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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 UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **Financial Highlights**

- Revenue for the year ended 31 December 2019 was approximately US\$1,553.7 million, increased by approximately 7.2% as compared to approximately US\$1,449.1 million for the year ended 31 December 2018.
- Gross profit for the year ended 31 December 2019 increased by approximately 18.1% from approximately US\$252.6 million for the year ended 31 December 2018 to approximately US\$298.2 million for the year ended 31 December 2019. Gross profit margin increased to approximately 19.2% for the year ended 31 December 2019 as compared to approximately 17.4% for the year ended 31 December 2018.
- Profit for the year ended 31 December 2019 increased by approximately 11.3% to approximately US\$221.5 million from approximately US\$199.1 million for the year ended 31 December 2018.
- Basic earnings per share for the year ended 31 December 2019 amounted to US8.29 cents (2018: US7.44 cents).
- A final dividend of HK27 cents (equivalent to US3.47 cents) per share were declared for the year ended 31 December 2019.

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 unaudited consolidated results of the Group for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) as below. For the reasons explained in the paragraph headed “Review of Unaudited Annual Results” in this announcement, the auditing process for the annual results of the Group for the year ended 31 December 2019 has not been completed.

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

### Year ended 31 December 2019

	<i>Notes</i>	<b>2019</b> <i>US\$’000</i> (Unaudited)	<b>2018</b> <i>US\$’000</i> (Audited)
REVENUE	4	1,553,718	1,449,088
Cost of sales		<u>(1,255,566)</u>	<u>(1,196,489)</u>
Gross profit		298,152	252,599
Other income and gains, net		22,406	31,210
Administrative expenses		(80,246)	(76,449)
Other expenses, net		(4,344)	(428)
Finance costs	5	(14,482)	(9,368)
Share of profits and losses of:			
Joint ventures		8,585	9,961
Associates		<u>442</u>	<u>171</u>
PROFIT BEFORE TAX	6	230,513	207,696
Income tax	7	<u>(8,998)</u>	<u>(8,599)</u>
PROFIT FOR THE YEAR		<u><u>221,515</u></u>	<u><u>199,097</u></u>

**Year ended 31 December 2019**

	<i>Note</i>	<b>2019</b> <i>US\$'000</i> (Unaudited)	<b>2018</b> <i>US\$'000</i> (Audited)
<b>OTHER COMPREHENSIVE INCOME/ (LOSS)</b>			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Debt investments at fair value through other comprehensive income:			
Changes in fair value		1,015	(1,701)
Reclassification adjustments for losses on disposal included in profit or loss	6	<u>143</u>	<u>41</u>
		<u>1,158</u>	<u>(1,660)</u>
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year		(2,368)	(3,064)
Reclassification adjustments for losses/ (gains) included in profit or loss	6	<u>4,111</u>	<u>(658)</u>
		<u>1,743</u>	<u>(3,722)</u>
Exchange differences on translation of foreign operations		(783)	(4,893)
Share of other comprehensive loss of joint ventures		(311)	(1,665)
Share of other comprehensive loss of associates		<u>(110)</u>	<u>(539)</u>

	<i>Note</i>	<b>2019</b> <i>US\$'000</i> (Unaudited)	<b>2018</b> <i>US\$'000</i> (Audited)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		<u>1,697</u>	<u>(12,479)</u>
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR, NET OF INCOME TAX		<u>1,697</u>	<u>(12,479)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>223,212</u></u>	<u><u>186,618</u></u>
Profit for the year attributable to:			
Shareholders of the Company		219,977	197,514
Non-controlling interests		<u>1,538</u>	<u>1,583</u>
		<u><u>221,515</u></u>	<u><u>199,097</u></u>
Total comprehensive income for the year attributable to:			
Shareholders of the Company		221,530	185,481
Non-controlling interests		<u>1,682</u>	<u>1,137</u>
		<u><u>223,212</u></u>	<u><u>186,618</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	9		
Basic (US cents per share)		<u><u>8.29</u></u>	<u><u>7.44</u></u>
Diluted (US cents per share)		<u><u>8.22</u></u>	<u><u>7.39</u></u>

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**31 December 2019**

	<i>Note</i>	<b>2019</b> <i>US\$'000</i> (Unaudited)	<b>2018</b> <i>US\$'000</i> (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		969,957	927,514
Right-of-use assets		164,308	–
Prepaid land lease payments		–	17,196
Advance payments for acquisition of vessels		49,954	46,376
Goodwill		1,016	1,029
Other intangible assets		1,579	1,579
Investments in joint ventures		34,467	35,777
Investments in associates		9,703	9,431
Debt investments at fair value through other comprehensive income		–	9,430
Derivative financial instruments		14	155
		1,230,998	1,048,487
<b>CURRENT ASSETS</b>			
Prepaid land lease payments		–	468
Bunkers		22,067	22,962
Trade receivables	10	70,551	65,877
Prepayments, deposits and other receivables		18,903	16,625
Derivative financial instruments		252	105
Principal-protected investment deposits at fair value through profit or loss		7,410	16,665
Cash and bank balances		399,363	380,702
		518,546	503,404
Total current assets		518,546	503,404

	<i>Note</i>	<b>2019</b> <i>US\$'000</i> (Unaudited)	<b>2018</b> <i>US\$'000</i> (Audited)
<b>CURRENT LIABILITIES</b>			
Trade payables	11	137,862	138,767
Other payables and accruals		60,315	52,471
Derivative financial instruments		–	18
Bank borrowings		55,416	77,718
Lease liabilities		38,498	–
Dividend payables		102,615	–
Income tax payables		1,610	1,271
		<u>396,316</u>	<u>270,245</u>
Total current liabilities		<u>396,316</u>	<u>270,245</u>
<b>NET CURRENT ASSETS</b>		<u>122,230</u>	<u>233,159</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,353,228</u>	<u>1,281,646</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings		226,596	235,947
Lease liabilities		104,656	–
Provision for reinstatement costs		2,406	–
		<u>333,658</u>	<u>235,947</u>
Total non-current liabilities		<u>333,658</u>	<u>235,947</u>
Net assets		<u>1,019,570</u>	<u>1,045,699</u>
<b>EQUITY</b>			
Equity attributable to shareholders of the Company			
Issued capital		34,513	34,393
Reserves		975,730	1,002,639
		<u>1,010,243</u>	<u>1,037,032</u>
Non-controlling interests		<u>9,327</u>	<u>8,667</u>
Total equity		<u>1,019,570</u>	<u>1,045,699</u>

## 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, debt and equity investments, which have been measured at fair value. These financial statements are presented in the United States dollar (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 2019. 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 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and Annual Improvements to HKFRSs 2015-2017 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) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.



### *New definition of a lease*

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

### *As a lessee – Leases previously classified as operating leases*

#### *Nature of the effect of adoption of HKFRS 16*

The Group has lease contracts for various items of land, offices, containers and vessels. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

#### *Impact on transition*

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes a vessel recognised previously under a finance lease of US\$5,275,000 that were reclassified from property, plant and equipment and upfront payments for land lease of US\$17,664,000 that were reclassified from prepaid land lease payments.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

*As a lessee – Leases previously classified as finance leases*

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities measured under HKAS 17.

Lease liabilities were not recognised on the finance lease of vessel at 1 January 2019 as the finance lease payable was fully settled in prior years.

*Financial impact at 1 January 2019*

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	<b>Increase/(decrease)</b>
	<i>US\$'000</i>
	(Unaudited)
<b>Assets</b>	
Decrease in property, plant and equipment	(5,275)
Increase in right-of-use assets	134,342
Decrease in prepaid land lease payments	(17,664)
Decrease in prepayments, deposits and other receivables	(208)
	<hr/>
Increase in total assets	<u>111,195</u>
<b>Liabilities</b>	
Increase in lease liabilities and total liabilities	<u>111,195</u>

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	<i>US\$'000</i> (Unaudited)
Operating lease commitments as at 31 December 2018	160,025
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	<u>(24,122)</u>
	135,903
Weighted average incremental borrowing rate as at 1 January 2019	<u>4.5%</u>
Lease liabilities as at 1 January 2019	<u><u>111,195</u></u>

- (b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group did not have any long-term interests in associates and joint ventures as at 1 January 2019 and accordingly, the amendments did not have any impact on the financial position or performance of the Group.
- (c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from (i) the transfer pricing on its intergroup sales and (ii) the offshore position on its sales. Based on the Group’s tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy and offshore position will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

### 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, which is engaged in the provision of integrated logistics services, including provision of container transport, freight forwarding, shipping agency, depot and warehousing services; and
- (b) the dry bulk and others segment, which is engaged in the provision of dry bulk vessel leasing, air-freight forwarding, land leasing and other services.

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 2019

	<b>Container shipping and logistics US\$'000 (Unaudited)</b>	<b>Dry bulk and others US\$'000 (Unaudited)</b>	<b>Total US\$'000 (Unaudited)</b>
<b>Segment revenue</b> (note 4)			
Sales to external customers	1,527,346	26,372	1,553,718
<b>Segment results</b>	222,459	8,367	230,826
<i>Reconciliation:</i>			
Bank interest income			13,358
Interest income of debt investments at fair value through other comprehensive income			492
Investment income of principal-protected investment deposits at fair value through profit or loss			319
Finance costs			(14,482)
Profit before tax			230,513

	<b>Container shipping and logistics US\$'000 (Unaudited)</b>	<b>Dry bulk and others US\$'000 (Unaudited)</b>	<b>Total US\$'000 (Unaudited)</b>
<b>At 31 December 2019</b>			
<b>Segment assets</b>	<u>1,014,505</u>	<u>145,184</u>	1,159,689
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>589,855</u>
Total assets			<u>1,749,544</u>
<b>Segment liabilities</b>	<u>431,302</u>	<u>479</u>	431,781
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>298,193</u>
Total liabilities			<u>729,974</u>
<b>Other segment information:</b>			
Share of profits and losses of:			
Joint ventures	8,975	(390)	8,585
Associates	442	–	442
Depreciation of property, plant and equipment	58,825	7,931	66,756
Depreciation of right-of-use assets	35,995	455	36,450
Gain on disposal of items of property, plant and equipment, net	151	–	151
Impairment of trade receivables, net	76	–	76
Investments in joint ventures	33,897	570	34,467
Investments in associates	9,703	–	9,703
Capital expenditure*	<u>115,222</u>	<u>868</u>	<u>116,090</u>

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

**Year ended 31 December 2018**

	Container shipping and logistics <i>US\$'000</i> (Audited)	Dry bulk and others <i>US\$'000</i> (Audited)	Total <i>US\$'000</i> (Audited)
<b>Segment revenue</b> (note 4)			
Sales to external customers	<u>1,425,219</u>	<u>23,869</u>	1,449,088
<b>Segment results</b>	<u>188,146</u>	<u>14,841</u>	202,987
<i>Reconciliation:</i>			
Bank interest income			12,101
Interest income of debt investments at fair value through other comprehensive income			1,197
Dividend income of equity investments at fair value through profit or loss			31
Investment income of principal-protected investment deposits at fair value through profit or loss			231
Fair value gains of equity investments at fair value through profit or loss			517
Finance costs			<u>(9,368)</u>
Profit before tax			<u>207,696</u>

	Container shipping and logistics US\$'000 (Audited)	Dry bulk and others US\$'000 (Audited)	Total US\$'000 (Audited)
<b>At 31 December 2018</b>			
<b>Segment assets</b>	<u>977,788</u>	<u>153,224</u>	1,131,012
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>420,879</u>
Total assets			<u>1,551,891</u>
<b>Segment liabilities</b>	<u>176,491</u>	<u>4,005</u>	180,496
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>325,696</u>
Total liabilities			<u>506,192</u>
<b>Other segment information:</b>			
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*	<u>121,840</u>	<u>2,488</u>	<u>124,328</u>

\* Capital expenditure consists of additions to property, plant and equipment and advance payments for the acquisition 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 areas 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 information is only presented for revenue.

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

	<b>2019</b> <i>US\$'000</i> <b>(Unaudited)</b>	2018 <i>US\$'000</i> (Audited)
Greater China*	<b>592,566</b>	579,924
Japan	<b>406,557</b>	378,283
Southeast Asia	<b>465,022</b>	422,392
Others	<b>89,573</b>	68,489
	<b>1,553,718</b>	1,449,088

\* 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 (2018: Nil).

## 4. REVENUE

An analysis of the Group's revenue is as follows:

	<b>2019</b> <i>US\$'000</i> <b>(Unaudited)</b>	2018 <i>US\$'000</i> (Audited)
Revenue from contracts with customers	<b>1,527,346</b>	1,425,219
Revenue from other sources:		
Time charter income	<b>24,885</b>	22,352
Other rental income	<b>1,487</b>	1,517
	<b>26,372</b>	23,869
	<b>1,553,718</b>	1,449,088



Notes:

(a) Disaggregated revenue information

**Year ended 31 December 2019**

<b>Segments</b>	<b>Container shipping and logistics US\$'000 (Unaudited)</b>	<b>Dry bulk and others US\$'000 (Unaudited)</b>	<b>Total US\$'000 (Unaudited)</b>
<b>Type of services</b>			
Container shipping and supporting logistic income	1,390,352	–	1,390,352
Other container logistic income*	136,994	–	136,994
	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	1,527,346	–	1,527,346
Revenue from other sources	–	26,372	26,372
	<hr/>	<hr/>	<hr/>
Total revenue	<u>1,527,346</u>	<u>26,372</u>	<u>1,553,718</u>
<b>Geographical markets</b>			
Greater China <sup>#</sup>	590,797	–	590,797
Japan	406,557	–	406,557
Southeast Asia	463,762	–	463,762
Others	66,230	–	66,230
	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	1,527,346	–	1,527,346
Revenue from other sources	–	26,372	26,372
	<hr/>	<hr/>	<hr/>
Total revenue	<u>1,527,346</u>	<u>26,372</u>	<u>1,553,718</u>
<b>Timing of revenue recognition</b>			
Total revenue from contracts with customers –			
Services transferred over time	1,527,346	–	1,527,346
Revenue from other sources	–	26,372	26,372
	<hr/>	<hr/>	<hr/>
Total revenue	<u>1,527,346</u>	<u>26,372</u>	<u>1,553,718</u>

**Year ended 31 December 2018**

<b>Segments</b>	Container shipping and logistics <i>US\$'000</i> (Audited)	Dry bulk and others <i>US\$'000</i> (Audited)	Total <i>US\$'000</i> (Audited)
<b>Type of services</b>			
Container shipping and supporting logistic income	1,306,225	–	1,306,225
Other container logistic income*	118,994	–	118,994
	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	1,425,219	–	1,425,219
Revenue from other sources	–	23,869	23,869
	<hr/>	<hr/>	<hr/>
Total revenue	<u>1,425,219</u>	<u>23,869</u>	<u>1,449,088</u>
<b>Geographical markets</b>			
Greater China#	556,055	–	556,055
Japan	378,283	–	378,283
Southeast Asia	422,392	–	422,392
Others	68,489	–	68,489
	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	1,425,219	–	1,425,219
Revenue from other sources	–	23,869	23,869
	<hr/>	<hr/>	<hr/>
Total revenue	<u>1,425,219</u>	<u>23,869</u>	<u>1,449,088</u>
<b>Timing of revenue recognition</b>			
Total revenue from contracts with customers –			
Services transferred over time	1,425,219	–	1,425,219
Revenue from other sources	–	23,869	23,869
	<hr/>	<hr/>	<hr/>
Total revenue	<u>1,425,219</u>	<u>23,869</u>	<u>1,449,088</u>

\* Other container logistic income includes freight forwarding income, shipping agency income and depot and warehousing income.

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

(b) Performance obligations

Information about the Group's performance obligations in contracts with customers is summarised below:

Container shipping and supporting logistic income

The performance obligation relates to provision of container marine transportation and is satisfied over time as services are rendered and payment is generally due within 15 days upon the completion of the voyage, except for individual customers, where payment term can be extended up to 3 months.

Other container logistic income

The performance obligation is satisfied when the services of integrated freight forwarding, shipping agency, etc. are rendered and payment is generally due within 15 days from the date of billing.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 amounted to US\$25,886,000 (2018: US\$18,196,000), which is expected to be recognised within one year from the end of the reporting period.

**5. FINANCE COSTS**

	<b>2019</b>	2018
	<i>US\$'000</i>	<i>US\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Interest on bank borrowings	<b>9,188</b>	9,368
Interest on lease liabilities	<b>5,209</b>	–
Increase in discounted amounts of provision for reinstatement costs arising from the passage of time	<b>85</b>	–
	<hr/>	<hr/>
Total finance costs	<b>14,482</b>	9,368
	<hr/> <hr/>	<hr/> <hr/>

## 6. PROFIT BEFORE TAX

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

	2019 <i>US\$'000</i> (Unaudited)	2018 <i>US\$'000</i> (Audited)
Cost of services provided:		
Cost of bunkers consumed	207,885	201,705
Others	1,047,681	994,784
	<u>1,255,566</u>	<u>1,196,489</u>
Depreciation of property, plant and equipment	66,756	59,855
Less: Included in cost of services provided	<u>(65,751)</u>	<u>(56,043)</u>
	<u>1,005</u>	<u>3,812</u>
Depreciation of right-of-use assets	36,450	–
Less: Included in cost of services provided	<u>(33,897)</u>	<u>–</u>
	<u>2,553</u>	<u>–</u>
Amortisation of prepaid land lease payments	–	475
Minimum lease payments under operating leases	–	143,795
Less: Included in cost of services provided	<u>–</u>	<u>(138,360)</u>
	<u>–</u>	<u>5,819</u>
Lease payments not included in the measurement of lease liabilities	97,652	–
Less: Included in cost of services provided	<u>(91,659)</u>	<u>–</u>
	<u>5,993</u>	<u>–</u>
Auditor's remuneration	393	384
Employee benefit expense (including directors' remuneration):		
Wages and salaries	84,486	76,635
Share award expense	5,413	3,249
Pension scheme contributions (defined contribution schemes)	8,795	9,274
	<u>98,694</u>	<u>89,158</u>
Less: Included in cost of services provided	<u>(42,187)</u>	<u>(43,858)</u>
	<u>56,507</u>	<u>45,300</u>
Impairment of trade receivables, net	76*	224*
Fair value losses/(gains), net:		
Cash flow hedges (transfer from equity)	4,111*	(658)**
Debt investments at fair value through other comprehensive income (transfer from equity on disposal)	143*	41*
	<u>143*</u>	<u>41*</u>

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

\*\* This item is included in “Other income and gains, net” on the face of the consolidated statement of profit or loss and other comprehensive income.

## 7. INCOME TAX

An analysis of the Group’s income tax is as follows:

	<b>2019</b> <i>US\$'000</i> <b>(Unaudited)</b>	2018 <i>US\$'000</i> (Audited)
Current:		
Hong Kong	<b>379</b>	338
Under/(over)-provision in prior years – Hong Kong	<b>44</b>	(250)
Mainland China	<b>1,262</b>	1,393
Elsewhere	<b>7,313</b>	7,118
	<hr/>	<hr/>
Total tax expense for the year	<b>8,998</b>	8,599
	<hr/> <hr/>	<hr/> <hr/>

Note: Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 (2018: Nil) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. 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.

## 8. DIVIDENDS

	2019		2018	
	<i>HK\$'000</i>	<i>US\$'000</i>	<i>HK\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>Equivalent</i> <i>(Unaudited)</i>	<i>(Audited)</i>	<i>Equivalent</i> <i>(Audited)</i>
Interim – HK18 cents (equivalent to approximately US2.30 cents) (2018: HK15 cents, equivalent to approximately US1.91 cents) per ordinary share	<b>481,064</b>	<b>61,331</b>	400,006	50,965
Special – HK30 cents (equivalent to approximately US3.83 cents) (2018: Nil) per ordinary share	<b>803,246</b>	<b>102,615</b>	–	–
Proposed final – HK27 cents (equivalent to approximately US3.47 cents) (2018: HK26 cents, equivalent to approximately US3.32 cents) per ordinary share	<b>723,067</b>	<b>92,862</b>	693,708	88,558
	<b><u>2,007,377</u></b>	<b><u>256,808</u></b>	<b><u>1,093,714</u></b>	<b><u>139,523</u></b>

The proposed final dividend for the year ended 31 December 2019 is subject to the condition that the audited annual results of the Group for the year upon completion of the auditing process will be consistent in all material respects with the unaudited annual results set out herein. In addition, the proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share is based on the unaudited profit for the year attributable to shareholders of the Company, and the weighted average number of ordinary shares 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 unaudited 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 amounts are based on:

	<b>2019</b> <i>US\$'000</i> (Unaudited)	2018 <i>US\$'000</i> (Audited)
<b>Earnings</b>		
Profit attributable to shareholders of the Company, used in the basic and diluted earnings per share calculation	<u><b>219,977</b></u>	<u>197,514</u>
	<b>Number of shares</b>	
	<b>2019</b> (Unaudited)	2018 (Audited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year less shares held under the share award scheme, used in the basic earnings per share calculation	<b>2,654,606,606</b>	2,654,721,221
Effect of dilution – weighted average number of ordinary shares:		
Share options	<b>5,442,581</b>	9,223,768
Shares held under the share award scheme	<u><b>16,677,638</b></u>	<u>8,776,229</u>
Weighted average number of ordinary shares during the year, used in the diluted earnings per share calculation	<u><b>2,676,726,825</b></u>	<u>2,672,721,218</u>

## 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:

	<b>2019</b> <i>US\$'000</i> (Unaudited)	2018 <i>US\$'000</i> (Audited)
Within 1 month	<b>60,916</b>	55,990
1 to 2 months	<b>7,529</b>	7,436
2 to 3 months	<b>1,046</b>	1,374
Over 3 months	<u><b>1,060</b></u>	<u>1,077</u>
	<u><b>70,551</b></u>	<u>65,877</u>

## 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:

	<b>2019</b> <i>US\$'000</i> <b>(Unaudited)</b>	2018 <i>US\$'000</i> (Audited)
Within 1 month	<b>104,582</b>	100,218
1 to 2 months	<b>22,706</b>	26,881
2 to 3 months	<b>5,099</b>	4,263
Over 3 months	<b>5,475</b>	7,405
	<hr/> <b>137,862</b> <hr/>	<hr/> 138,767 <hr/>



## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

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

The Company has two business segments, including (i) "container shipping and logistics" segment; and (ii) "dry bulk and others" segment.

### *Business Review*

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

During the year ended 31 December 2019, 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 2019, the Group operated 68 trade lanes, including 9 trade lanes through joint services and 26 trade lanes through container slot exchange arrangements. These trade lanes and land-based integrated logistics business network covered 69 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 2019, the Group operated a fleet of 82 vessels with a total capacity of 117,578 TEU, comprised of 57 self-owned (76,705 TEU) and 25 chartered vessels (40,873 TEU), with an average age of 10.0 years. In addition, the Group also operated (including through joint ventures) approximately 1,169,142 m<sup>2</sup> of depot and 91,700 m<sup>2</sup> of warehousing space.

Revenue generated by the Group's container shipping and logistics business for the year ended 31 December 2019 increased by approximately 7.2% from US\$1,425.2 million for the year ended 31 December 2018 to US\$1,527.3 million for the year ended 31 December 2019. The increase was a result of a combined effect, from container shipping and supporting logistics business, where (i) container shipping volume achieved an increase of 3.5% growth from 2,399,169 TEUs in 2018 to 2,483,278 TEUs in 2019 and (ii) average freight rate (excluding slot exchange fee income) increased by approximately 2.8% from US\$522.1/TEU in 2018 to US\$536.6/TEU in 2019.

(ii) *Dry bulk and others business*

During the year ended 31 December 2019, 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 2019, the Group has 6 dry bulk vessels with a total tonnage of 438,595 tons and an average age of 7.1 years. Revenue generated from dry bulk and others business increased by approximately 10.5% from US\$23.9 million for the year ended 31 December 2018 to US\$26.4 million for the year ended 31 December 2019. 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 2019 witnessed the slowdown in world economic growth, China-US trade disputes, fluctuations in the global container shipping and logistics market, and the intensified competition in the industry, all of which posed an impact on the improvement of demand and supply dynamics in the Asian region. In addition, the change 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 adopted a strategy of efficient operation and low-cost expansion and continued to deliver steady growth in its results.

Looking ahead, in view of the world's weak economic growth, mounting uncertainties and the shift of supply chain and trade landscapes towards regionalisation, Clarkson predicts that the cargo transportation demand along Asian lanes will increase by 3.4%. As affected by vessel replacement and subject to the sulphur cap imposed by the International Maritime Organisation, the number of vessels to be dismantled will also increase. Therefore, this will help improve the supply and demand dynamics in the shipping and logistics market in Asia. Meanwhile, the Company will pay close attention to and evaluates the impact of the recent outbreak of COVID-19 on the business environment. With the successive work resumption of factories in the countries/regions affected by the outbreak, inventories will need to be replenished, and economic activities are expected to pick up quickly following the downturn. The Company will continue to implement its expansion plan prudently when opportunities arise.

## Financial Overview

	Year ended 31 December					
	2019	2018	2019	2018	2019	2018
	Container shipping and logistics		Dry bulk and others		Total	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
<b>Revenue</b>	1,527,346	1,425,219	26,372	23,869	1,553,718	1,449,088
Cost of sales	(1,238,096)	(1,180,516)	(17,470)	(15,973)	(1,255,566)	(1,196,489)
<b>Gross profit</b>	289,250	244,703	8,902	7,896	298,152	252,599
Other income and gains (excluding bank interest income and other investment income)	8,237	10,465	–	7,248	8,237	17,713
Administrative expenses	(80,101)	(76,328)	(145)	(121)	(80,246)	(76,449)
Share of profits and losses of:						
Joint ventures	8,975	10,140	(390)	(179)	8,585	9,961
Associates	442	171	–	–	442	171
Other expenses and losses	(4,344)	(1,005)	–	(3)	(4,344)	(1,008)
Segment results	222,459	188,146	8,367	14,841	230,826	202,987
Finance costs					(14,482)	(9,368)
Bank interest income and other investment income					14,169	14,077
Profit before tax					230,513	207,696
Income tax					(8,998)	(8,599)
<b>Profit for the year</b>					<u>221,515</u>	<u>199,097</u>
<b>Profit attributable to:</b>						
Owners of the parents					219,977	197,514
Non-controlling interests					1,538	1,583
					<u>221,515</u>	<u>199,097</u>

### ***Revenue***

The Group's total revenue increased by approximately 7.2% from approximately US\$1,449.1 million for the year ended 31 December 2018 to approximately US\$1,553.7 million for the year ended 31 December 2019. 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 4.9% from approximately US\$1,196.5 million for the year ended 31 December 2018 to approximately US\$1,255.6 million for the year ended 31 December 2019. The increase was primarily attributable to the increase from container shipping and supporting logistics business in equipment and cargos transportation costs and voyage costs, due to growth in container shipping volume.

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

As a result of the foregoing, gross profit increased from approximately US\$252.6 million for the year ended 31 December 2018 to approximately US\$298.2 million for the year ended 31 December 2019. The Group's gross profit margin increased from approximately 17.4% for the year ended 31 December 2018 to approximately 19.2% for the year ended 31 December 2019.

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

For the year ended 31 December 2019, other income and gains (excluding bank interest income and other investment income) decreased by approximately US\$9.5 million from approximately US\$17.7 million for the year ended 31 December 2018 to US\$8.2 million for the year ended 31 December 2019. The decrease 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 (2019: Nil); and (ii) a year-on-year decrease of approximately US\$4.2 million for gains on disposal of fixed assets, including containers and others.

### ***Administrative Expenses***

The Group's administrative expenses increased from approximately US\$76.4 million for the year ended 31 December 2018 to approximately US\$80.2 million for the year ended 31 December 2019, representing an increase of approximately 5.0%. 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 14.0% from approximately US\$10.0 million in 2018 to approximately US\$8.6 million in 2019. The decrease was mainly attributable to the decline in the profits from part of the jointly controlled depots.

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

The Group's share of profits and losses of associates was approximately US\$0.4 million and US\$0.2 million for 2019 and 2018, respectively. There was no material change in the amount.

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

The Group's other expenses and losses were approximately US\$4.3 million and US\$1.0 million for the year ended 31 December 2019 and 2018, respectively. The increase was mainly attributable to a year-on-year increase of approximately US\$3.5 million in the hedging losses arising from realization of Japanese Yen.

### ***Finance Costs***

The Group's finance costs increased from approximately US\$9.4 million for the year ended 31 December 2018 to US\$14.5 million for the year ended 31 December 2019. The increase was mainly attributable to the increase in interest on the lease liabilities due to the implementation of Hong Kong Financial Reporting Standard 16 (Leases) ("HKFRS 16") for the first time.

### ***Bank Interest Income and Other Investment Income***

The Group's amount of bank interest income and other investment income was approximately US\$14.2 million and US\$14.1 million for the year ended 31 December 2019 and 2018, respectively. There was no material change in the amount.

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

As a result of the foregoing, the Group's profit before tax increased from approximately US\$207.7 million for the year ended 31 December 2018 to approximately US\$230.5 million for the year ended 31 December 2019.

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

The Group's income tax expense was approximately US\$9.0 million and US\$8.6 million for the year ended 31 December 2019 and 2018, 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 2019 was approximately US\$221.5 million, representing an increase of approximately 11.3% as compared to the profit of approximately US\$199.1 million for the year ended 31 December 2018.

## **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			
	2019	% of	2018	% of
	Amount	segment	Amount	segment
	(US\$'000)	revenue	(US\$'000)	revenue
	(Unaudited)		(Audited)	
<b>Income Statement Data</b>				
<b>Segment revenue</b>	1,527,346	100%	1,425,219	100%
Container shipping and supporting logistics income	1,390,352	91.0%	1,306,225	91.7%
Other container logistics income	136,994	9.0%	118,994	8.3%
<b>Cost of Sales</b>	(1,238,096)	(81.1%)	(1,180,516)	(82.8%)
Equipment and cargos transportation costs	(680,825)	(44.6%)	(648,409)	(45.5%)
Voyage costs	(275,558)	(18.0%)	(263,455)	(18.5%)
Container shipping vessels cost	(166,093)	(10.9%)	(168,251)	(11.8%)
Other container logistics costs	(115,620)	(7.6%)	(100,401)	(7.0%)
<b>Gross Profit</b>	289,250	18.9%	244,703	17.2%
Other income and gains (excluding bank interest income and other investment income)	8,237	0.5%	10,465	0.7%
Administrative expenses	(80,101)	(5.2%)	(76,328)	(5.4%)
Other expenses and losses	(4,344)	(0.3%)	(1,005)	(0.1%)
Share of profits and losses of:				
Joint ventures	8,975	0.6%	10,140	0.7%
Associates	442	0.1%	171	0.1%
<b>Segment results</b>	<u>222,459</u>	<u>14.6%</u>	<u>188,146</u>	<u>13.2%</u>

### ***Segment results***

The following table sets forth the average freight rate for the years ended 31 December 2018 and 2019, and the number of trade lanes and port calls per week of the Group as at 31 December 2018 and 2019:

<b>Year ended 31 December</b>		<b>As of 31 December</b>			
<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Average freight rate</b>		<b>Number of trade lanes</b>		<b>Port calls per week</b>	
<i>(US\$ per TEU, excluding slot exchange fee rate)</i>					

536.6	522.1	68	64	408	385
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### ***Revenue***

Revenue of the Group's container shipping and logistics segment increased by approximately 7.2% from approximately US\$1,425.2 million for the year ended 31 December 2018 to approximately US\$1,527.3 million for the year ended 31 December 2019. The increase was a result of a combined effect, from container shipping and supporting logistics business, where (i) container shipping volume achieved an increase of 3.5% growth from 2,399,169 TEUs in 2018 to 2,483,278 TEUs in 2019 and (ii) average freight rate (excluding slot exchange fee income) increased by approximately 2.8% from US\$522.1/TEU in 2018 to US\$536.6/TEU in 2019.

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

The cost of sales of the Group's container shipping and logistics business increased by approximately 4.9% from approximately US\$1,180.5 million for the year ended 31 December 2018 to approximately US\$1,238.1 million for year ended 31 December 2019. The increase was primarily attributable to the increase from container shipping and supporting logistics business in equipment and cargos transportation costs and voyage costs, due to 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\$289.3 million in its container shipping and logistics business for the year ended 31 December 2019, representing an increase of approximately 18.2% as compared to approximately US\$244.7 million for the year ended 31 December 2018. The gross profit margin of the Group's container shipping and logistics business was approximately 18.9% and 17.2% for the year ended 31 December 2019 and 2018, respectively.

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

For the year ended 31 December 2019, other income and gains (excluding bank interest income and other investment income) decreased to approximately US\$8.2 million from approximately US\$10.5 million for the year ended 31 December 2018. The decrease was mainly attributable to a year-on-year decrease of approximately US\$4.2 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 5.0% from approximately US\$76.3 million for the year ended 31 December 2018 to approximately US\$80.1 million for the year ended 31 December 2019. The increase in administrative expenses 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 increased from approximately US\$1.0 million for the year ended 31 December 2018 to approximately US\$4.3 million for the year ended 31 December 2019. It was mainly attributable to a year-on-year increase of approximately US\$3.5 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 10.9% from approximately US\$10.1 million in 2018 to approximately US\$9.0 million in 2019. The decrease was mainly attributable to the decline in the profits from part of the jointly controlled depots.

### ***Share of Profits and Losses of Associates***

The Group's container shipping and logistics business's share of profits and losses of associates was approximately US\$0.4 million and US\$0.2 million for 2019 and 2018, 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\$34.4 million from approximately US\$188.1 million for the year ended 31 December 2018 to approximately US\$222.5 million for the year ended 31 December 2019.



## *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:

	<b>Year ended 31 December</b>			
	<b>2019</b>	<i>% of</i>	<b>2018</b>	<i>% of</i>
	<b>Amount</b>	<i>segment</i>	<b>Amount</b>	<i>segment</i>
	<i>(US\$'000)</i>	<i>revenue</i>	<i>(US\$'000)</i>	<i>revenue</i>
	<i>(Unaudited)</i>		<i>(Audited)</i>	
<b>Income Statement Data</b>				
<b>Segment revenue</b>	26,372	100%	23,869	100%
Dry bulk business	24,885	94.4%	22,352	93.6%
Other business	1,487	5.6%	1,517	6.4%
<b>Cost of Sales</b>	(17,470)	(66.3%)	(15,973)	(66.9%)
Dry bulk business	(16,738)	(63.5%)	(15,243)	(63.9%)
Other business	(732)	(2.8%)	(730)	(3.0%)
<b>Gross Profit</b>	8,902	33.7%	7,896	33.1%
Other income and gains (excluding bank interest income and other investment income)	—	—	7,248	30.4%
Administrative expenses	(145)	(0.5%)	(121)	(0.5%)
Other expenses and losses	—	—	(3)	(0.1%)
Share of profit and losses of: Joint ventures	(390)	(1.5%)	(179)	(0.7%)
<b>Segment results</b>	<u>8,367</u>	<u>31.7%</u>	<u>14,841</u>	<u>62.2%</u>

## *Revenue*

The revenue of the Group's dry bulk and others business increased by approximately 10.5% from approximately US\$23.9 million for the year ended 31 December 2018 to approximately US\$26.4 million for year ended 31 December 2019. This increase was mainly attributable to the following:

- *Dry bulk business.* Revenue of the Group's dry bulk business increased by approximately 11.2% from approximately US\$22.4 million for the year ended 31 December 2018 to approximately US\$24.9 million for the year ended 31 December 2019, which primarily reflected the increase in the daily charter rate of dry bulk vessels.

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

The cost of sales of the Group's dry bulk and others business increased by approximately 9.4% from approximately US\$16.0 million for the year ended 31 December 2018 to approximately US\$17.5 million for the year ended 31 December 2019. The increase was mainly attribute to the following:

- *Dry bulk business.* Cost of sales for the dry bulk business increased by approximately 9.9% from approximately US\$15.2 million for the year ended 31 December 2018 to approximately US\$16.7 million for year ended 31 December 2019, primarily reflecting an increase in dry-dock costs.

### ***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 12.7% from approximately US\$7.9 million for the year ended 31 December 2018 to approximately US\$8.9 million for the year ended 31 December 2019. The gross profit margin of the Group's dry bulk and others business increased from approximately 33.1% for the year ended 31 December 2018 to approximately 33.8% for the year ended 31 December 2019.

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

There was no other income and gains (excluding bank interest income and other investment income) of the Group's dry bulk and others business occurred for the year ended 31 December 2019 (2018: US\$7.2 million). The decrease was mainly attributable to a reversal of impairment losses for dry bulk vessels in prior years of approximately US\$5.9 million in 2018 (2019: Nil).

### *Administrative Expenses*

Administrative expenses of the Group's dry bulk and others business were approximately US\$0.1 million for both the years ended 31 December 2019 and 2018. There was no fluctuation in the amount.

### *Share of Losses of Joint Ventures*

The Group's share of losses of joint ventures for the dry bulk and others business was approximately US\$0.4 million and US\$0.2 million for the year ended 31 December 2019 and 2018, respectively. 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 logistics and others business decreased by approximately 43.2% from US\$14.8 million for the year ended 31 December 2018 to approximately US\$8.4 million for the year ended 31 December 2019.

## **LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES**

Total assets of the Group increased by approximately 12.7% from approximately US\$1,551.9 million as at 31 December 2018 to approximately US\$1,749.5 million as at 31 December 2019. As at 31 December 2019, the Group had cash and cash equivalents amounting to approximately US\$399.4 million, mainly denominated in US dollar, Renminbi, Japanese Yen and other currencies.

Total liabilities of the Group increased by approximately 44.2% from approximately US\$506.2 million as at 31 December 2018 to approximately US\$730.0 million as at 31 December 2019. At 31 December 2019, the Group had secured interest-bearing bank loans of approximately US\$282.0 million. The maturity profile is spread over a period, with approximately US\$55.4 million repayable within one year or on demand, approximately US\$47.9 million within the second year, approximately US\$105.4 million within third to fifth years and approximately US\$73.3 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 2019, the Group hedged approximately 11.0% (31 December 2018: 17.1%) of its foreign currency sales for which firm commitments existed at the end of the reporting period.

As at 31 December 2019, the Group had current ratio (being the current assets divided by the current liabilities) of approximately 1.3 compared to that of 1.9 as at 31 December 2018. 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, lease liabilities, 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 11% as at 31 December 2018 before adoption of HKFRS 16. Upon adoption of HKFRS 16 with an increase in lease liabilities, the Group's gearing ratio was 18% as at 1 January 2019 and 31 December 2019.

## **CONTINGENT LIABILITIES**

As at 31 December 2019, the Group had no significant contingent liabilities.

## **CHARGE ON ASSETS**

As at 31 December 2019, 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\$489.2 million (31 December 2018: US\$565.1 million).

## **EMPLOYEE AND REMUNERATION POLICIES**

As at 31 December 2019, the Group had an aggregate of 1,491 full-time employees (excluding crew member), (31 December 2018: 1,468). The related employees' costs for the period (including directors' emoluments) amounted to approximately US\$98.7 million (31 December 2018: US\$89.2 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 2019.

## **SIGNIFICANT INVESTMENTS**

For the year ended 31 December 2019, a total of 5 new container vessels were delivered. Save as otherwise, the Group did not have other significant investments.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

For the year ended 31 December 2019, 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 expected 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 13 March 2020, it was proposed that a final dividend of HK27 cents (equivalent to US3.47 cents) per ordinary share would be paid on 20 May 2020 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 11 May 2020 (Monday). The proposed final dividend is subject to approval by the shareholders at the annual general meeting of the Company to be held on 29 April 2020 (the "**Annual General Meeting**"). In addition, the proposed final dividend for the year ended 31 December 2019 is also subject to the condition that the audited annual results of the Group for the year upon completion of the auditing process will be consistent in all material respects with the unaudited annual results set out herein.

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 Wednesday, 29 April 2020. 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 24 April 2020 (Friday) to 29 April 2020 (Wednesday), 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 23 April 2020 (Thursday).

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 7 May 2020 (Thursday) to 11 May 2020 (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 6 May 2020 (Wednesday).

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

During the year ended 31 December 2019, 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 2019, 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 2019.

### **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 2019.

## **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.

## **REVIEW OF UNAUDITED ANNUAL RESULTS**

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to the COVID-19 coronavirus outbreak. The unaudited annual results contained herein have not been agreed with the Company’s auditors as required under Rule 13.49(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

## **FURTHER ANNOUNCEMENT(S)**

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company’s auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process. The Company expects the auditing process will be completed on or before 23 March 2020 and in any event not later than 31 March 2020.

## **Auditor**

The Company appointed Ernst & Young as its auditor for the year ended 31 December 2019. 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 unaudited 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 2019 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.

**The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 13 March 2020

*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.*