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 2018

Financial Highlights

- Revenue for the year ended 31 December 2018 was approximately US$1,449.1 million, increased by approximately 7.5% as compared to approximately US$1,348.4 million for the year ended 31 December 2017.

- Gross profit for the year ended 31 December 2018 increased by approximately 0.4% from approximately US$251.7 million for the year ended 31 December 2017 to approximately US$252.6 million for the year ended 31 December 2018. The Group's gross profit margin was 17.4% and 18.7% for the years ended 31 December 2018 and 2017, respectively.

- Profit for the year ended 31 December 2018 increased by approximately 4.7% to approximately US$199.1 million from approximately US$190.1 million for the year ended 31 December 2017.

- Basic earnings per share for the year ended 31 December 2018 amounted to US7.44 cents (2017: US7.15 cents).

- A final dividend of HK26 cents (equivalent to US3.32 cents) per share was declared for the year ended 31 December 2018.

The board (the "**Board**") of directors (the "**Directors**") of SITC International Holdings Company Limited ("**SITC**" or the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the consolidated results of the Group for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	**2018** *US$'000*	**2017** *US$'000*
REVENUE	4	1,449,088	1,348,385
Cost of sales		(1,196,489)	(1,096,679)
Gross profit		252,599	251,706
Other income and gains, net		31,210	18,658
Administrative expenses		(76,449)	(74,333)
Other expenses, net		(428)	(946)
Finance costs	6	(9,368)	(8,640)
Share of profits and losses of:			
Joint ventures		9,961	11,093
Associates		171	481
PROFIT BEFORE TAX	5	207,696	198,019
Income tax	7	(8,599)	(7,907)
PROFIT FOR THE YEAR		199,097	190,112

	Notes	2018 US$'000	2017 US$'000
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Changes in fair value of available-for-sale investments		–	1,326
Debt investments at fair value through other comprehensive income:			
Changes in fair value		(1,701)	–
Reclassification adjustments for losses on disposal included in profit or loss	5	41	–
		(1,660)	–
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year		(3,064)	(7,681)
Reclassification adjustments for losses/(gains) included in profit or loss	5	(658)	561
		(3,722)	(7,120)
Exchange differences on translation of foreign operations		(4,893)	5,718
Share of other comprehensive income/(loss) of joint ventures		(1,665)	1,452
Share of other comprehensive income/(loss) of associates		(539)	652

	Note	2018	2017
		US$'000	US$'000
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		(12,479)	2,028
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX		(12,479)	2,028
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		186,618	192,140
Profit for the year attributable to:			
Shareholders of the Company		197,514	188,613
Non-controlling interests		1,583	1,499
		199,097	190,112
Total comprehensive income for the year attributable to:			
Shareholders of the Company		185,481	190,124
Non-controlling interests		1,137	2,016
		186,618	192,140
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	9		
Basic (US cents per share)		7.44	7.15
Diluted (US cents per share)		7.39	7.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Note	**2018** *US$'000*	**2017** *US$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		927,514	891,787
Prepaid land lease payments		17,196	18,656
Advance payments for acquisition of vessels and trademarks		46,376	13,172
Goodwill		1,029	1,088
Other intangible assets		1,579	–
Investments in joint ventures		35,777	32,743
Investments in associates		9,431	9,800
Debt investments at fair value through other comprehensive income		9,430	–
Available-for-sale investments		–	26,808
Derivative financial instruments		155	175
Total non-current assets		1,048,487	994,229
CURRENT ASSETS			
Prepaid land lease payments		468	495
Bunkers		22,962	17,723
Trade receivables	10	65,877	64,065
Prepayments, deposits and other receivables		16,625	14,144
Derivative financial instruments		105	1,136
Principal-protected investment deposits at fair value through profit or loss		16,665	10,887
Cash and bank balances		380,702	505,684
Total current assets		503,404	614,134

	Note	2018	2017
		US$'000	US$'000
CURRENT LIABILITIES			
Trade payables	11	138,767	131,812
Other payables and accruals		52,471	53,719
Derivative financial instruments		18	709
Bank borrowings		77,718	117,407
Dividend payables		–	33,964
Income tax payables		1,271	1,298
Total current liabilities		270,245	338,909
NET CURRENT ASSETS		233,159	275,225
TOTAL ASSETS LESS CURRENT LIABILITIES		1,281,646	1,269,454
NON-CURRENT LIABILITIES			
Bank borrowings		235,947	298,016
Net assets		1,045,699	971,438
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital		34,393	34,213
Reserves		1,002,639	929,305
		1,037,032	963,518
Non-controlling interests		8,667	7,920
Total equity		1,045,699	971,438

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 derivative financial instruments, principal-protected investment deposits at fair value through profit or loss, debt investments at fair value through other comprehensive income and available-for-sale investments, which have been measured at fair value. These financial statements are presented in the United States dollars (the "**US$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Profit or loss and each component of other comprehensive income are attributed to shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. 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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except for the amendments to HKFRS 4 and *Annual Improvements to HKFRSs 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the consolidated statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("**ECLs**").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	HKAS 39 measurement		Re–		HKFRS 9 measurement	
	Category	Amount	classification	ECL	Amount	Category
		US$'000	*US$'000*	*US$'000*	*US$'000*	
Financial assets						
Equity investments at fair value through profit or loss	N/A	–	4,111	–	4,111	FVPL[5]
From: Available-for-sale investments			4,111	–		
Available-for-sale investments	AFS[2]	26,808	(26,808)	–	–	N/A
To: Equity investments at fair value through profit or loss			(4,111)	–		
To: Debt investments at fair value through other comprehensive income (note)			(22,697)	–		
Debt investments at fair value through other comprehensive income	N/A	–	22,697	–	22,697	FVOCI[1] (debt)
From: Available-for-sale investments (note)			22,697	–		
Trade receivables	L&R[3]	64,065	–	(56)	64,009	AC[4]
Financial assets included in prepayments, deposits and other receivables	L&R	11,331	–	–	11,331	AC
Derivative financial investments	FVPL	1,311	–	–	1,311	FVPL
Principal-protected investment deposits at fair value through profit or loss	FVPL	10,887	–	–	10,887	FVPL (mandatory)
Cash and cash balances	L&R	505,684	–	–	505,684	AC
Total financial assets		620,086	–	(56)	620,030	

	HKAS 39 measurement		Re-		HKFRS 9 measurement	
	Category	Amount	classification	ECL	Amount	Category
		US$'000	*US$'000*	*US$'000*	*US$'000*	
<u>Financial liabilities</u>						
Trade payables	AC	131,812	–	–	131,812	AC
Financial liabilities included in other payables and accruals	AC	30,943	–	–	30,943	AC
Bank borrowings	AC	415,423	–	–	415,423	AC
Derivative financial instruments	FVPL	709	–	–	709	FVPL
Total financial liabilities		578,887	–	–	578,887	

1 FVOCI: Financial assets at fair value through other comprehensive income

2 AFS: Available-for-sale investments

3 L&R: Loans and receivables

4 AC: Financial assets or financial liabilities at amortised cost

5 FVPL: Financial assets or financial liabilities at fair value through profit or loss

Note: As of 1 January 2018, the Group has assessed its liquidity portfolio of debt investments which had previously been classified as AFS. The objective of the Group in holding this liquidity portfolio is to earn interest income and, at the same time, manage everyday liquidity needs. The Group concluded that these debt investments are managed within a business model to collect contractual cash flows and to sell the financial assets. Accordingly, the Group has classified these investments as debt investments measured at fair value through other comprehensive income.

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

	Impairment allowances under HKAS 39 at 31 December 2017	Re-measurement	ECL allowances under HKFRS 9 at 1 January 2018
	US$'000	*US$'000*	*US$'000*
Trade receivables	–	56	56

Hedge accounting

The Group has applied hedge accounting under HKFRS 9 prospectively. At the date of initial application of HKFRS 9, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Before the adoption of HKFRS 9, the Group designated the change in fair value of the loan borrowings denominated in Japanese Yen ("**Yen**") in its cash flow hedge relationships. Upon adoption of HKFRS 9, the Group continues to designate the entire loan borrowings denominated in Yen in the cash flow hedge relationships. The adoption of the hedge accounting requirements of HKFRS 9 has had no impact on the Group's financial statements.

Impact on reserves and retained profits

The impact of transition to HKFRS 9 on reserves and retained profits is as follows:

	Reserves and retained profits *US$'000*
Fair value reserve under HKFRS 9 (available-for-sale investment revaluation reserve under HKAS 39)	
Balance as at 31 December 2017 under HKAS 39	1,601
Reclassification of financial assets from available-for-sale investments to financial assets at fair value through profit or loss	(1,078)
Balance as at 1 January 2018 under HKFRS 9	523
Retained profits	
Balance as at 31 December 2017 under HKAS 39	546,496
Recognition of expected credit losses for trade receivables under HKFRS 9	(56)
Reclassification of available-for-sale investments to financial assets at fair value through profit or loss	1,078
Balance as at 1 January 2018 under HKFRS 9	547,518

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The Group's principal activities which are in scope with HKFRS 15 consist of the provision of container shipping services, freight forwarding services, shipping agency services, and depot and warehousing services, etc. Based on the assessment performed by the Group, the accounting policy under HKAS 18 for recognition of container shipping revenue based on the percentage of completion is still an appropriate method under HKFRS 15. In respect of other services, given the short period of time to complete the services, the Group continues to recognise revenue from other services when the services have been rendered upon adoption of HKFRS 15. Accordingly, there is no significant impact of the Group's financial position and financial performance upon adoption of HKFRS 15. The Group assessed that the application of HKFRS 15 results in more disclosures in the current year's financial statements.

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

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 container shipping and logistics segment is engaged in the provision of integrated logistics services such as provision of container transport, freight forwarding, shipping agency, depot and warehousing; and

(b) the dry bulk and others segment is engaged in the provision of dry bulk vessel leasing, air-freight forwarding, land leasing and other businesses.

Segment assets exclude cash and bank balances, derivative financial instruments and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude bank borrowings, derivative financial instruments, income tax payables and other unallocated corporate liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2018

	Container shipping and logistics *US$'000*	Dry bulk and others *US$'000*	Total *US$'000*
Segment revenue (note 4)			
Sales to external customers	1,425,219	23,869	1,449,088
Segment results	188,146	14,841	202,987
Reconciliation:			
Bank interest income			12,101
Interest income from debt investments at fair value through other comprehensive income			1,197
Investment income of principal-protected investment deposits at fair value through profit or loss			231
Dividend income from equity investments at fair value through profit or loss			31
Fair value gains on equity investments at fair value through profit or loss			517
Finance costs			(9,368)
Profit before tax			207,696
At 31 December 2018			
Segment assets	977,788	153,224	1,131,012
Reconciliation:			
Corporate and other unallocated assets			420,879
Total assets			1,551,891
Segment liabilities	176,491	4,005	180,496
Reconciliation:			
Corporate and other unallocated liabilities			325,696
Total liabilities			506,192

	Container shipping and logistics *US$'000*	Dry bulk and others *US$'000*	Total *US$'000*
Other segment information:			
Share of profits and losses of:			
Joint ventures	10,140	(179)	9,961
Associates	171	–	171
Depreciation	53,283	6,572	59,855
Amortisation of prepaid land lease payments	–	475	475
Reversal of impairment of items of property, plant and equipment	–	5,864	5,864
Gain on disposal of items of property, plant and equipment, net	4,388	–	4,388
Impairment of trade receivables, net	224	–	224
Recovery of write-off of trade receivables	886	–	886
Investments in joint ventures	34,820	957	35,777
Investments in associates	9,431	–	9,431
Capital expenditure*	121,840	2,488	124,328

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

Year ended 31 December 2017

	Container shipping and logistics *US$'000*	Dry bulk and others *US$'000*	Total *US$'000*
Segment revenue:			
Sales to external customers	1,331,832	16,553	1,348,385
Segment results	195,915	1,235	197,150
Reconciliation:			
Bank interest income			8,376
Interest income of available–for-sale debt investments			741
Investment income of principal–protected investments deposits at fair value through profit or loss			135
Dividend income from available–for-sale equity investments			91
Gain on disposal of available–for-sale investments			166
Finance costs			(8,640)
Profit before tax			198,019
At 31 December 2017			
Segment assets	885,692	154,202	1,039,894
Reconciliation:			
Corporate and other unallocated assets			568,469
Total assets			1,608,363
Segment liabilities	170,680	4,553	175,233
Reconciliation:			
Corporate and other unallocated liabilities			461,692
Total liabilities			636,925

	Container shipping and logistics *US$'000*	Dry bulk and others *US$'000*	Total *US$'000*
Other segment information:			
Share of profits and losses of:			
Joint ventures	10,786	307	11,093
Associates	481	–	481
Depreciation	49,326	6,762	56,088
Amortisation of prepaid land lease payments	–	463	463
Gain on disposal of items of property, plant and equipment, net	3,687	–	3,687
Impairment of trade receivables, net	41	304	345
Investments in joint ventures	31,602	1,141	32,743
Investments in associates	9,800	–	9,800
Capital expenditure*	30,626	809	31,435

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

Geographical information

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

The following revenue information by geographical area is based on the locations of customers:

	2018 ***US$'000***	2017 *US$'000*
Greater China*	**579,924**	559,425
Japan	**378,283**	346,523
Southeast Asia	**422,392**	375,150
Others	**68,489**	67,287
	1,449,088	1,348,385

* Greater China includes Mainland China, Hong Kong and Taiwan.

Major customer information disclosure

During the year, there was no single customer which contributed 10% or more of the Group's revenue (2017: Nil).

4. REVENUE

An analysis of revenue is as follows:

	2018	2017
	US$'000	*US$'000*
Container shipping service income	**1,306,225**	1,223,134
Shipping agency, freight forward and depot and warehousing service income	**118,994**	108,698
Time charter income	**22,352**	15,244
Other rental income	**1,517**	1,309
	1,449,088	1,348,385

5. PROFIT BEFORE TAX

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

	2018 *US$'000*	2017 *US$'000*
Cost of services provided:		
Cost of bunkers consumed	201,705	150,559
Others	994,784	946,120
	1,196,489	1,096,679
Depreciation	59,855	56,088
Less: Included in cost of services provided	(56,043)	(52,282)
	3,812	3,806
Amortisation of prepaid land lease payments	475	463
Minimum lease payments under operating leases	143,795	121,491
Less: Included in cost of services provided	(138,360)	(116,230)
	5,435	5,261
Employee benefit expense (including directors' and the chief executive officer's remuneration):		
Wages and salaries	76,635	78,117
Share award expenses	3,249	31
Equity-settled share option expense	–	104
Pension scheme contributions (defined contribution scheme)	9,274	8,419
	89,158	86,671
Less: Included in cost of services provided	(43,858)	(41,284)
	45,300	45,387
Reversal of impairment of items of property, plant and equipment	(5.864)**	–
Impairment of trade receivables, net	224*	345*
Fair value losses/(gains), net:		
Cash flow hedges (transfer from equity)	(658)**	561*
Debt investments at fair value through other comprehensive income (transfer from equity on disposal)	41*	–

* These items are included in "Other expenses, net" on the face of the consolidated statement of profit or loss and other comprehensive income.

** These items are included in "Other income and gains, net" on the face of consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

Finance costs are interest on bank loans.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in Mainland China and elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2018	2017
	US$'000	*US$'000*
Current:		
Hong Kong	338	576
Overprovision in prior years – Hong Kong	(250)	(188)
Mainland China	1,393	1,635
Overprovision in prior years – Mainland China	–	(4)
Elsewhere	7,118	5,888
Total tax expense for the year	8,599	7,907

8. DIVIDENDS

	2018		**2017**	
	HK$'000	***US$'000* equivalent**	*HK$'000*	*US$'000* equivalent
Interim – HK15 cents (equivalent to approximately US1.91 cents) (2017: HK10 cents, equivalent to approximately US1.28 cents) per ordinary share	400,006	50,965	265,024	33,865
Special – Nil (2017: HK10 cents, equivalent to approximately US1.28 cents) per ordinary share	–	–	265,509	33,964
Proposed final – HK26 cents (equivalent to approximately US3.32 cents) (2017: HK20 cents, equivalent to approximately US2.56 cents) per ordinary share	693,708	88,558	532,734	67,876*
	1,093,714	139,523	1,063,267	135,705

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

* There was a difference of US$18,000 between the amount of the 2017 final dividend disclosed above and the amount disclosed in the consolidated financial statements for the year ended 31 December 2017, which arose from (i) an increase in the 2017 final dividend paid of HK$1,997,000 (equivalent to approximately US$255,000) as a result of additional 4,352,000 ordinary shares and 5,631,319 ordinary shares issued by the Company subsequent to the approval of the consolidated financial statements for the year end 31 December 2017 and prior to the date of closure of the register of members for entitlement to the 2017 final dividend following the exercise of certain share options and issue of new shares under the Company's share award scheme, respectively; and (ii) a reduction in the amount of the 2017 final dividend translated in US$ of US$273,000, as a result of the difference in the exchange rate used for converting HK$ into US$ for the amount of the proposed 2017 final dividend disclosed in the consolidated financial statements for the year ended 31 December 2017 and that prevailing on the 2017 final dividend settlement date.

9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share is based on the profit for the year attributable to shareholders of the Company, and the weighted average number of ordinary shares of 2,654,721,221 (2017: 2,637,050,537) in issue during the year less shares held under the share award scheme of the Company.

The calculation of the diluted earnings per share is based on the profit for the year attributable to shareholders of the Company, and the weighted average number of ordinary shares used in the calculation is the total of (i) weighted average number of ordinary shares in issue during the year as used in the basic earnings per share calculation; (ii) the weighted average of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all outstanding share options into ordinary shares; and (iii) the weighted average number of ordinary shares assumed to have been awarded at no consideration on the deemed exercise of all rights of shares held under the share award scheme of the Company.

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

	2018 *US$'000*	2017 *US$'000*
Earnings		
Profit attributable to shareholders of the Company, used in the basic and diluted earnings per share calculation	197,514	188,613

	Number of shares 2018	 2017
Shares		
– weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	2,654,721,221	2,637,050,537
Effect of dilution – weighted average number of ordinary shares:		
Share options	9,223,768	13,605,159
Shares held under share award scheme	8,776,229	–
Weighted average number of ordinary shares in issue during the year, used in the diluted earnings per share calculation	2,672,721,218	2,650,655,696

10. TRADE RECEIVABLES

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

	2018 *US$'000*	2017 *US$'000*
Within 1 month	55,990	55,630
1 to 2 months	7,436	6,248
2 to 3 months	1,374	1,273
Over 3 months	1,077	914
	65,877	64,065

11. TRADE PAYABLES

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

	2018	**2017**
	US$'000	*US$'000*
Within 1 month	100,218	101,644
1 to 2 months	26,881	18,949
2 to 3 months	4,263	2,288
Over 3 months	7,405	8,931
	138,767	131,812

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

SITC is one of Asia's leading shipping logistics companies that provides integrated transportation and logistics solutions.

Business Review

(i) Container shipping and logistics business

During the year ended 31 December 2018, the Group's container shipping and logistics business continued to provide container transportation and integrated logistics services that focused exclusively on the intra-Asia market, as the Group believes that the intra-Asia market will continue to experience stable and healthy growth.

As of 31 December 2018, the Group operated 64 trade lanes, including 9 trade lanes through joint services and 24 trade lanes through container slot exchange arrangements. These trade lanes and land-based integrated logistics business network covered 67 major ports and cities in the Mainland China, Japan, Korea, Taiwan, Hong Kong, Vietnam, Thailand, the Philippines, Cambodia, Indonesia, Singapore, Malaysia and Brunei. As of 31 December 2018, the Group operated a fleet of 79 vessels with a total capacity of 107,269 TEU, comprised of 52 self-owned (68,806 TEU) and 27 chartered vessels (38,463 TEU), with an average age of 9.6 years. In addition, the Group also operated (including through joint ventures) approximately 1,137,994 m^2 of depot and 86,154 m^2 of warehousing space.

Revenue generated by the Group's container shipping and logistics business for the year ended 31 December 2018 increased by approximately 7.0% from US$1,331.8 million for the year ended 31 December 2017 to US$1,425.2 million for the year ended 31 December 2018. The increase was a result of a combined effect, from container shipping and supporting logistics business, where (i) the average freight rate (excluding slot exchange fee income) achieved an increase of 6.4% growth from US$490.5/TEU in 2017 to US$522.1/TEU in 2018; and (ii) an increase of 0.6% in container shipping volume from 2,385,881 TEUs in 2017 to 2,399,169 TEUs in 2018.

(ii) Dry bulk and others business

During the year ended 31 December 2018, the Group's dry bulk and others business focused on the provision of dry bulk vessel leasing, land leasing and air freight forwarding services. As at 31 December 2018, the Group has 6 dry bulk vessels with a total tonnage of 438,595 tons and an average age of 6.1 years. Revenue generated from dry bulk and others business increased by approximately 44.0% from US$16.6 million for the year ended 31 December 2017 to US$23.9 million for the year ended 31 December 2018. The increase was mainly a result of the increase in the daily charter rate of dry bulk vessels.

With continuous business expansion, the Group will continue to optimize its unique business model and expand its intra-Asia service network. At the same time, the Group will optimize its own fleet structure by capturing vessel price dynamics, so as to keep pace with the development of the business and secure a long-term cost-competitive position. With the continuous enhancement on the Group's organization process, information technology systems and operational efficiency, the Company will strive for the goal in becoming a world-class integrated logistics service solutions provider.

Market Review

The year ended 31 December 2018 witnessed material fluctuations in the global container shipping and logistics market. China-US trade disputes, the slowdown in world economic growth and the intensified competition resulting from shipping capacity expansion all caused an impact on the improvement of demand and supply dynamics in this market. Further, the increase in costs, such as bunkers and vessel charter, also caused material impact on the profitability of the industry. Through effective management of shipping capacity and stabilization of freight rates, the Company continued to adopt an efficient and low-cost expansion strategy and maintained steady growth in its results. Looking forward, although the global economic recovery is expected to sustain, with the impact of increasing uncertainties in trade policies of major economies, the growth of international trade will be influenced by the greater downside risk of economic growth. According to Clarkson's forecast, the cargo transportation demand along Asian lanes will increase by 5.9% in 2019, representing a decrease of 0.5 percentage points compared to that of 2018. Meanwhile, certain part of the industry has been transferred to Southeast Asian economies. With the improved construction of infrastructure in Southeast Asian ports, trade development of Southeast Asian countries may become the bright spot in the future, and the Company will continue to implement its expansion plan prudently in the Asian market based on the prevailing situation.

Financial Overview

	Year ended 31 December					
	2018	2017	2018	2017	2018	2017
	Container shipping and logistics		Dry bulk and others		Total	
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue	1,425,219	1,331,832	23,869	16,553	1,449,088	1,348,385
Cost of sales	(1,180,516)	(1,081,350)	(15,973)	(15,329)	(1,196,489)	(1,096,679)
Gross profit	244,703	250,482	7,896	1,224	252,599	251,706
Other income and gains (excluding bank interest income and other investment income)	10,465	9,119	7,248	180	17,713	9,299
Administrative expenses	(76,328)	(74,161)	(121)	(172)	(76,449)	(74,333)
Share of profits and losses of:						
Joint ventures	10,140	10,786	(179)	307	9,961	11,093
Associates	171	481	–	–	171	481
Other expenses and losses	(1,005)	(792)	(3)	(304)	(1,008)	(1,096)
Segment results	188,146	195,915	14,841	1,235	202,987	197,150
Finance costs					(9,368)	(8,640)
Bank interest income and other investment income					14,077	9,509
Profit before tax					207,696	198,019
Income tax					(8,599)	(7,907)
Profit for the year					199,097	190,112
Profit for the year attributable to:						
Shareholders of the Company					197,514	188,613
Non-controlling interests					1,583	1,499
					199,097	190,112

Revenue

The Group's total revenue increased by approximately 7.5% from approximately US$1,348.4 million for the year ended 31 December 2017 to approximately US$1,449.1 million for the year ended 31 December 2018. The increase was primarily attributable to the increase from container shipping and supporting logistics business in both average freight rate and container shipping volume.

Cost of Sales

The Group's cost of sales increased by approximately 9.1% from approximately US$1,096.7 million for the year ended 31 December 2017 to approximately US$1,196.5 million for the year ended 31 December 2018. The increase was primarily attributable to (i) the significant increase in bunker cost; and (ii) the increase in vessel rental cost.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased from approximately US$251.7 million for the year ended 31 December 2017 to approximately US$252.6 for the year ended 31 December 2018. The Group's gross profit margin was approximately 17.4% and 18.7% for the year ended 31 December 2018 and 2017, respectively.

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

For the year ended 31 December 2018, the Group's other income and gains (excluding bank interest income and other investment income) increased by approximately US$8.4 million from approximately US$9.3 million for the year ended 31 December 2017 to approximately US$17.7 million for the year ended 31 December 2018. The increase for the year ended 31 December 2018 was mainly a result of a combined effect, where (i) a reversal of impairment losses for dry bulk vessels in prior years of approximately US$5.9 million in 2018 (2017: Nil); (ii) a year-on-year increase of approximately US$1.0 million for government subsidies; (iii) a year-on-year increase of approximately US$0.7 million for gains on disposal of fixed assets including containers and others; and (iv) the realisation of Japanese Yen hedging gains of approximately US$0.6 million in 2018 as compared to the realised hedging losses of Japanese Yen of approximately US$0.6 million in 2017.

Administrative Expenses

The Group's administrative expenses increased from approximately US$74.3 million for the year ended 31 December 2017 to approximately US$76.4 million for the year ended 31 December 2018, representing an increase of approximately 2.8%. The increase was primarily attributable to the overall increase in staff cost.

Share of Profits and Losses of Joint Ventures

The Group's share of profits and losses of joint ventures decreased by approximately 9.9% from approximately US$11.1 million in 2017 to approximately US$10.0 million in 2018. The decrease was a result of a combined effect, where (i) a jointly controlled air-freight forwarding enterprise incurred a loss; and (ii) the profits of part of the jointly controlled depots declined.

Share of Profits and Losses of Associates

The Group's share of profits and losses of associates was approximately US$0.2 million and US$0.5 million for 2018 and 2017, respectively. There was no material change in the amount.

Other Expenses and Losses

The Group's other expenses and losses were approximately US$1.0 million and US$1.1 million for the year ended 31 December 2018 and 2017, respectively. There was no material fluctuation in the amount.

Finance Costs

The Group's finance costs increased from approximately US$8.6 million for the year ended 31 December 2017 to approximately US$9.4 million for the year ended 31 December 2018. The increase was mainly attributable to the increase in average bank borrowing interest rate.

Bank Interest Income and Other Investment Income

The Group's amount of bank interest income and other investment income was approximately US$14.1 million and US$9.5 million for the year ended 31 December 2018 and 2017, respectively. The increase was mainly attributable to the increase in both average amount available for investment and average return generated during the year ended 31 December 2018.

Profit before Tax

As a result of the foregoing, the Group's profit before tax increased from approximately US$198.0 million for the year ended 31 December 2017 to approximately US$207.7 million for the year ended 31 December 2018.

Income Tax Expenses

The Group's income tax expense was approximately US$8.6 million and US$7.9 million for the year ended 31 December 2018 and 2017, respectively. The increase was primarily attributable to the increase in taxable profit of the Group.

Profit for the Year

The Group's profit for the year ended 31 December 2018 was approximately US$199.1 million, representing an increase of approximately 4.7% as compared to the profit of approximately US$190.1 million for the year ended 31 December 2017.

Container Shipping and Logistics

The following table sets forth selected income statement data for the Group's container shipping and logistics segment for the periods indicated:

	Year ended 31 December			
	2018		**2017**	
	Amount *(US$'000)*	*% of segment revenue*	**Amount** *(US$'000)*	*% of segment revenue*
Income Statement Data				
Segment revenue	1,425,219	100%	1,331,832	100%
Container shipping and supporting logistics income	1,306,225	91.7%	1,223,134	91.8%
Other container logistics income	118,994	8.3%	108,698	8.2%
Cost of Sales	(1,180,516)	(82.8%)	(1,081,350)	(81.2)%
Equipment and cargos transportation costs	(648,409)	(45.5%)	(629,488)	(47.3)%
Voyage costs	(263,455)	(18.5%)	(212,491)	(16.0)%
Container shipping vessels costs	(168,251)	(11.8%)	(148,260)	(11.1)%
Other container logistics costs	(100,401)	(7.0%)	(91,111)	(6.8)%
Gross Profit	244,703	17.2%	250,482	18.8%
Other income and gains (excluding bank interest income and other investment income)	10,465	0.7%	9,119	0.7%
Administrative expenses	(76,328)	(5.4%)	(74,161)	(5.6)%
Other expenses and losses	(1,005)	(0.1%)	(792)	(0.1)%
Share of profits and losses of:				
Joint ventures	10,140	0.7%	10,786	0.8%
Associates	171	0.1%	481	0.1%
Segment results	188,146	13.2%	195,915	14.7%

Segment results

The following table sets forth the number of trade lanes of the Group for the years ended 31 December 2017 and 2018, and port calls per week and the average freight rates for the years indicated:

Year ended 31 December		**As of 31 December**			
2018	**2017**	**2018**	**2017**	**2018**	**2017**
Average freight rate *(US$ per TEU, excluding slot exchange fee income)*		***Number of trade lanes***		***Port calls per week***	
522.1	490.5	64	63	385	388

Revenue

Revenue of the Group's container shipping and logistics business increased by approximately 7.0% from approximately US$1,331.8 million for the year ended 31 December 2017 to approximately US$1,425.2 million for the year ended 31 December 2018. This increase was a result of a combined effect, from container shipping and supporting logistics business, where (i) the average freight rate (excluding slot exchange fee income) achieved an increase of 6.4% growth from US$490.5/TEU in 2017 to US$522.1/TEU in 2018; and (ii) an increase of 0.6% in container shipping volume from 2,385,881 TEUs in 2017 to 2,399,169 TEUs in 2018.

Cost of Sales

The cost of sales of the Group's container shipping and logistics business increased by approximately 9.2% from approximately US$1,081.4 million for the year ended 31 December 2017 to approximately US$1,180.5 million for year ended 31 December 2018. Such increase was primarily attributable to (i) the significant increase in bunker cost; and (ii) the increase in vessel charter cost.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Company recorded gross profit of approximately US$244.7 million in its container shipping and logistics business for the year ended 31 December 2018, representing a decrease of approximately 2.3% as compared to approximately US$250.5 million for the year ended 31 December 2017. The gross profit margin of the Group's container shipping and logistics business was approximately 17.2% and 18.8% for the year ended 31 December 2018 and 2017, respectively.

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

For the year ended 31 December 2018, other income and gains (excluding bank interest income and other investment income) of the Group's container shipping and logistics business increased to approximately US$10.5 million from approximately US$9.1 million for the year ended 31 December 2017. The increase for the year ended 31 December 2018 was primarily attributable to a year-on-year (i) increase of approximately US$1.0 million for government subsidies; and (ii) increase of approximately US$0.7 million for gains on disposal of fixed assets including containers and others.

Administrative Expenses

Administrative expenses of the Group's container shipping and logistics business increased by approximately 2.8% from approximately US$74.2 million for the year ended 31 December 2017 to approximately US$76.3 million for the year ended 31 December 2018. The change in the amount was mainly attributable to the overall increase in staff cost.

Other Expenses and Losses

Other expenses and losses for the Group's container shipping and logistics business were approximately US$1.0 million and US$0.8 million for the year ended 31 December 2018 and 2017, respectively. There was no material fluctuation in the amount.

Share of Profits and Losses of Joint Ventures

The Group's container shipping and logistics business's share of profits and losses of joint ventures decreased by approximately 6.5% from approximately US$10.8 million in 2017 to approximately US$10.1 million in 2018. The change in the amount was mainly attributable to the decline in profits of part of the jointly controlled depots.

Share of Profits and Losses of Associates

The Group's container shipping and logistics business' share of profits and losses of associates was US$0.2 million and US$0.5 million for 2018 and 2017, respectively. There was no material fluctuation in the amount.

Segment Results

As a result of the foregoing, the segment results of the Group's container shipping and logistics business decreased by approximately US$7.8 million from approximately US$195.9 million for the year ended 31 December 2017 to approximately US$188.1 million for the year ended 31 December 2018.

Dry Bulk and Others

The following table sets forth selected income statement data for the Group's dry bulk and others segment for the periods indicated:

	Year ended 31 December			
	2018		2017	
	Amount *(US$'000)*	*% of segment revenue*	**Amount** *(US$'000)*	*% of segment revenue*
Income Statement Data				
Segment revenue	23,869	100%	16,553	100%
Dry bulk business	22,352	93.6%	15,244	92.1%
Other businesses	1,517	6.4%	1,309	7.9%
Cost of Sales	(15,973)	(66.9%)	(15,329)	(92.6%)
Dry bulk business	(15,243)	(63.9%)	(14,616)	(88.3%)
Other businesses	(730)	(3.0%)	(713)	(4.3%)
Gross Profit	7,896	33.1%	1,224	7.4%
Other income and gains (excluding bank interest income and other investment income)	7,248	30.4%	180	1.1%
Administrative expenses	(121)	(0.5%)	(172)	(1.0%)
Other expenses and losses	(3)	(0.1%)	(304)	(1.8%)
Share of profits and losses of:				
Joint ventures	(179)	(0.7%)	307	1.8%
Segment results	14,841	62.2%	1,235	7.5%

Revenue

The revenue of the Group's dry bulk and others business increased by approximately 44.0% from approximately US$16.6 million for the year ended 31 December 2017 to approximately US$23.9 million for year ended 31 December 2018. This increase was mainly attributable to the following:

- *Dry bulk business.* Revenue of the Group's dry bulk business increased by approximately 47.4% from approximately US$15.2 million for the year ended 31 December 2017 to approximately US$22.4 million for the year ended 31 December 2018, which primarily reflected the increase in the daily charter rate of dry bulk vessels.

- *Other businesses.* Revenue of the Group's other businesses was approximately US$1.5 million and US$1.3 million for the year ended 31 December 2018 and 2017, respectively. There was no material fluctuation in the amount.

Cost of Sales

The cost of sales of the Group's dry bulk and others business increased by approximately 4.6% from approximately US$15.3 million for the year ended 31 December 2017 to approximately US$16.0 million for the year ended 31 December 2018. The increase was mainly a combined effect of the following:

- *Dry bulk business.* Cost of sales for the Group's dry bulk business was approximately US$15.2 million and US$14.6 million for the year ended 31 December 2018 and 2017, respectively. There was no material fluctuation in the amount.

- *Other businesses.* Cost of sales of the Group's other businesses was approximately US$0.7 million for both the year ended 31 December 2018 and 2017. There was no change in the amount.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit of the Group's dry bulk and others business increased by approximately US$6.7 million from approximately US$1.2 million for the year ended 31 December 2017 to approximately US$7.9 million for the year ended 31 December 2018. The gross profit margin of the Group's dry bulk and others business increased from 7.4% for the year ended 31 December 2017 to approximately 33.1% for the year ended 31 December 2018.

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

For the year ended 31 December 2018, other income and gains (excluding bank interest income and other investment income) of the Group's dry bulk and others business increased by approximately US$7.0 million from approximately US$0.2 million for the year ended 31 December 2017 to approximately US$7.2 million for the year ended 31 December 2018. The increase for the year ended 31 December 2018 was mainly attributable to (i) a reversal of impairment losses for dry bulk vessels in prior years of approximately US$5.9 million in 2018 (2017: Nil); (ii) a year-on-year increase of approximately US$1.0 million for the realized hedging gains of Japanese Yen.

Administrative Expenses

Administrative expenses of the Group's dry bulk and others business was approximately US$0.1 million and US$0.2 million for the year ended 31 December 2018 and 2017, respectively. There was no material fluctuation in the amount.

Share of Profits and Losses of Joint Ventures

The Group's share of profits and losses of joint ventures for the dry bulk and others business translated from a profit of approximately US$0.3 million for the year ended 31 December 2017 to a loss of approximately US$0.2 million for the year ended 31 December 2018, which was mainly due to the operating loss of a jointly controlled air-freight forwarding enterprise.

Segment Results

As a result of the foregoing, the segment results of the Group's dry bulk and others business increased by approximately US$13.6 million from approximately US$1.2 million for the year ended 31 December 2017 to approximately US$14.8 million for the year ended 31 December 2018.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Total assets of the Group decreased by approximately 3.5% from approximately US$1,608.4 million as at 31 December 2017 to approximately US$1,551.9 million as at 31 December 2018. As at 31 December 2018, the Group had cash and cash equivalents amounting to approximately US$380.7 million, mainly denominated in US dollar, Renminbi, Japanese Yen and other currencies.

Total liabilities of the Group decreased by approximately 20.5% from approximately US$636.9 million as at 31 December 2017 to approximately US$506.2 million as at 31 December 2018. At 31 December 2018, the Group had secured interest-bearing bank loans of approximately US$313.7 million. The maturity profile is spread over a period, with approximately US$77.7 million repayable within one year or on demand, approximately US$47.4 million within the second year, approximately US$115.5 million within third to fifth years and approximately US$73.1 million beyond five years.

Further, the Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. As at 31 December 2018, the Group hedged approximately 17.1% (31 December 2017: 23.1%) of its foreign currency sales for which firm commitments existed at the end of the reporting period.

As at 31 December 2018, the Group had current ratio (being the current assets divided by the current liabilities) of approximately 1.9 compared to that of 1.8 as at 31 December 2017. 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 a healthy gearing ratio. Net debt includes interest-bearing bank borrowings, trade and other payables, accruals, amounts due to related companies, less cash and cash equivalents. Adjusted capital includes equity attributable to owners of the parent less the hedging reserve. The Group's gearing ratio was 9% and 11% as at 31 December 2017 and 31 December 2018, respectively.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no significant contingent liabilities.

CHARGE ON ASSETS

As at 31 December 2018, the Group's bank loans were secured by mortgages over the Group's container vessels and dry-bulk vessels which had an aggregate carrying value at the end of the reporting period of approximately US$565.1 million (31 December 2017: US$605.7 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2018, the Group had an aggregate of 1,468 full-time employees (excluding crew members, 31 December 2017: 1,399). The related employees' costs for the period (including directors' emoluments) amounted to approximately US$89.2 million (31 December 2017: US$86.7 million). The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the directors) with reference to corporate performance, individual performance and current market salary scale. Further, the Group has in place the pre-IPO share option scheme and post-IPO share option scheme and adopted a share award scheme on 13 September 2017. Further information of the share option schemes and share award scheme will be available in the annual report of the Company for the year ended 31 December 2018.

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2018, the Group entered into shipbuilding contracts with Yangzijiang Shipbuilding Company of Jiangsu Province for the building of 5 container vessels, and exercised the options for the building of 2 container vessels.

Save as otherwise, the Group did not have other material investment during the years ended 31 December 2018

MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2018, the Group did not have any material acquisitions and disposals of its subsidiaries and associated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Company will continue to purchase container vessels, dry bulk vessels, containers and invest in logistics projects, as and when appropriate. The Company expects that the internal financial resources and bank borrowings will be sufficient to meet the necessary funding requirements. Save as disclosed, the Company does not have any future plans for significant investments or capital assets as at the date of this announcement.

FINAL DIVIDEND

At the Board meeting held on 22 March 2018 (Friday), it was proposed that a final dividend of HK26 cents (equivalent to US3.32 cents) per ordinary share would be paid on 12 June 2019 (Wednesday) to the shareholders of the Company whose names appear on the Company's register of members at the close of business at 4:30 p.m. on 28 May 2019 (Tuesday). The proposed final dividend is subject to approval by the shareholders at the annual general meeting of the Company to be held on 23 May 2019 (Thursday) (the "**Annual General Meeting**").

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

OTHER INFORMATION

Annual General Meeting

The Annual General Meeting will be held on 23 May 2019 (Thursday). 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 20 May 2019 (Monday) to 23 May 2019 (Thursday), 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 documents, 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 no later than 4:30 p.m. on 17 May 2019 (Friday).

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 29 May 2019 (Wednesday) to 31 May 2019 (Friday), 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 documents, 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 no later than 4:30 p.m. on 28 May 2019 (Tuesday).

Purchase, Sale and Redemption of Shares

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

Corporate Governance

The Company is committed to maintaining a stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. For the year ended 31 December 2018, the Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules and there has been no deviation from the code provisions set out in the CG Code for the year ended 31 December 2018.

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, 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 2018.

Audit and Risk Management Committee

The audit and risk management committee of the Company (the "**Audit and Risk Management Committee**") consists of Mr. Tsui Yung Kwok, Dr. Lo Wing Yan, William and Dr. Ngai Wai Fung, all of whom are the Company's independent non-executive directors. The chairman of the Audit and Risk Management Committee is Mr. Tsui Yung Kwok. The annual results for the year ended 31 December 2018 of the Group have been reviewed by the Audit and Risk Management Committee.

Auditor

The Company appointed Ernst & Young as its auditor for the year ended 31 December 2018. 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 of Hong Kong Limited (http://www.hkex.com.hk) and the Company (http://www.sitc.com). The annual report of the Company for the year ended 31 December 2018 containing all the information as required by the Listing Rules will be despatched to the shareholders of the Company and made available for review on the same websites in due course.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

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

Hong Kong, 22 March 2019

As at the date of this announcement, the executive directors of the Company are Mr. Yang Shaopeng, Mr. Yang Xianxiang, Mr. Liu Kecheng, Mr. Xue Peng, Mr. Xue Mingyuan and Mr. Lai Zhiyong; and the independent non-executive directors of the Company are Mr. Tsui Yung Kwok, Mr. Yeung Kwok On, Dr. Lo Wing Yan, William, JP and Dr. Ngai Wai Fung.