately US$ 877,000.

On the same day, Shanghai SITC Shipping Management and Qingdao SITC Investment entered into a shipping management and crew management agreement pursuant to which Shanghai SITC Shipping Management agreed to provide shipping management service and crew management services to Qingdao SITC Investment.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Business Review

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

In the year 2011, our sea freight logistics business continued to provide container shipping services that focused exclusively on the intra-Asia market. As of 31 December 2011, we operated a total of 51 trade lanes, including 6 trade lanes through joint services and 18 trade lanes through container slot exchange arrangements. These trade lanes cover 40 major ports in the PRC, Japan, Korea, Taiwan, Hong Kong, Vietnam, Thailand, the Philippines and Cambodia. As of 31 December 2011, we operated a fleet of 53 vessels with total capacity of 50,360 TEU, comprised of 14 self-owned and 39 chartered vessels, with an average age of 7.7 years. 43 of these 53 vessels were of the 1,000 TEU type. Revenue generated by our sea freight logistics business for the year ended 31 December 2011 amounted to US$839.6 million and it represented an increase of approximately 20.8% as compared to the same period in the year 2010. The increase represented mainly the increase in our shipping volume due to the increase in our shipping capacity and the increase in average freight rate.

Our land-based logistics business is another key part of our business model, which includes freight forwarding, shipping agency, depot and warehousing, trucking and ship brokerage services. As of 31 December 2011, our freight forwarding network covered 24 major cities in the PRC, Japan, Korea, Hong Kong and Vietnam while our shipping agency network covered 42 major ports and cities in the PRC, Japan, Korea, Hong Kong, Vietnam, Thailand and the Philippines. We also operated approximately 578,000 m^2 of depot and 71,000 m^2 of warehousing space. Revenue generated by our land-based logistics business for the year ended 31 December 2011 amounted to US$733.0 million as compared to US$472.9 million for the same period in the year 2010. The increase was mainly attributable to the increased scale of our freight forwarding operations.

The global shipping industry is expected to face a number of difficulties and challenges in 2012. The management of the Group remains confident about the business environment for container shipping logistics within intra-Asia market in the year 2012. With the expansion of our business, we will continue to optimize our unique business model, expand our intra-Asia service network, as well as replicate our integrated service model within our network. Meanwhile, we will continue to expand our self-owned fleet by taking advantage of windows of attractive vessel prices, so as to keep pace with the development of our business and secure a long-term competitive cost position. Through the above measures and together with our continuous enhancement on our information technology systems, we will strive for the goal in becoming a world-class integrated logistics solutions provider.

Market Review

During the year 2011, the global shipping industry slumped into a trough again after experiencing a brief recovery in 2010. The intra-Asia container shipping market (which is the focus of our sea freight logistics business) still maintained a remarkable growth benefiting from higher economic and trade growth in the PRC and Southeast Asian countries, and remained the world’s largest shipping market.

For the year ended 31 December 2011, we recorded an approximately 12.6% increase in shipping volume and an increase of approximately 7.3% in terms of average freight rate and an increase of approximately 40.6% in land-based freight forwarding volume.

Financial Overview

	Year ended 31 December							
	2011	2010	2011	2010	2011	2010	2011	2010
	Sea freight logistics		Land-based logistics		Inter-segment sales		Total	
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue	839,598	694,808	732,968	472,874	(485,325)	(276,172)	1,087,241	891,510
Cost of sales	(797,465)	(583,041)	(648,192)	(412,825)	485,325	276,172	(960,332)	(719,694)
Gross profit	42,133	111,767	84,776	60,049			126,909	171,816
Other income and gains (excluding interest and investment income)	19,560	1,055	2,485	515			22,045	1,570
Administrative expenses	(12,194)	(18,495)	(45,240)	(33,649)			(57,434)	(52,144)
Share of profits and losses of associates	—	—	258	133			258	133
Other expenses and losses	(4,324)	(4,936)	(200)	(1,230)			(4,524)	(6,166)
Segment results	45,175	89,391	42,079	25,818			87,254	115,209
Finance costs							(1,625)	(1,678)
Interest and investment income							12,558	1,484
Profit before tax							98,187	115,015
Income tax expense							(3,752)	(2,684)
Profit for the year							94,435	112,331
Profit attributable to:								
Owners of the parents							93,608	111,983
Non-controlling interests							827	348
							94,435	112,331

Revenue

Our total revenue after inter-segment elimination increased by approximately 22.0% from approximately US$891.5 million for the year ended 31 December 2010 to approximately US$1,087.2 million for the year ended 31 December 2011. This reflected the increase in revenue of both sea freight logistics and land-based logistics segments, primarily attributable to (i) the increase in our shipping volume due to the increase in our shipping capacity and the higher average freight rate; as well as (ii) the increased scale of our freight forwarding operations.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales increased by approximately 33.4% from approximately US$719.7 million for the year ended 31 December 2010 to approximately US$960.3 million for the year ended 31 December 2011. This increase was primarily attributable to (i) the increase in shipping volume in sea freight logistics and freight forwarding in our land-based logistics; and (ii) the increase in the major components of our cost of sales, such as bunker cost and vessels charter cost.

As a result of the foregoing, our gross profit decreased from approximately US$171.8 million for the year ended 31 December 2010 to approximately US$126.9 million for the year 2011. Our gross profit margin decreased from approximately 19.3% for the year ended 31 December 2010 to approximately 11.7% for the year ended 31 December 2011.

Other Income and Gains (excluding interest and investment income)

For the year ended 31 December 2011, our other income and gains (excluding interest and investment income) increased by US$20.5 million from US$1.6 million for the year ended 31 December 2010 to US$22.1 million for the year 2011. The increase was mainly attributable to a gain of US$18.7 million in foreign exchange translation of our RMB deposits.

Administrative Expenses

Our administrative expenses increased by 10.2% from US$52.1 million for the year ended 31 December 2010 to US$57.4 million for the year ended 31 December 2011. The increase primarily reflected an increased administrative expenses from network expansion for our land-based logistics segment.

Other Expenses and Losses

Our other expenses and losses decreased by 26.6% from US$6.2 million for the year ended 31 December 2010 to US$4.5 million for the corresponding period in 2011. The amount in 2010 mainly represented a loss on early termination of derivative instruments in an amount of US$3.3 million and fair value losses on cash flow hedges of US$0.9 million. The amount in 2011 mainly represented fair value losses on cash flow hedges of US$4.2 million.

Finance Costs

Our finance costs remain stable at approximately US$1.6 million for the year ended 31 December 2011, mainly representing the outstanding interest-bearing loans during these periods. Our effective interest rates of 2.8% for the year ended 31 December 2011 was comparable to that of 2010.

Interest and Investment Income

The amount of interest and investment income increased from US$1.5 million for the year ended 31 December 2010 to US$12.6 million for the year ended 31 December 2011. The increase was mainly attributable to the increase in the income from our time deposit and other principal guaranteed investment products in an aggregate amount of US$11.1 million.

Profit Before Tax

As a result of the foregoing, our profit before tax decreased by approximately 14.6% from US$115.0 million for the year ended 31 December 2010 to US$98.2 million for the year ended 31 December 2011.

Income Tax Expense

Our income tax expense increased by approximately 39.8% from US$2.7 million for the year ended 31 December 2010 to US$3.8 million for the year ended 31 December 2011. This was mainly due to the increase in profit from our land-based logistics segment.

Profit for the Year

Our profit for the year ended 31 December 2011 was US$94.4 million, representing a decrease of approximately 15.9% as compared to the profit of US$112.3 million for the year ended 31 December 2010.

Sea Freight Logistics

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

	Year ended 31 December			
	2011		**2010**	
	Amount (US$'000)	*% of segment revenue*	*Amount (US$'000)*	*% of segment revenue*
Income Statement Data:				
Sales to external customers	375,013	44.7%	433,796	62.4%
Inter-segment sales	464,585	55.3%	261,012	37.6%
Segment revenue	839,598	100%	694,808	100.0%
Cost of Sales	(797,465)	(95.0)%	(583,041)	(83.9)%
Equipment and cargoes transportation costs	(425,677)	(50.7)%	(337,247)	(48.5)%
Voyage costs	(254,220)	(30.3)%	(175,235)	(25.2)%
Vessels costs	(117,568)	(14.0)%	(70,559)	(10.2)%
Gross Profit	42,133	5.0%	111,767	16.1%
Other income and gains (excluding interest and investment income)	19,560	2.3%	1,055	0.2%
Administrative expenses	(12,194)	(1.5)%	(18,495)	(2.7)%
Other expenses and losses	(4,324)	(0.5)%	(4,936)	(0.7)%
Segment results	45,175	5.3%	89,391	12.9%

Segment results

The following table sets forth the number of our trade lanes as at the year ended 31 December 2010 and 2011, and port calls per week and average freight rates for the years indicated:

Year ended 31 December		As at 31 December			
2011	**2010**	**2011**	**2010**	**2011**	**2010**
Average freight rate *(US$ per TEU)*		**Number of trade lanes**		**Port calls per week**	
543	**506**	**51**	**53**	**279**	**289**

Revenue

Revenue of our sea freight logistics business before inter-segment elimination increased by approximately 20.8% from US$694.8 million for the year ended 31 December 2010 to US$839.6 million for the year ended 31 December 2011. This increase primarily reflected (i) the increase in shipping volume from 1.37 million TEU for the year ended 31 December 2010 to 1.55 million TEU for the year ended 31 December 2011; and (ii) the increase in our average freight rate by approximately 7.3% to US$543 per TEU for the year ended 31 December 2011 from US$506 per TEU for the year ended 31 December 2010, which primarily reflected the additional fee charged to our customers as a result of the increase in our cost of sales.

Cost of Sales, Gross Profit and Gross Profit Margin

The cost of sales of our sea freight logistics business increased by approximately 36.8% from US$583.0 million for the year ended 31 December 2010 to US$797.5 million for the year ended 31 December 2011. This increase primarily reflected the followings:

- Equipment and cargoes transportation costs increased by approximately 26.2% from US$337.2 million for the year ended 31 December 2010 to US$425.7 million for the same period in 2011, primarily reflecting an increase in loading and discharge cost by approximately 18.0% from US$232.7 million for the year ended 31 December 2010 to US$274.7 million for the year ended 31 December 2011. The increase in loading and discharge cost primarily reflected the increase in our loading and discharge volume due to our increased shipping volume. The average loading and discharge expenses per TEU were generally stable during these periods. The costs of containers increased by approximately 38.4% from US$35.9 million for the year ended 31 December 2010 to US$49.7 million for the year ended 31 December 2011. Such increase was primarily attributable to the increase in the number of container leased to support our business expansion.

- Voyage costs increased by approximately 45.1% from US$175.2 million for the year ended 31 December 2010 to US$254.2 million for the same period in 2011. The increase primarily reflected an increase in bunkers cost of approximately 59.6% from US$129.4 million for the year ended 31 December 2010 to US$206.5 million for the year ended 31 December 2011, an increase of average bunker costs per tonne by approximately 35.2% from US$495 in 2010 to US$669 in 2011. The volume of bunker consumption for the year ended 31 December 2011 was 309 thousand tonnes, which represented a grow of 18% from approximately 262 thousand tonnes from that of 2010.

- Vessel costs increased by approximately 66.6% from US$70.6 million for the year ended 31 December 2010 to US$117.6 million for the same period in 2011, primarily reflecting an increase in vessels chartering expenses by approximately 91.7% from US$49.3 million for the year ended 31 December 2010 to US$94.5 million for the same period in 2011. Our vessels chartering expenses increased due to the significant increase in the average vessels charter rate and the increased number of vessels chartered during the period.

As a result of the foregoing, we recorded gross profit of US$42.1 million for our sea freight logistics business for the year ended 31 December 2011, representing an approximately 62.3% decrease as compared to US$111.8 million for the corresponding period in 2010. Our gross profit margin decreased from approximately 16.1% in 2010 to approximately 5.0% in 2011, primarily reflecting an increase in per TEU in unit bunker cost and daily vessel charter rate.

Other Income and Gains (excluding interest and investment income)

For the year ended 31 December 2011, the other income and gains (excluding interest and investment income) increased by US$18.5 million as compared to the year ended 31 December 2010. The amount for the year 2011 mainly represented a US$18.7 million gain in the foreign exchange translation of our RMB deposits.

Administrative Expenses

Administrative expenses of our sea freight logistics business decreased by 34.1% from US$18.5 million for the year ended 31 December 2010 to US$12.2 million in the corresponding period in 2011. In 2010, a foreign exchange loss of US$7.7 million was recorded in administrative expenses which was recorded as a gain in 2011 and included in other income and gains (excluding interest and investment income). Excluding the effect from foreign exchange loss/gain, the administrative expenses for the sea freight logistics business increased by US$1.4 million from US$10.8 million in 2010 to US$12.2 million in 2011, primarily due to increases in our information technology expenses and other general office expenses.

Other Expenses and Losses

Other expenses and losses for our sea freight logistics business decreased by approximately 12.4% from US$4.9 million for the year ended 31 December 2010 to US$4.3 million for the same period in 2011. The amount in 2010 mainly represented loss on early termination of derivative instruments of US$3.3 million and fair value losses on cash flow hedges of US$0.9 million. The amount in 2011 mainly represented fair value losses on cash flow hedges and loss on fixed asset disposal of US$4.2 million.

Segment Results

As a result of the foregoing, the segment results of our sea freight logistics business decreased by 49.4% from US$89.4 million for the year ended 31 December 2010 to US$45.2 million for the year ended 31 December 2011.

Land-Based Logistics

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

	Year ended 31 December			
	2011		**2010**	
	Amount (US$'000)	*% of segment revenue*	*Amount (US$'000)*	*% of segment revenue*
Income Statement Data:				
Sales to external customers	712,228	97.2%	457,714	96.8%
Inter-segment sales	20,740	2.8%	15,160	3.2%
Segment revenue	732,968	100.0%	472,874	100.0%
Freight forwarding and shipping agency	686,394	93.6%	441,287	93.3%
Warehousing and others	46,574	6.4%	31,587	6.7%
Cost of Sales	(648,192)	(88.4)%	(412,825)	(87.3)%
Freight forwarding and shipping agency	(617,800)	(84.3)%	(394,187)	(83.4)%
Warehousing and others	(30,392)	(4.1)%	(18,638)	(3.9)%
Gross Profit	84,776	11.6%	60,049	12.7%
Other income and gains (excluding interest and investment income)	2,485	0.3%	515	0.1%
Administrative expenses	(45,240)	(6.2)%	(33,649)	(7.1)%
Other expenses and losses	(200)	(0.03)%	(1,230)	(0.3)%
Share of profits and losses of associates	258	0.04%	133	0.03%
Segment results	42,079	5.7%	25,818	5.4%

Revenue

The revenue of our land-based logistics business before inter-segment elimination increased by approximately 55.0% from US$472.9 million for the year ended 31 December 2010 to US$733.0 million for the year ended 31 December 2011. This increase was mainly attributable to the increased scale of our freight forwarding business.

- *Freight forwarding and shipping agency.* Revenue of our freight forwarding and shipping agency business increased by approximately 55.5% from US$441.3 million for the year ended 31 December 2010 to US$686.4 million for the corresponding period in 2011. This increase primarily reflected (i) the increase in our freight forwarding volume from 0.95 million TEU in the year ended 31 December 2010 to 1.34 million TEU for the corresponding period in the year 2011 due to the increased scale of our business; and (ii) the increase in average freight forwarding fee mainly due to the increase in average freight rate.

- *Warehousing and others.* Revenue of our warehousing and other business increased by approximately 47.5% from US$31.6 million for the year ended 31 December 2010 to US$46.6 million for the same period in 2011. This increase primarily reflected an increased number of containers handled by our depot and warehousing services.

Cost of Sales, Gross Profit and Gross Profit Margin

The cost of sales of our land-based logistics business increased by approximately 57.0% from US$412.8 million for the year ended 31 December 2010 to US$648.2 million for the corresponding period in 2011. This increase reflected increases in the cost of sales of both our freight forwarding and shipping agency businesses and our warehousing and other business.

- *Freight Forwarding and Shipping Agency.* Cost of sales of our freight forwarding and shipping agency businesses increased by approximately 56.7% from US$394.2 million for the year ended 31 December 2010 to US$617.8 million for the same period in 2011, 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 approximately 63.1% from US$18.6 million for the year ended 31 December 2010 to US$30.4 million for the same period in 2011. This increase primarily reflected (i) the increased number of containers handled by our depot and warehousing services; and (ii) the increase in fuel and trucking expenses due to the increased scale of our business.

As a result of the foregoing, the gross profit of our land-based logistics business increased by approximately 41.2% from US$60.0 million for the year ended 31 December 2010 to US$84.8 million for the same period in 2011. The gross profit margin of our land-based logistics business was 12.7% and 11.6% for the year ended 31 December 2010 and 2011, respectively.

Other Income and Gains (excluding interest and investment income)

Other income and gains (excluding interest and investment income) of our land-based business were US$2.5 million for the year ended 31 December 2011. It mainly represented the compensation to the preparation work received in respect of our investment at container terminal project.

Administrative Expenses

Administrative expenses of our land-based logistics business increased by approximately 34.4% from US$33.6 million for the year ended 31 December 2010 to US$45.2 million for the same period in 2011. The increase primarily reflected increased administrative expenses for the network expansion for our land-based logistics business.

Other Expenses and Losses

Other expenses and losses by our land-based logistics business amounted to US$0.2 million for the year ended 31 December 2011, primarily reflecting the fair value loss on cash flows hedges of our land-based logistics business.

Segment Results

As a result of the foregoing, the segment results of our land-based logistics business increased by approximately 63% from US$25.8 million for the year ended 31 December 2010 to US$42.1 million for the year ended 31 December 2011.

Assets and Liabilities

As at 31 December 2011, total assets of the Group amounted to US$864.7 million, representing an increase of 8% in an amount of US$64.3 million as compared to US$800.4 million as of 31 December 2010. Total liabilities of the Group increased by approximately 3.7% from US$204.4 million as of 31 December 2010 to US$212.1 million as of 31 December 2011.

OTHER INFORMATION

Use of Proceeds from Initial Public Offering

In October 2010, the Group completed its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and raised net proceeds of approximately US$384.9 million. For the year ended 31 December 2011, the Company has utilised approximately US$136.8 million of such proceeds as follows:-

	US$' million
Container vessels	104.6
Land-based logistics projects	6.9
IT, office buildings and other fixed assets	25.3
Total	136.8

The balance of the un-utilized proceeds will be applied by the Company for the purchase of container vessels, containers as well as investments in land-based logistics business and for general working capital purposes.

Final Dividend

At the Board meeting held on 14 March 2012 (Wednesday), it was proposed that a final dividend of HK$12 cents (equivalent to US1.54 cents) per ordinary share would be paid after 18 May 2012 to the shareholders of the Company whose names appear on the Company's register of members on the closing of business at 16:30 on 9 May 2012 (Wednesday). The proposed final dividend is subject to approval by the shareholders at the annual general meeting of the Company to be held on 4 May 2012 (Friday) (the "**Annual General Meeting**").

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

Annual General Meeting

The Annual General Meeting will be held on 4 May 2012 (Friday). A notice convening the Annual General Meeting will be published and despatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in due course.

Closure of Register of Members

For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 2 May (Wednesday) to 4 May 2012 (Friday), both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 30 April 2012 (Monday).

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 10 May (Thursday) to 14 May 2012 (Monday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 9 May 2012 (Wednesday).

Corporate Governance

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain high corporate governance standard and has complied with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules for the year ended 31 December 2011, and there has been no deviation from the code provisions for the year ended 31 December 2011. Further information of the corporate governance practice of the Company will be set out in the Corporate Governance Report in the annual report of the Company for the year ended 31 December 2011.

Purchase, Sale and Re-purchase of Shares

During the year 2011, pursuant to the mandate to purchase shares of the Company obtained from the Company's shareholders at the annual general meeting of the Company held on 29 April 2011, the Company repurchased an aggregate of 10,300,000 shares on the Stock Exchange, detailed below, for an aggregate consideration of HK$18,563,724 before expenses and all these shares were subsequently cancelled by the Company on 30 December 2011 and 7 February 2012, respectively and accounted for approximately 0.4% of the total issued share capital of the Company as at 31 December 2011:

Month of repurchase	Price per share Highest	Price per share Lowest	Number of ordinary shares of HK$0.10 each	Aggregate Consideration
	HK$	*HK$*		*HK$*
December 2011	2.00	1.71	10,300,000	18,563,724
Total			10,300,000	18,563,724

Except as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2011.

Model Code for Securities Transactions by Directors

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules (the "**Appendix 10**") and devised its own code of conduct regarding directors' dealings in the Company's securities (the "**Company Code**") on terms no less exacting than the Model Code as set out in Appendix 10. Having made specific enquiries with all directors of the Company, they have confirmed that they complied with the required standards set out in the Model Code and the Company Code throughout the year ended 31 December 2011.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") consists of Messrs. TSUI Yung Kwok, LO Wing Yan, William, and NGAI Wai Fung, all of whom are the Company's independent non-executive directors. The chairman of the Audit Committee is Mr. TSUI Yung Kwok. The annual results for the year ended 31 December 2011 of the Group have been reviewed by the Audit Committee.

Auditor

The Company appointed Ernst & Young as its auditor for the year ended 31 December 2011. The Company will submit a resolution in the coming Annual General Meeting to re-appoint Ernst & Young as the auditor of the Company.

Publication of Annual Report

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.sitc.com). The annual report of the Company for the year ended 31 December 2011 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the same websites in due course.

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

Hong Kong, 14 March 2012

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