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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 2017**

#### **Financial Highlights**

- Revenue for the year ended 31 December 2017 was approximately US\$1,348.4 million, increased by approximately 10.9% as compared to approximately US\$1,215.8 million for the year ended 31 December 2016.
- Gross profit for the year ended 31 December 2017 increased by approximately 26.2% from approximately US\$199.5 million for the year ended 31 December 2016 to approximately US\$251.7 million for the year ended 31 December 2017, which translated to an increase in gross profit margin to approximately 18.7% for the year ended 31 December 2017 from approximately 16.4% for the year ended 31 December 2016.
- Profit for the year ended 31 December 2017 increased by approximately 53.1% to approximately US\$190.1 million from approximately US\$124.2 million for the year ended 31 December 2016.
- Basic earnings per share for the year ended 31 December 2017 amounted to US7.15 cents (2016: US4.70 cents).

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 2017, together with the comparative figures for the year ended 31 December 2016, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) as below.

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**Year ended 31 December 2017**

	<i>Notes</i>	<b>2017</b> <i>US\$'000</i>	<b>2016</b> <i>US\$'000</i>
REVENUE	3	1,348,385	1,215,791
Cost of sales		<u>(1,096,679)</u>	<u>(1,016,256)</u>
Gross profit		251,706	199,535
Other income and gains, net	3	18,658	8,797
Administrative expenses		(74,333)	(68,801)
Other expenses, net		(946)	(13,933)
Finance costs	5	(8,640)	(6,872)
Share of profits and losses of:			
Joint ventures		11,093	11,504
Associates		<u>481</u>	<u>442</u>
PROFIT BEFORE TAX	4	198,019	130,672
Income tax	6	<u>(7,907)</u>	<u>(6,434)</u>
PROFIT FOR THE YEAR		<u><u>190,112</u></u>	<u><u>124,238</u></u>

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)**

**Year ended 31 December 2017**

	<b>2017</b> <i>US\$'000</i>	<b>2016</b> <i>US\$'000</i>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale investments	<u>1,326</u>	<u>325</u>
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	(7,681)	(5,910)
Reclassification adjustments for losses included in profit or loss	<u>561</u>	<u>1,838</u>
	(7,120)	(4,072)
Exchange differences on translation of foreign operations	5,718	(87)
Share of other comprehensive income/(loss) of joint ventures	1,452	(1,673)
Share of other comprehensive income/(loss) of associates	<u>652</u>	<u>(732)</u>
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	<u>2,028</u>	<u>(6,239)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX	<u>2,028</u>	<u>(6,239)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>192,140</u></u>	<u><u>117,999</u></u>
Profit for the year attributable to:		
Shareholders of the Company	188,613	122,790
Non-controlling interests	<u>1,499</u>	<u>1,448</u>
	<u><u>190,112</u></u>	<u><u>124,238</u></u>
Total comprehensive income for the year attributable to:		
Shareholders of the Company	190,124	116,953
Non-controlling interests	<u>2,016</u>	<u>1,046</u>
	<u><u>192,140</u></u>	<u><u>117,999</u></u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME (continued)**

**Year ended 31 December 2017**

	<i>Note</i>	<b>2017</b>	<b>2016</b>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	8		
Basic (US cents per share)		<u>7.15</u>	<u>4.70</u>
Diluted (US cents per share)		<u>7.12</u>	<u>4.69</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	<i>Note</i>	<b>2017</b> <i>US\$'000</i>	<b>2016</b> <i>US\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		891,787	925,749
Prepaid land lease payments		18,656	17,928
Advance payments for acquisition of vessels and trademarks		13,172	1,057
Goodwill		1,088	1,019
Investments in joint ventures		32,743	31,268
Investments in associates		9,800	10,610
Available-for-sale investments		26,808	16,745
Derivative financial instruments		<u>175</u>	<u>179</u>
Total non-current assets		<u>994,229</u>	<u>1,004,555</u>
<b>CURRENT ASSETS</b>			
Bunkers		17,723	13,749
Trade receivables	9	64,065	59,379
Prepayments, deposits and other receivables		13,513	12,610
Due from related companies		1,126	111
Principal-protected investment deposits at fair value through profit or loss		10,887	11,372
Derivative financial instruments		1,136	905
Cash and bank balances		<u>505,684</u>	<u>352,957</u>
Total current assets		<u>614,134</u>	<u>451,083</u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

**31 December 2017**

	<i>Note</i>	<b>2017</b> <i>US\$'000</i>	<b>2016</b> <i>US\$'000</i>
<b>CURRENT LIABILITIES</b>			
Trade payables	10	131,812	118,278
Other payables and accruals		53,555	39,513
Due to related companies		164	29
Derivative financial instruments		709	1
Bank borrowings		117,407	63,712
Dividend payables		33,964	—
Income tax payables		<u>1,298</u>	<u>1,006</u>
Total current liabilities		<u>338,909</u>	<u>222,539</u>
NET CURRENT ASSETS		<u>275,225</u>	<u>228,544</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>1,269,454</u>	<u>1,233,099</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings		<u>298,016</u>	<u>345,859</u>
Net assets		<u>971,438</u>	<u>887,240</u>
<b>EQUITY</b>			
Equity attributable to shareholders of the Company			
Issued capital		34,213	33,713
Reserves		<u>929,305</u>	<u>846,284</u>
		963,518	879,997
Non-controlling interests		<u>7,920</u>	<u>7,243</u>
Total equity		<u>971,438</u>	<u>887,240</u>

## NOTES

### 1.1 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 and certain 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 for the year ended 31 December 2017. 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.

## 1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12	<i>Disclosure of Interests in Other Entities: Clarification of the</i>
included in <i>Annual</i>	<i>Scope of HKFRS 12</i>
<i>Improvements to HKFRSs</i>	
<i>2014-2016 Cycle</i>	

None of the above amendments to HKFRSs has had a material impact on the Group's financial performance and positions for the period presented in the financial statements. The Group has provided the information for the current period in its annual consolidated financial statements for the year ended 31 December 2017 upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.



## 2. OPERATING SEGMENT INFORMATION

### *Change in reportable segments*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“CODM”). The CODM who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make key operating decisions.

CODM reviews operating activities on a number of bases, including by types of freight transportation methods, types of revenue generating assets and so on. In prior years, the management considered the reportable segments to be the types of freight transportation methods, namely sea based and land based, over time the focus of internal management reporting provided to the CODM has moved towards by types of revenue generating assets. The shift in the focus of internal reporting was further augmented in recent years to include financial information and metrics on the consumption of, and returns on, capital by different types of core revenue generating assets in using the Group’s resources. As a result, the two reporting segments (i.e. defined by types of revenue generating assets), namely container shipping related assets and dry bulk shipping and others services related assets, are now the most prominent view used by CODM to allocate resources and assess performance. Consequently, management believes that the change in reportable segments would give a more reliable and objective presentation of the operating segment information. Accordingly, the presentation of segment information for the year ended 31 December 2016 has been restated to reflect this change of segment composition.

### *Basis of segment information*

The Group restated its business segments from “sea freight logistics” and “land-based logistics” into two new 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, etc; and
- (b) the dry bulk and others segment is engaged in the provision of dry bulk vessel leasing, air-freight forwarding, land leasing.

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 bank and other interest income, investment income, dividend income, finance cost and gains on disposal of available-for-sale investment are excluded from such measurement.

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 2017**

	<b>Container shipping and logistics US\$'000</b>	<b>Dry bulk and others US\$'000</b>	<b>Total US\$'000</b>
<b>Segment revenue:</b>			
Sales to external customers	<u>1,331,832</u>	<u>16,553</u>	<u>1,348,385</u>
<b>Segment results</b>	<u>195,915</u>	<u>1,235</u>	197,150
<i>Reconciliation:</i>			
Bank interest income			8,376
Interest income of listed available-for-sale debt investments			741
Investment income of principal-protected investments			135
Dividend income from available-for-sale equity investments			91
Gain on disposal of available-for-sale investments			166
Finance costs			<u>(8,640)</u>
Profit before tax			<u>198,019</u>
<b>At 31 December 2017</b>			
<b>Segment assets</b>	<u>889,402</u>	<u>154,202</u>	1,043,604
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>568,746</u>
Total assets			<u>1,612,350</u>
<b>Segment liabilities</b>	<u>173,369</u>	<u>4,553</u>	179,922
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>429,026</u>
Total liabilities			<u>606,948</u>

**Year ended 31 December 2017**

	<b>Container shipping and logistics</b>	<b>Dry bulk and others</b>	<b>Total</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>Other segment information:</b>			
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*	<u>30,626</u>	<u>809</u>	<u>31,435</u>

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

**Year ended 31 December 2016**

	<b>Container shipping and logistics</b>	<b>Dry bulk and others</b>	<b>Total</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>
<b>Segment revenue:</b>			
Sales to external customers	<u>1,199,418</u>	<u>16,373</u>	<u>1,215,791</u>
<b>Segment results</b>	<u>138,187</u>	<u>(5,384)</u>	132,803
<i>Reconciliation:</i>			
Bank interest income			3,543
Interest income of			
listed available-for-sale debt investments			477
held-to-maturity investments			483
Investment income of principal-protected investments			137
Dividend income from available-for-sale equity investments			101
Finance costs			<u>(6,872)</u>
Profit before tax			<u>130,672</u>
<b>At 31 December 2016</b>			
<b>Segment assets</b>	<u>888,410</u>	<u>159,540</u>	1,047,950
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>407,688</u>
Total assets			<u>1,455,638</u>
<b>Segment liabilities</b>	<u>149,594</u>	<u>1,948</u>	151,542
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>416,856</u>
Total liabilities			<u>568,398</u>

**Year ended 31 December 2016**

	<b>Container shipping and logistics</b>	<b>Dry bulk and others</b>	<b>Total</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Restated)</i>	<i>(Restated)</i>	<i>(Restated)</i>
<b>Other segment information:</b>			
Share of profits and losses of:			
Joint ventures	11,183	321	11,504
Associates	442	—	442
Depreciation	46,691	7,015	53,706
Amortisation of prepaid land lease payments	—	471	471
Gain on disposal of items of property, plant and equipment, net	38	—	38
Impairment of items of property, plant and equipment	—	6,600	6,600
Reversal of impairment of trade receivables, net	—	91	91
Investments in joint ventures	30,435	833	31,268
Investments in associates	10,610	—	10,610
Capital expenditure*	<u>64,684</u>	<u>—</u>	<u>64,684</u>

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

### 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 the 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:

	<b>2017</b>	<b>2016</b>
	<i>US\$'000</i>	<i>US\$'000</i>
Greater China*	559,425	578,877
Japan	346,523	300,558
Southeast Asia	375,150	275,935
Others	<u>67,287</u>	<u>60,421</u>
	<u><b>1,348,385</b></u>	<u><b>1,215,791</b></u>

\* 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 (2016: Nil).

### 3. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net value of services rendered.

An analysis of other income and gains, net is as follows:

	<b>2017</b> <i>US\$'000</i>	<b>2016</b> <i>US\$'000</i>
<u>Other income</u>		
Bank interest income	8,376	3,543
Interest income of held-to-maturity investments	—	483
Investment income of principal-protected investments	135	137
Interest income of listed available-for-sale debt investments	741	477
Dividend income from available-for-sale equity investments	91	101
Government subsidies*	747	3,177
Others	<u>87</u>	<u>69</u>
	<u>10,177</u>	<u>7,987</u>
<u>Gains, net</u>		
Fair value gains of derivative instruments		
not qualifying as hedges, net	3,906	754
Gain on disposal of items of property, plant and equipment, net	3,687	38
Gain on disposal of a subsidiary	—	18
Gain on disposal of an associate	40	—
Gain on disposal of an available-for-sale investment	166	—
Foreign exchange difference, net	<u>682</u>	<u>—</u>
	<u>8,481</u>	<u>810</u>
Other income and gains, net	<u><u>18,658</u></u>	<u><u>8,797</u></u>

\* The amount represented subsidies received from certain governmental authorities in Mainland China for the Group's operations of marine transportation and logistics businesses. There are no unfulfilled conditions or contingencies relating to these grants.

#### 4. PROFIT BEFORE TAX

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

	<i>Note</i>	<b>2017</b> <i>US\$'000</i>	<b>2016</b> <i>US\$'000</i>
Cost of services provided:			
Cost of bunkers consumed		150,559	102,841
Others		<u>946,120</u>	<u>913,415</u>
		<u>1,096,679</u>	<u>1,016,256</u>
Depreciation		56,088	53,706
Less: Included in cost of services provided		<u>(52,282)</u>	<u>(49,001)</u>
		<u>3,806</u>	<u>4,705</u>
Amortisation of prepaid land lease payments		463	471
Minimum lease payments under operating leases		213,117	169,910
Less: Included in cost of services provided		<u>(116,230)</u>	<u>(120,175)</u>
		<u>96,887</u>	<u>49,735</u>
Foreign exchange differences, net		(682)	4,842
Employee benefit expense (including directors' and the chief executive officer's remuneration):			
Wages and salaries		78,117	67,909
Share based compensation expenses		31	—
Equity-settled share option expenses		104	769
Pension scheme contributions (defined contribution scheme)		<u>8,419</u>	<u>8,239</u>
		86,671	76,917
Less: Included in cost of services provided		<u>(41,284)</u>	<u>(38,035)</u>
		<u>45,387</u>	<u>38,882</u>
Impairment/(reversal of impairment) of trade receivables, net*	9	345	(91)
Impairment of items of property, plant and equipment*		—	6,600
Impairment of available-for-sale investments stated at cost*		—	680
Fair value losses of cash flow hedge* (transfer from equity), net		<u>561</u>	<u>1,838*</u>

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



## 5. FINANCE COSTS

Finance costs are interest on bank loans.

## 6. INCOME TAX

	2017 <i>US\$'000</i>	2016 <i>US\$'000</i>
Current:		
Hong Kong	576	164
Mainland China	1,635	1,722
Elsewhere	5,888	4,550
Overprovision in prior years — Mainland China	(4)	—
Overprovision in prior years — Hong Kong	<u>(188)</u>	<u>(2)</u>
 Total tax expense for the year	 <u><u>7,907</u></u>	 <u><u>6,434</u></u>

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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.

## 7. DIVIDENDS

	2017		2016	
	<i>HK\$'000</i>	<i>US\$'000</i> <i>equivalent</i>	<i>HK\$'000</i>	<i>US\$'000</i> <i>equivalent</i>
Interim — HK10 cents (equivalent to approximately US1.28 cents) (2016: Nil) per ordinary share	265,024	33,865	—	—
Special — HK10 cents (equivalent to approximately US1.28 cents) (2016: HK10 cents (equivalent to approximately US1.29 cents)) per ordinary share	265,509	33,964	261,327	33,644
Proposed final — HK20 cents (equivalent to approximately US2.55 cents) (2016: HK16 cents (equivalent to approximately US2.06 cents)) per ordinary share	<u>530,737</u>	<u>67,669</u>	<u>421,470</u>	<u>54,171</u> *
	<u>1,061,270</u>	<u>135,498</u>	<u>682,797</u>	<u>87,815</u>

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

\* Subsequent to the approval of the consolidated financial statements for the year end 31 December 2016 and prior to the date of closure of the register of members for the entitlement to 2016 final dividend, additional 19,418,000 ordinary shares were issued by the Company as a result of exercise of share options. Accordingly, an additional 2016 final dividend amounting HK\$3,107,000 (equivalent to approximately US\$307,000), was paid in 2017, resulting in difference between the amount of 2016 final dividend disclosed above and the amount disclosed in the consolidated financial statements for the year ended 31 December 2016.

## 8. 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 2,637,050,537 (2016: 2,612,746,388) in issue during the year.

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

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

	2017 US\$'000	2016 US\$'000
<b><u>Earnings</u></b>		
Profit attributable to shareholders of the Company, used in the basic and diluted earnings per share calculation	<u>188,613</u>	<u>122,790</u>
<b><u>Shares</u></b>		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	2,637,050,537	2,612,746,388
Effect of dilution of share options		
— weighted average number of ordinary shares	<u>13,605,159</u>	<u>5,759,299</u>
Weighted average number of ordinary shares in issue during the year, used in the diluted earnings per share calculation	<u>2,650,655,696</u>	<u>2,618,505,687</u>

## 9. TRADE RECEIVABLES

	<b>2017</b> <i>US\$'000</i>	<b>2016</b> <i>US\$'000</i>
Trade receivables (note (b))	64,414	59,400
Impairment (note (c))	<u>(349)</u>	<u>(21)</u>
	<u><u>64,065</u></u>	<u><u>59,379</u></u>

### *Notes:*

- (a) 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 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.
- (b) An ageing 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:

	<b>2017</b> <i>US\$'000</i>	<b>2016</b> <i>US\$'000</i>
Within 1 month	55,630	49,956
1 to 2 months	6,248	6,139
2 to 3 months	1,273	1,240
Over 3 months	<u>914</u>	<u>2,044</u>
	<u><u>64,065</u></u>	<u><u>59,379</u></u>

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

	<b>2017</b> <i>US\$'000</i>	<b>2016</b> <i>US\$'000</i>
Neither past due nor impaired	63,151	57,335
Less than one month past due	<u>914</u>	<u>2,044</u>
	<u><u>64,065</u></u>	<u><u>59,379</u></u>

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

	<b>2017</b> <i>US\$'000</i>	<b>2016</b> <i>US\$'000</i>
At 1 January	21	145
Impairment/(reversal of impairment) recognised, net (note 4)	345	(91)
Amount written off as uncollectible	<u>(17)</u>	<u>(33)</u>
At 31 December	<u><u>349</u></u>	<u><u>21</u></u>

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of US\$349,000 (2016: US\$21,000) with a total carrying amount before provision of US\$349,000 (2016: US\$21,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and the full amount of the receivables was not expected to be recovered.

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

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

(d) Included in the Group's trade receivables as at 31 December 2017 are amounts of US\$6,971,000 (2016: US\$9,030,000), US\$6,000 (2016: US\$118,000) and US\$258,000 (2016: Nil) due from joint ventures, associates and companies controlled by Controlling Shareholder respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

## 10. TRADE PAYABLES

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

	2017 US\$'000	2016 US\$'000
Within 1 month	101,644	97,895
1 to 2 months	18,949	14,489
2 to 3 months	2,288	2,418
Over 3 months	<u>8,931</u>	<u>3,476</u>
	<u>131,812</u>	<u>118,278</u>

- (b) Included in the Group's trade payables as at 31 December 2017 are amounts of nil (2016: US\$1,459,000), US\$7,131,000 (2016: US\$4,466,000) and US\$990,000 (2016: US\$199,000) due to companies controlled by the Controlling Shareholder, joint ventures and associates, respectively, which are repayable within 30 days.
- (c) The trade payables are non-interest-bearing and are normally settled on terms ranging from 15 to 45 days.

## 11. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to change in the focus of internal management reporting, the presentation of segment information in the financial statements have been revised. Accordingly, certain comparative amounts have been reclassified and restated to conform to the current year's segment presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

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

As the scale of the Group continues to grow, and in order to more clearly reflect the Group's unique business model, which focuses on the integrated logistics development strategy combining sea and land transportation, the management of the Company has determined to examine the Group's business development from two segments which are container shipping and logistics, and dry bulk and others. The Group re-grouped its business segments from "sea freight logistics" and "land-based logistics" to:

- (i) “container shipping and logistics” segment, which principally covers integrated logistics services such as the provision of container transportation, freight forwarding, shipping agency, depot and warehousing, etc; and
- (ii) “dry bulk and others” segment, which principally covers the provision of dry bulk vessel leasing, land leasing and air-freight forwarding services.

## ***Business Review***

### *(i) Container shipping and logistics business*

During the year ended 31 December 2017, 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 2017, the Group operated 63 trade lanes, including 9 trade lanes through joint services and 25 trade lanes through container slot exchange arrangements. These trade lanes and land-based integrated logistics business network covered 64 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 2017, the Group operated a fleet of 77 vessels with a total capacity of 105,234 TEU, comprised of 48 self-owned (63,072 TEU) and 29 chartered vessels (42,162 TEU), with an average age of 9 years. 50 of these 77 vessels were of the 1,000 TEU type. In addition, the Group also operated (including through joint ventures) approximately 1,074,974 m<sup>2</sup> of depot and 88,836 m<sup>2</sup> of warehousing space.

Revenue generated by the Group’s container shipping and logistics business for the year ended 31 December 2017 increased by approximately 11.0% from US\$1,199.4 million for the year ended 31 December 2016 to US\$1,331.8 million for the year ended 31 December 2017. The increase was mainly due to a combined effect, from container shipping and supporting logistics business, where (i) the container shipping volume achieved an increase of 8.9% growth from 2,191,213 TEUs in 2016 to 2,385,881 TEUs in 2017; and (ii) the average freight rate (excluding slot exchange fee income) increased by 2.7% from US\$477.4/TEU in 2016 to US\$490.5/TEU in 2017.

(ii) *Dry bulk and others business*

During the year ended 31 December 2017, 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 2017, the Group has 6 dry bulk vessels with a total tonnage of 438,595 tons and an average age of 5.1 years.

Revenue generated from dry bulk and others business increased by approximately 1.2% from US\$16.4 million for the year ended 31 December 2016 to US\$16.6 for the year ended 31 December 2017. 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***

During the year ended 31 December 2017, as the global economy and trade witnessed a significant growth, Asia market also picked up correspondingly. Increased container shipping and logistics volume, improved demand and supply dynamics of the cargo transportation market which caused increasing freight rate and coupled with optimizing operation and management efficiency of the Group, have enabled our final results to grow significantly.

Going forward, there exists uncertainties in the economy due to the unstable basis of global economic recovery, geopolitics and trade protectionism, etc., therefore, the Company will continue to cautiously implement business expansion plans in the intra-Asia market.



## Financial Overview

	Year ended 31 December					
	2017	2016	2017	2016	2017	2016
	Container shipping and logistics		Dry bulk and others		Total	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Revenue</b>	1,331,832	1,199,418	16,553	16,373	1,348,385	1,215,791
Cost of sales	<u>(1,081,350)</u>	<u>(1,000,724)</u>	<u>(15,329)</u>	<u>(15,532)</u>	<u>(1,096,679)</u>	<u>(1,016,256)</u>
<b>Gross profit</b>	250,482	198,694	1,224	841	251,706	199,535
Other income and gains (excluding bank interest income and other investment income)	9,119	3,943	180	113	9,299	4,056
Administrative expenses	(74,161)	(68,637)	(172)	(164)	(74,333)	(68,801)
Share of profits and losses of:						
Joint ventures	10,786	11,183	307	321	11,093	11,504
Associates	481	442	—	—	481	442
Other expenses and losses	<u>(792)</u>	<u>(7,438)</u>	<u>(304)</u>	<u>(6,495)</u>	<u>(1,096)</u>	<u>(13,933)</u>
Segment results	195,915	138,187	1,235	(5,384)	197,150	132,803
Finance costs					(8,640)	(6,872)
Interest and investment income					<u>9,509</u>	<u>4,741</u>
Profit before tax					198,019	130,672
Income tax					<u>(7,907)</u>	<u>(6,434)</u>
<b>Profit for the year</b>					<u><u>190,112</u></u>	<u><u>124,238</u></u>
<b>Profit for the year attributable to:</b>						
Shareholders of the Company					188,613	122,790
Non-controlling interests					<u>1,499</u>	<u>1,448</u>
					<u><u>190,112</u></u>	<u><u>124,238</u></u>

## Revenue

The Group's total revenue increased by approximately 10.9% from approximately US\$1,215.8 million for the year ended 31 December 2016 to approximately US\$1,348.4 million for the year ended 31 December 2017. The increase was primarily attributable to the increase from container shipping and supporting logistics business in both container shipping volume and average freight rate.

### ***Cost of Sales***

The Group's cost of sales increased by approximately 7.9% from approximately US\$1,016.3 million for the year ended 31 December 2016 to approximately US\$1,096.7 million for the year ended 31 December 2017. The increase was primarily attributable to (i) the significant increase in bunker cost; and (ii) the increase in stevedoring cost resulting from the growth in container shipping volume.

### ***Gross Profit and Gross Profit Margin***

As a result of the foregoing, the Group's gross profit increased from approximately US\$199.5 million for the year ended 31 December 2016 to approximately US\$251.7 for the year ended 31 December 2017. The Group's gross profit margin increased from approximately 16.4% for the year ended 31 December 2016 to approximately 18.7% for the year ended 31 December 2017.

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

For the year ended 31 December 2017, other income and gains (excluding bank interest income and other investment income) increased by approximately US\$5.2 million from approximately US\$4.1 million for the year ended 31 December 2016 to US\$9.3 million for the year ended 31 December 2017. The increase for the year ended 31 December 2017 was mainly attributable to a year-on-year (i) increase of approximately US\$3.7 million for fair value gains on derivative instruments and gains realized in settling derivative instruments; (ii) increase of approximately US\$3.6 million for gains on disposal of fixed assets including containers and others; and (iii) decrease of approximately US\$2.4 million for government subsidies.

### ***Administrative Expenses***

The Group's administrative expenses increased by approximately US\$5.5 million from approximately US\$68.8 million for the year ended 31 December 2016 to approximately US\$74.3 million for the year ended 31 December 2017. 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 3.5% from approximately US\$11.5 million in 2016 to approximately US\$11.1 million in 2017. There was no material fluctuation in the amount.

### ***Share of profits and losses of associates***

The Group's share of profits and losses of associates was US\$0.5 million and US\$0.4 million for 2017 and 2016, respectively. There was no material change in the amount.

### ***Other Expenses and Losses***

The Group's other expenses and losses were US\$1.1 million and US\$13.9 million for the year ended 31 December 2017 and 2016, respectively. The decrease was mainly attributable to (i) no impairment loss for dry bulk vessels occurred in 2017 (2016: US\$6.6 million); (ii) a year-on-year decrease of approximately US\$4.8 million in foreign exchange translation loss mainly arising from the assets denominated in Renminbi ("RMB"); and (iii) a year-on-year decrease of approximately US\$1.3 million in the hedging losses arising from realization of Japanese Yen.

### ***Finance Costs***

The Group's finance costs increased from US\$6.9 million for the year ended 31 December 2016 to US\$8.6 million for the year ended 31 December 2017. The increase was mainly attributable to the increase in both average bank borrowing balance and average borrowing interest rate.

### ***Interest and Investment Income***

The Group's amount of interest and investment income was approximately US\$9.5 million and US\$4.7 million for the year ended 31 December 2017 and 2016, respectively. The increase was mainly attributable to the increase in both average principal amount of bank deposits and average deposit interest rate.

### ***Profit before Tax***

As a result of the foregoing, the Group's profit before tax increased by approximately 51.5% from approximately US\$130.7 million for the year ended 31 December 2016 to approximately US\$198.0 million for the year ended 31 December 2017.

### ***Income Tax Expenses***

The Group's income tax expense was approximately US\$7.9 million and US\$6.4 million for the year ended 31 December 2017 and 2016, 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 2017 was approximately US\$190.1 million, representing an increase of approximately 53.1% as compared to the profit of approximately US\$124.2 million for the year ended 31 December 2016.

## **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:

	<b>Year ended 31 December</b>		<b>2016</b>	
	<i>Amount</i> <i>(US\$'000)</i>	<i>% of</i> <i>segment</i> <i>revenue</i>	<i>Amount</i> <i>(US\$'000)</i>	<i>% of</i> <i>segment</i> <i>revenue</i>
<b>Income Statement Data</b>				
<b>Segment revenue</b>	1,331,832	100%	1,199,418	100%
Container shipping and supporting logistics income	1,223,134	91.8%	1,093,904	91.2%
Other container logistics income	108,698	8.2%	105,514	8.8%
<b>Cost of Sales</b>	(1,081,350)	(81.2)%	(1,000,724)	(83.4)%
Equipment and cargos transportation costs	(629,488)	(47.3)%	(607,655)	(50.7)%
Voyage costs	(212,491)	(16.0)%	(162,095)	(13.5)%
Container shipping vessels costs	(148,260)	(11.1)%	(144,208)	(12.0)%
Other container logistics costs	<u>(91,111)</u>	(6.8)%	<u>(86,766)</u>	(7.2)%
<b>Gross Profit</b>	250,482	18.8%	198,694	16.6%
Other income and gains (excluding bank interest income and other investment income)	9,119	0.7%	3,943	0.3%
Administrative expenses	(74,161)	(5.6)%	(68,637)	(5.7)%
Other expenses and losses	<u>(792)</u>	(0.1)%	<u>(7,438)</u>	(0.7)%
Share of profits and losses of :				
Joint ventures	10,786	0.8%	11,183	0.9%
Associates	481	0.1%	442	0.1%
<b>Segment results</b>	<u>195,915</u>	<u>14.7%</u>	<u>138,187</u>	<u>11.5%</u>

### ***Segment results***

The following table sets forth the number of trade lanes of the Group ended 31 December 2016 and 2017, and port calls per week and the average freight rate for the years indicated:

<b>Year ended 31</b>		<b>As of 31 December</b>			
<b>December</b>					
<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Average freight rate</b>		<i>Number of trade lanes</i>		<i>Port calls per week</i>	
<i>(US\$ per TEU, excluding slot exchange fee rate)</i>					
490.5	477.4	63	62	388	385

### ***Revenue***

Revenue of the Group's container shipping and logistics segment increased by approximately 11.0% from approximately US\$1,199.4 million for the year ended 31 December 2016 to approximately US\$1,331.8 million for the year ended 31 December 2017. This increase was due to a combined effect from container shipping and supporting logistics business, where (i) the container shipping volume achieved an increase of 8.9% growth from 2,191,213 TEUs in 2016 to 2,385,881 TEUs in 2017; and (ii) the average freight rate (excluding slot exchange fee income) increased by 2.7% from US\$477.4/TEU in 2016 to US\$490.5/TEU in 2017.

### ***Cost of Sales***

The cost of sales of the Group's container shipping and logistics business increased by approximately 8.1% from approximately US\$1,000.7 million for the year ended 31 December 2016 to approximately US\$1,081.4 million for year ended 31 December 2017. Such increase was primarily attributable to (i) the significant increase in bunker cost; and (ii) the increase in stevedoring cost resulting from the growth in container shipping volume.

### ***Gross Profit and Gross Profit Margin***

As a result of the foregoing, the Company recorded gross profit of approximately US\$250.5 million in container shipping and logistics business for the year ended 31 December 2017, representing an increase of approximately 26.1% as compared to approximately US\$198.7 million for the year ended 31 December 2016. The gross profit margin of the Group's container shipping and logistics segment increased from 16.6% in 2016 to 18.8% in 2017.

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

For the year ended 31 December 2017, the other income and gains (excluding bank interest income and other investment income) for the container shipping and logistics segment increased to approximately US\$9.1 million from approximately US\$3.9 million for the year ended 31 December 2016. The increase for the year ended 31 December 2017 was primarily attributable to a year-on-year (i) increase of approximately US\$3.7 million for fair value gains of derivative instruments and gains realized in settling derivative instruments; (ii) increase of approximately US\$3.6 million for gains on disposal of fixed assets including containers and others; and (iii) decrease of approximately US\$2.4 million for government subsidies.

### ***Administrative Expenses***

Administrative expenses of the Group's container shipping and logistics business increased by approximately 8.2% from approximately US\$68.6 million for the year ended 31 December 2016 to approximately US\$74.2 million for the year ended 31 December 2017. The change in the amount was mainly attributable to the overall increase in staff cost.

### ***Other Expenses and Losses***

Other expenses and losses of the Group's container shipping and logistics business decreased from US\$7.4 million for the year ended 31 December 2016 to US\$0.8 million for the year ended 31 December 2017, mainly attributable to a year-on-year (i) decrease of approximately US\$4.8 million in foreign exchange translation loss mainly arising from the assets denominated in RMB; and (ii) decrease of approximately US\$1.1 million in the hedging losses arising from realization of Japanese Yen.

### ***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 3.6% from approximately US\$11.2 million in 2016 to approximately US\$10.8 million in 2017. There was no material fluctuation in the amount.

### ***Share of profits and losses of associates***

The Group's container shipping and logistics business' share of profits and losses of associates was US\$0.5 million and US\$0.4 million for 2017 and 2016, respectively. There was no material change in the amount.

## Segment Results

As a result of the foregoing, the segment results of the Group's container shipping and logistics business increased by approximately US\$57.7 million from approximately US\$138.2 million for the year ended 31 December 2016 to approximately US\$195.9 million for the year ended 31 December 2017.

### 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			
	2017		2016	
	<i>Amount</i>	<i>% of</i>	<i>Amount</i>	<i>% of</i>
	<i>(US\$'000)</i>	<i>segment</i>	<i>(US\$'000)</i>	<i>segment</i>
		<i>revenue</i>		<i>revenue</i>
<b>Income Statement Data</b>				
<b>Segment revenue</b>	16,553	100%	16,373	100%
Dry Bulk business	15,244	92.1%	14,728	90.0%
Other businesses	1,309	7.9%	1,645	10.0%
<b>Cost of Sales</b>	(15,329)	(92.6)%	(15,532)	(94.9)%
Dry Bulk business	(14,616)	(88.3)%	(14,539)	(88.8)%
Other businesses	<u>(713)</u>	(4.3)%	<u>(993)</u>	(6.1)%
<b>Gross Profit</b>	1,224	7.4%	841	5.1%
Other income and gains (excluding bank interest income and other investment income)	180	1.1%	113	0.7%
Administrative expenses	(172)	(1.0)%	(164)	(1.0)%
Other expenses and losses	(304)	(1.8)%	(6,495)	(39.7)%
Share of profit and losses of: Joint ventures	<u>307</u>	1.8%	<u>321</u>	2.0%
<b>Segment results</b>	<u>1,235</u>	<u>7.5%</u>	<u>(5,384)</u>	<u>(32.9)%</u>

## ***Revenue***

The revenue of the Group's dry bulk and others business increased by approximately 1.2% from approximately US\$16.4 million for the year ended 31 December 2016 to approximately US\$16.6 million for year ended 31 December 2017. This increase was mainly attributable to the following:

- *Dry bulk business.* Revenue of the Group's dry bulk business increased by approximately 3.4% from approximately US\$14.7 million for the year ended 31 December 2016 to approximately US\$15.2 million for the year ended 31 December 2017, which primarily reflected the increase in the average daily charter hire of dry bulk vessels; and
- *Other businesses.* Revenue of the Group's other businesses was decreased by US\$0.3 million from approximately US\$1.6 million for the year ended 31 December 2016 to approximately US\$1.3 million for the year ended 31 December 2017. The decrease was mainly due to taxes including land use tax related to the land leasing business being presented in costs in 2016 while being reclassified and presented as a deduction of revenue in 2017.

## ***Cost of Sales***

The cost of sales of the Group's dry bulk and others business was approximately US\$15.3 million and US\$15.5 million for 2017 and 2016 respectively, of which:

- *Dry Bulk business.* Cost of sales for the dry bulk business was approximately US\$14.6 million and US\$14.5 million for 2017 and 2016, respectively. There was no material fluctuation in the amount.
- *Other businesses.* Cost of sales of the Group's other businesses decreased by US\$0.3 million from approximately US\$1.0 million for the year ended 31 December 2016 to approximately US\$0.7 million for the year ended 31 December 2017. The reason of the decrease was the same as the reason of the increase in respective revenue mentioned above.

## ***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 50.0% from approximately US\$0.8 million for the year ended 31 December 2016 to approximately US\$1.2 million for the year ended 31 December 2017. The gross profit margin of the Group's dry bulk and others business increased from 5.1% for the year ended 31 December 2016 to approximately 7.4% for the year ended 31 December 2017.



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

Other income and gains (excluding bank interest income and other investment income) of the Group's dry bulk and others business was US\$0.2 million and US\$0.1 million for the year ended 31 December 2017 and 2016, respectively. There was no material change in the amount.

***Administrative Expenses***

Administrative expenses of the Group's dry bulk and others business was approximately US\$0.2 million for both 2017 and 2016. There was no material fluctuation in the amount.

***Other Expenses and Losses***

Other expenses and losses incurred by the Group's dry bulk and others business for the year ended 31 December 2017 amounted to approximately US\$0.3 million (for the year ended 31 December 2016: US\$6.5 million). The decrease was mainly attributable to no impairment loss of dry bulk vessels occurred in 2017 (2016: US\$6.6 million).

***Share of Profits of Joint Ventures***

The Group's dry bulk and others business's share of profits of joint ventures was approximately US\$0.3 million for both 2017 and 2016. There was no material fluctuation in the amount.

***Segment Results***

As a result of the foregoing, the segment results of the Group's dry bulk and others business translated from a loss of approximately US\$5.4 million for the year ended 31 December 2016 to a profit of approximately US\$1.2 million for the year ended 31 December 2017.

**LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES**

Total assets of the Group increased by approximately 10.5% from approximately US\$1,455.6 million as at 31 December 2016 to approximately US\$1,608.4 million as at 31 December 2017. As at 31 December 2017, the Group had cash and cash equivalents amounting to approximately US\$505.7 million, mainly denominated in US dollar, Renminbi, Japanese Yen and other currencies.

Total liabilities of the Group increased by approximately 12.1% from approximately US\$568.4 million as at 31 December 2016 to approximately US\$636.9 million as at 31 December 2017. As at 31 December 2017, the Group had secured interest-bearing bank loans of approximately US\$352.6 million. The maturity profile is spread over a period, with approximately US\$54.6 million repayable within one year or on demand, approximately US\$52.5 million within the second year, approximately US\$145.5 million within third to fifth years and approximately US\$100.0 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 2017, the Group hedged approximately 23.1% (31 December 2016: 27.0%) of its foreign currency sales for which firm commitments existed at the end of the reporting period.

As at 31 December 2017, the Group had current ratio (being the current assets divided by the current liabilities) of approximately 1.8 compared to that of 2.0 as at 31 December 2016. 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 20% and 9% as at 31 December 2016 and 31 December 2017, respectively.

## **CONTINGENT LIABILITIES**

As at 31 December 2017, the Group had no significant contingent liabilities.

## **CHARGE ON ASSETS**

As at 31 December 2017, 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\$605.7 million (31 December 2016: US\$650.3 million).

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 31 December 2017, the Group had an aggregate of 1,399 full-time employees (excluding crew members, 31 December 2016: 1,433). The related employees' costs for the period (including directors' emoluments) amounted to approximately US\$86.7 million (31 December 2016: US\$76.9 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 schemes 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 2017.

## **SIGNIFICANT INVESTMENTS**

For the year ended 31 December 2017, the Group entered into shipbuilding contracts with Dae Sun Shipbuilding Company for the building of 4 container vessels, and exercised the options for the building of 2 container vessels. In addition, the Group also entered into shipbuilding contracts with Yangzijiang Shipbuilding Company of Jiangsu Province for the building of 2 container vessels and options contracts for 2 container vessels.

Save as otherwise, the Group did not have other material investment during the years ended 31 December 2017.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

For the year ended 31 December 2017, 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 foresees 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 23 March 2018 (Friday), it was proposed that a final dividend of HK20 cents (equivalent to US2.55 cents) per ordinary share would be paid on 30 May 2018 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 17 May 2018 (Thursday). The proposed final dividend is subject to approval by the shareholders at the annual general meeting of the Company to be held on 14 May 2018 (Monday) (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 14 May 2018 (Monday). 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 9 May 2018 (Wednesday) to 14 May 2018 (Monday), 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 8 May 2018 (Tuesday).

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 18 May 2018 (Friday) to 21 May 2018 (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 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 2018 (Thursday).

### **Purchase, Sale and Redemption of Shares**

During the year ended 31 December 2017, 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 2017, 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 2017.

## **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 2017.

## **Audit Committee**

The audit committee of the Company (the “**Audit 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 Committee is Mr. Tsui Yung Kwok. The annual results for the year ended 31 December 2017 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 2017. 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 2017 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 2017 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, 23 March 2018

*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 and Dr. Ngai Wai Fung.*