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

Annual Report

2014

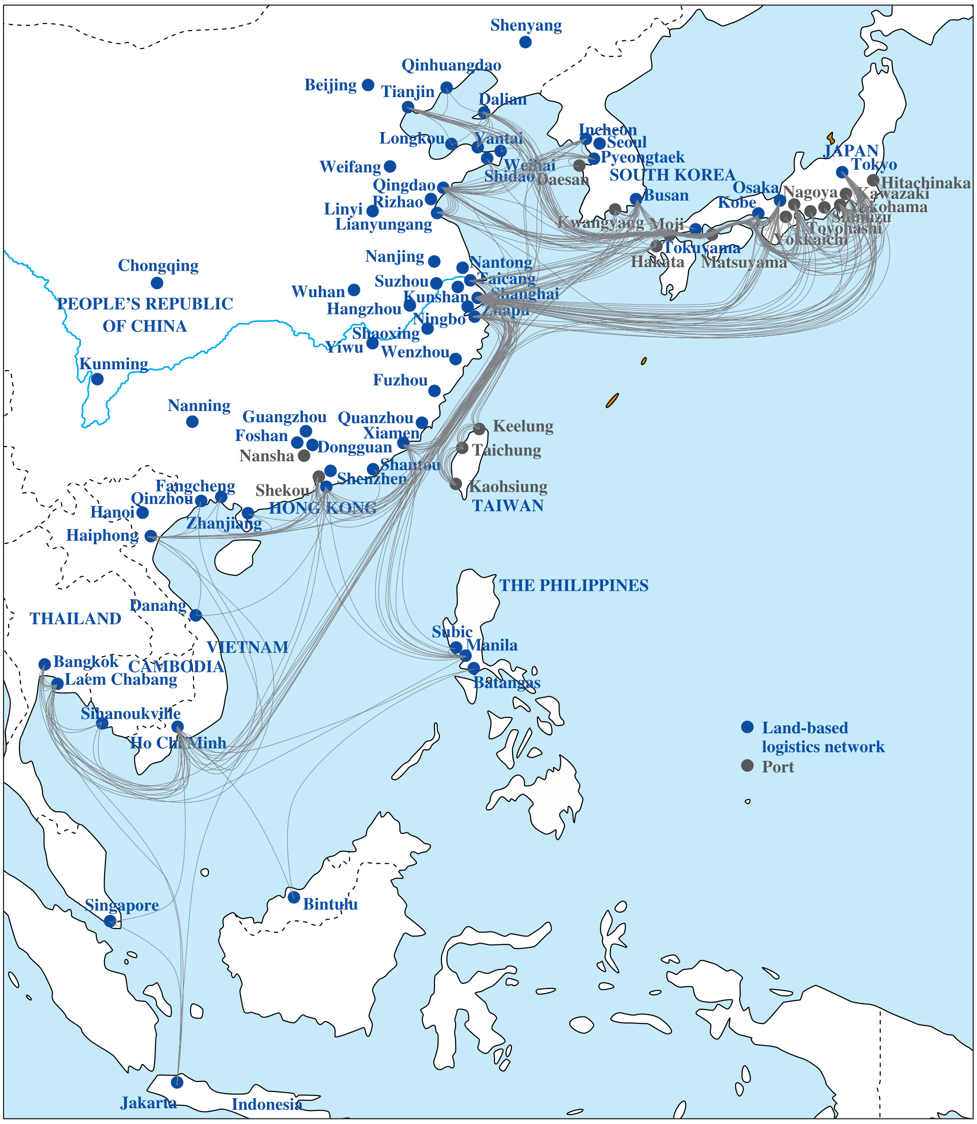

SITC
SITC
SITC
107

Contents

Corporate Profile

SITC International Holdings Company Limited (the "**Company**" or "**SITC**" or "**we**") is a leading Asia-based shipping logistics company that provides integrated transportation and logistics solutions. As at 31 December 2014, we ranked 23 among international container shipping companies in terms of shipping capacity. We focus exclusively on servicing the intra-Asia trade market, which is the largest in the world and one of the fastest growing in terms of shipping volume, according to Drewry Maritime Services (Asia) Pte Ltd, an independent industry consultant.

The following map illustrates our intra-Asia container shipping routes (including trade lanes operated through joint services and container slot exchange arrangements) and land-based logistics network as of 31 December 2014:



Our business can be segregated into two main business segments: our sea freight logistics business and our land-based logistics business. Our sea freight logistics business seeks to provide high-frequency container shipping services on our high-density intra-Asia route network. Together with our container shipping route network, our land-based logistics business offers integrated logistics services, including freight forwarding, shipping agency, depot and warehousing, customs clearance, trucking and ship brokerage services.

Corporate Information

DIRECTORS

Executive Directors

YANG Shaopeng (Chairman)

YANG Xianxiang (Vice-Chairman and Chief Executive Officer)

LIU Kecheng

XUE Peng (Joint Company Secretary)

LAI Zhiyong

XUE Mingyuan

Independent Non-Executive Directors

TSUI Yung Kwok

YEUNG Kwok On

LO Wing Yan, William

NGAI Wai Fung

BOARD COMMITTEES

Audit Committee

TSUI Yung Kwok (Chairman)

LO Wing Yan, William

NGAI Wai Fung

Remuneration Committee

YEUNG Kwok On (Chairman)

NGAI Wai Fung

TSUI Yung Kwok

YANG Shaopeng

YANG Xianxiang

Nomination Committee

YANG Shaopeng (Chairman)

LO Wing Yan, William

NGAI Wai Fung

YANG Xianxiang

YEUNG Kwok On

Disclosure Committee

YANG Xianxiang (Chairman)

LIU Kecheng

XUE Peng

LAI Zhiyong

XUE Mingyuan

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

CORPORATE HEADQUARTERS

Rooms 2202-2203, 22/F

Office Tower, Convention Plaza

1 Harbour Road

Wanchai

Hong Kong

HEADQUARTER IN THE PRC

No. 30, 1388 Zhangdong Road

Pudong District

Shanghai

PRC

AUTHORIZED REPRESENTATIVES

LIU Kecheng

XUE Peng

JOINT COMPANY SECRETARIES

XUE Peng

CHAN Wai Ling (FCS, FCIS (PE)) (appointed on 9 March 2015)

Corporate Information

PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")

NAME OF STOCK

SITC International Holdings Company Limited (SITC)

STOCK CODE

01308

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
China Merchants Bank
Bank of China
Bank of America
Citibank

AUDITORS

Ernst & Young

LEGAL ADVISORS

As to Hong Kong law:

Sidley Austin
Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to Cayman Islands law:

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

WEBSITE

www.sitc.com

Financial and Operating Highlights

		2014	2013	Change
Results				
Turnover	US$' 000	**1,376,952**	1,267,329	**8.7%**
Profit attributable to shareholders of the Company	US$' 000	**120,680**	112,410	**7.4%**
Basic earnings per share	US cents	**4.67**	4.35	**7.4%**
Profit margin	%	**8.8**	8.9	**(1) pt.**
Net cash flows from operating activities	US$' 000	**158,543**	137,543	**15.3%**
Financial Position				
Equity attributable to shareholders of the Company	US$' 000	**790,933**	743,349	**6.4%**
Net current assets	US$' 000	**295,095**	312,489	**(5.6)%**
Interest bearing bank borrowings	US$' 000	**401,966**	321,164	**25.2%**
Financial Ratio				
Return on equity (note 1)	%	**15.7**	15.7	—
Return on assets (note 2)	%	**9.1**	9.6	**(0.5) pt.**
Assets turnover ratio (note 3)	times	**1.04**	1.08	**(0.04)**
Gearing ratio	%	**17%**	11%	**6% pt.**
Operating Statistics				
Number of container vessels operated as at year end	vessels	**67**	61	**6**
Shipping volume – Sea freight logistics	TEU	**2,077,335**	1,981,576	**95,759**
Freight forwarding volume – Land-based logistics	TEU	**1,593,001**	1,530,471	**62,530**

Note 1

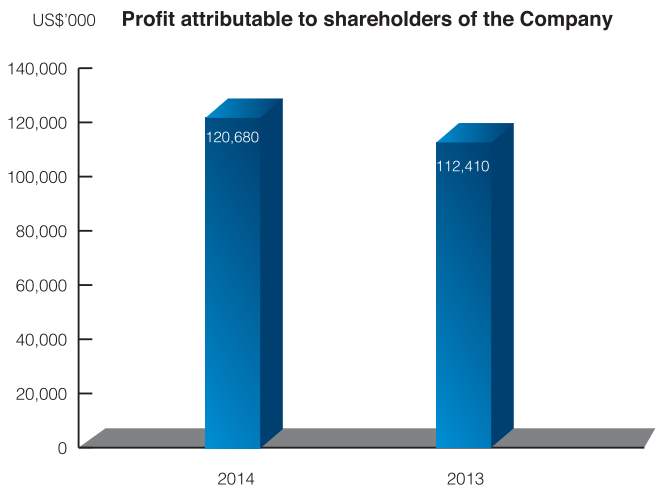
Return on equity is calculated by using profit for the year and the average balance of total equity as at beginning of year and end of year.

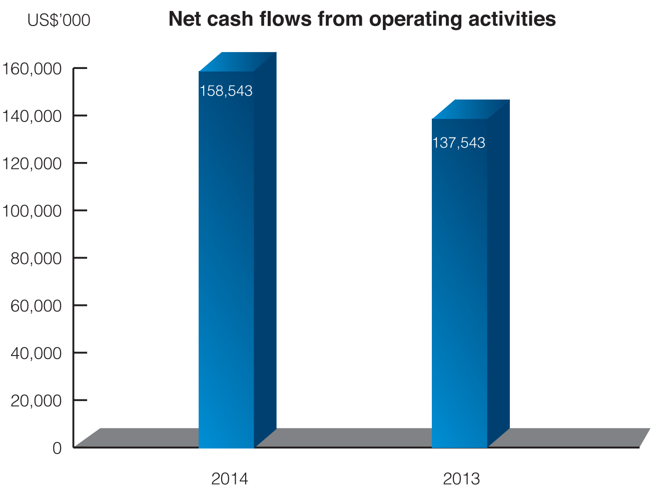
Note 2

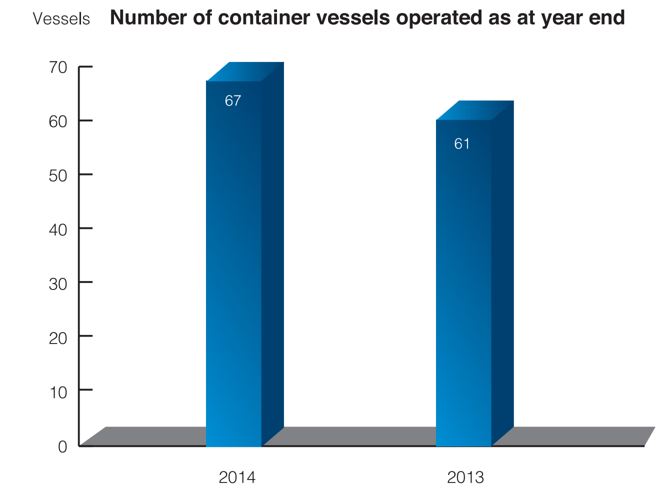
Return on assets is calculated by using the profit of the year and the average balance of total assets as at beginning of year and end of year.

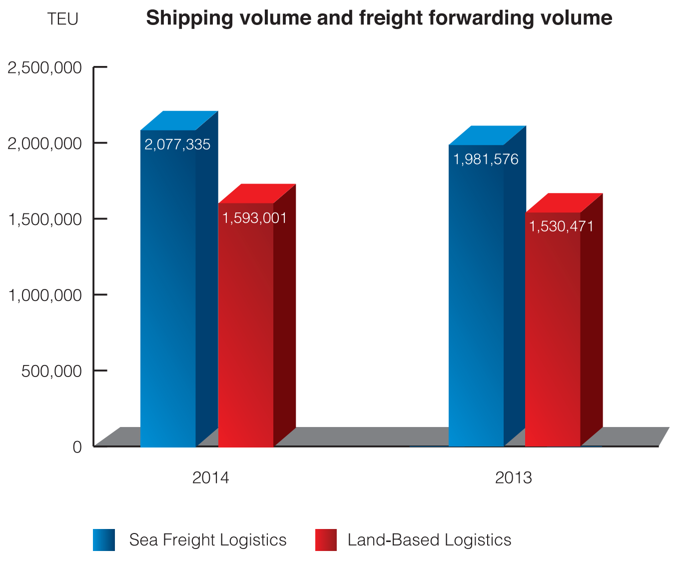
Note 3

Assets turnover ratio is calculated by using the turnover and the average balance of total assets as at beginning of year and end of year.


US$'000
Profit attributable to shareholders of the Company
140,000
120,000
100,000
80,000
60,000
40,000
20,000
0
120,680
112,410
2014
2013


US$'000
Net cash flows from operating activities
160,000
140,000
120,000
100,000
80,000
60,000
40,000
20,000
0
158,543
137,543
2014
2013


Vessels
Number of container vessels operated as at year end
70
60
50
40
30
20
10
0
67
61
2014
2013


TEU
Shipping volume and freight forwarding volume
2,500,000
2,000,000
1,500,000
1,000,000
500,000
0
2,077,335
1,593,001
1,981,576
1,530,471
2014
2013
Sea Freight Logistics
Land-Based Logistics

Major Milestones in 2014

JANUARY 2014

SITC Container Lines Co., Ltd. Integrated Management and Information System (SIMIS) had completed the acceptance inspection assessment in five port companies including Hong Kong, Taiwan, Thailand and Philippines, the SIMIS has also entered the operation stage of stable utilization in these companies.

FEBRUARY 2014

SITC Logistics (Cambodia) Co., Ltd. was officially established. SITC Logistics (Cambodia) Co., Ltd. will actively develop local customers, provide services to Chinese enterprises and expand into the Southeast Asian market jointly in cooperation with branch companies in China, Vietnam and Thailand.

SITC Brokers Wechat Public Service Account Version 1.0 went online officially for trial operation. Through this platform, instant information service based on mobile terminals can be provided to both internal and external customers of the Group, including selected industry information, risk management report, report on sale and purchase of vessels, vessel chartering report, etc.

The new bulk vessel, SITC Hengshan, of 76,000 DWT purchased by SITC International was delivered in Zhoushan. The vessel is the latest design of Panama type and equipped with EFI Main Engine, and is a new ship model of the latest generation in energy-saving, green, low-carbon and environmental-friendly aspects.

SITC Logistics has completed the acquisition of 60% equity interest in Tianjin Xin Hua Xi Logistics Co., Ltd.

MARCH 2014

A signing ceremony for "SITC International Scholarship and Grants" was held at the Qingdao Ocean Shipping Crew Vocational Institute. The objective of establishing the "SITC International Scholarship and Grants" by SITC at the Qingdao shipping institute is for rewarding students with excellence in academic performance, personal conduct and comprehensive development in the ocean shipping profession, as well as for sponsoring students in the ocean shipping profession encountered with economic difficulties in their families during the studying period.

The SITC Container mobile app went online officially. The functions of this mobile app include freight tracking, enquiry on container movements, enquiry on vessel movements and enquiry on shipping schedule, etc. The mobile app of SITC Container system going online will provide more convenient, faster and higher quality services to customers.

APRIL 2014

SITC Lianyu Shipping Limited was officially incorporated in the Shanghai Free Trade Zone for the establishment of a business innovation platform by fully utilizing the policies and environmental advantages in the free trade zone.

MAY 2014

SITC Container Lines Co., Ltd (新海豐集裝箱運輸有限公司) added three new liner services to the Taicang – Japan shipping route: including two direct weekly services between Taicang and Kanto, Japan and a direct weekly service operating between Taicang and Nagoya, Hakata, Osaka and Kobe. These new additional services have further increased the frequency and scope of service in the Shanghai and Jiangsu regions, and will provide more efficient, more frequent and more punctual quality services to the customers in general.

Major Milestones in 2014

JUNE 2014

PT. SITC Indonesia commenced operation officially.

JULY 2014

SITC logistics (HK) Co., Ltd completed the acquisition of 60% equity interest in Qingdao Smartcargo Logistics Co., Ltd. and the delivery was completed smoothly. After completion of the delivery, shareholders of both parties will jointly operate the depot of approximately 50,000 m^2 and the warehouse of approximately 15,000 m^2 in Huangdao district, Qingdao.

SEPTEMBER 2014

Tokuyama was added to the SKU Liner service and the provision of a direct service from Ningbo and Shanghai to Tokuyama was achieved.

SITC International and Guangxi Pingxiang Integrated Bonded Zone Administration Committee signed a strategic cooperation memorandum in Qingdao.

SITC Logistics Philippines branch office commenced business in Manila.

The Naming Ceremony of "SITC Shandong" was held at the Keelung Factory of CSBC Corporation, Taiwan, by SITC International and CSBC Corporation, Taiwan.

DECEMBER 2014

The Naming and Delivery Ceremony of the new vessel "SITC Zhejiang" was held at the Keelung Factory of CSBC Corporation, Taiwan, by SITC International and CSBC Corporation, Taiwan.

Chairman's Statement

SITC will continue to optimize its unique business model, expand its intra-Asia service network, work for the objective of becoming the first choice of customers, provide its customers with quality services through construction of comprehensive logistics facilities and tailor-made logistics solutions, and bring itself closer to the goal of becoming a world-class integrated logistics service provider.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "**Board**") of SITC International Holdings Company Limited ("**SITC**" or the "**Company**", together with its subsidiaries referred to as the "**Group**"), I hereby present to you the Group's annual results for the year ended 31 December 2014.

The market environment of the global shipping sector remained sluggish in the year 2014. As demand in the global shipping market slowed down and excess shipping capacity resulted in increased competition and declining freight rates. Shipping companies generally operated in challenging conditions.

In line with the increasing spending power and the infrastructure investment and urbanization development in Asia as well as the relocation of more production bases to Southeast Asian countries, including Vietnam, Cambodia and Myanmar, merchandise trade between this region and other parts of Asia also kept increasing. Consequently, the overall intra-Asia container shipping volume experienced continuous growth in 2014 on a year-on-year basis and remained the world's largest container shipping market.

SITC is a leading shipping logistics company dedicated to serving the intra-Asia trade market. The Group leverages on the comprehensive coverage of its shipping and logistics supply chain, unique business model, high quality customer base and its high-density, high frequency container shipping route and logistics network covering major ports in Asia to derive full benefits of the growth in the trade and economies of China and other Asian countries. Despite the declining shipping rate as a result of the intense competition in the sea freight market and high fuel costs, the Group still performed well during the year under review, with turnover reaching approximately US$1,377 million, representing an increase of approximately 8.7% as compared with 2013. Gross profit reached approximately US$166.1 million, representing an increase of approximately 16.2% as compared with 2013. Profit before income tax amounted to approximately US$125.2 million, representing an increase of approximately 8.6% from 2013. Profit attributable to shareholders of the Company amounted to approximately US$120.7 million and earnings per share was approximately US$4.67 cents. For the year ended 31 December 2014, the Board resolved to recommend the payment of a final dividend of HK$0.12 per share.

Over the past years, SITC continued to record significant increase in container shipping volume and outperform many of our peers by actively capitalizing on the intra-Asia economic development. The total container shipping volume for the year increased by approximately 4.8% to 2,077,335 TEU, with average freight rate of US$500/TEU, up 2.9% year on year. The Group's land-based freight forwarding business achieved total volume of 1,593,001 TEU, up 4.1% year-on-year. SITC maintained stable growth in intra-Asia shipping market share in 2014.

The Group leveraged on its strong operating cash flow to expand its operations amidst the unfavorable industrial trend, and pursued development opportunities at low costs. SITC has actively pursued expansion of its fleet. In 2014, a total of 2 new vessels and 1 bulk cargo vessel were delivered, as a result our total fleet capacity at the end of 2014 reached 78,478 TEU. The Group considers that the new vessel orders placed at a time of low vessel price helps the Group expand its self-owned fleet and secure a long-term cost advantage for SITC. As at 31 December 2014, the Group had 32 self-owned container vessels and 35 chartered container vessels. Meanwhile, the Group owned 6 dry bulk vessels with a gross tonnage of 438,596 DWT.

In respect of the sea freight logistics business, the Group continued to implement various extension and upgrade to certain container shipping route services networks of the Group in October 2014. The extension and upgrade include: (a) extending its services network from Jakarta to Laem Chabang and Haiphong, it is the first container lines company that introduces direct services from Jakarta to Haiphong; (b) extending its services network from Laem Chabang to Haiphong and upgrading its direct service from weekly to twice a week; (c) adding its container shipping route services network to Qinzhou Port as the first container shipping route in Southeast Asia area, extending its export services from Qinzhou Port to Haiphong, Incheon, Pyeongtaek as well as expanding its import services from Jakarta, Laem Chabang, Ho Chi Minh to Qinzhou Port. Upon the extension, this shipping route will become the first container shipping trade lane for Qinzhou Port; and (d) upgrading its direct express service in the Incheon-to-Pyeongtaek route from weekly to twice a week. As of 31 December 2014, the Group operated 59 trade lanes, including 12 trade lanes through joint services and 20 trade lanes through container slot exchange arrangements.

In respect of the land-based logistics business, the Group entered into a joint venture agreement during the year 2014 and established a joint venture in Thailand with a partnership based in Thailand to further expand its footprints in Thailand by promoting and developing logistics park services through the joint venture. The Group has also acquired 60% equity interest in Tianjin Xin Hua Xi Logistics Co., Ltd. and 60% equity interest in Qingdao Smartcargo Logistics Co., Ltd., to expand the depot and warehouse operating area. The Group also actively developed the land-based third party logistics businesses and operated (including through joint ventures) approximately 900,000 m^2 of depot and 100,000 m^2 of warehousing space.

While the global shipping industry is expected to face various difficulties and challenges in 2015, the Group's management remains confident about the business environment in intra-Asia container shipping and logistics market in the year of 2015. As its business expands, SITC will continue to optimize its unique business model, expand its intra-Asia service network, work for the objective of becoming the first choice of customers, provide its customers with quality services through construction of comprehensive logistics facilities and tailor-made logistics solutions, and bring itself closer to the goal of becoming a world-class integrated logistics service provider.

Finally, I would like to extend my heartfelt gratitude to our shareholders for their concern and support to the Group. I would like to express my appreciation to all directors of the Company ("**Directors**"), members of senior management and staff of the Group for their hard work during the past year. I believe that SITC is progressing towards its goal of becoming a world-class shipping logistics enterprise and will deliver more outstanding results in the future.

YANG Shaopeng
Chairman
9 March 2015

Management Discussion and Analysis

OVERVIEW

Business Review

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

In the year 2014, the Group's sea freight logistics business continued to provide container shipping services that focused exclusively on the intra-Asia market. As at 31 December 2014, the Company operated a total of 59 trade lanes, including 12 trade lanes through joint services and 20 trade lanes through container slot exchange arrangements. These trade lanes cover 53 major ports in the People's Republic of China ("**PRC**"), Japan, Korea, Taiwan, Hong Kong, Vietnam, Thailand, the Philippines, Cambodia, Indonesia, Singapore and Malaysia. As at 31 December 2014, the Company operated a fleet of 67 container vessels with total capacity of 78,478 TEU, comprising of 32 self-owned vessels and 35 chartered vessels, with an average age of 9.0 years. 52 of these 67 container vessels were of the 1,000 TEU type. Revenue generated by the Group's sea freight logistics business for the year 2014 amounted to US$1,060.3 million, representing an increase of approximately 9% as compared to the same period in the year 2013. The increase is a combined effect of (i) the increase in the container shipping volume from 1,981,576 TEU in 2013 to 2,077,355 TEU in 2014; and (ii) increase in average container shipping freight rate from US$486/TEU in 2013 to US$500/TEU in 2014. The sea freight logistics business also included leasing out dry bulk vessels. As at 31 December 2014, the Company owned 6 dry bulk vessels with a gross tonnage of 438,596 DWT and an average age of 2.1 years.

The Group's land-based logistics business is another key part of its business model, which includes freight forwarding, shipping agency, depot and warehousing, trucking and ship brokerage services. As at 31 December 2014, the Group's freight forwarding network covered 38 major cities in the PRC, Japan, Korea, Hong Kong, Vietnam, the Philippines, Singapore and Cambodia while the Group's shipping agency network covered 52 major ports and cities in the PRC, Japan, Korea, Hong Kong, Vietnam, Thailand, the Philippines, Indonesia and Cambodia. The Group, together with its joint ventures, also operated approximately 900,000 m^2 of depot and 100,000 m^2 of warehousing space. Revenue generated by its land-based logistics business for the year ended 31 December 2014 amounted to US$786.1 million as compared to US$730.7 million for the year 2013. The land-based logistic business achieved an increase of 4.1% growth in the freight forwarding volume from 1,530,471 TEU in 2013 to 1,593,001 TEU in 2014.

Undeniably, there are many uncertainties facing global logistics business in 2015, but the management of the Group is still confident with the business environment and performance of container logistics in Asian area for 2015. With the stepwise progressing of the PRC's "One Belt and One Road and Interconnection" strategy, the Group enjoys more business opportunities arising from such rearrangement of industrial structures and international divisions among Asian countries. The Group will also fine-tune sea-land intermodal operation model, improve comprehensive logistics facilities and networks and upgrade information technology systems, for the sake of providing individualised logistics solutions and quality services for customers. The Group will strive to become a world-class integrated logistics supplier as the first choice of customers.

Market Review

The global economy grew disappointedly in 2014, container shipping companies maintained excess capacities, and unavoidably, the container shipping industry was still weak as a whole in the world, except individual company cut costs and improved efficiency and profitability through forming several large container shipping alliances which enhanced its competitiveness. The intra-Asia trade and container shipping volume still kept a remarkable growth and remained the world's largest container shipping market, which brought about a lot of benefits to the Group.

Financial Overview

	Year ended 31 December							
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	Sea freight logistics		**Land-based logistics**		**Inter-segment sales**		**Total**	
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Revenue	**1,060,315**	972,729	**786,077**	730,710	**(469,440)**	(436,110)	**1,376,952**	1,267,329
Cost of sales	**(1,002,028)**	(926,283)	**(678,286)**	(634,177)	**469,440**	436,110	**(1,210,874)**	(1,124,350)
Gross profit	**58,287**	46,446	**107,791**	96,533			**166,078**	142,979
Other income and gains, net (excluding interest and investment income)	**12,911**	18,708	**1,413**	3,271			**14,324**	21,979
Administrative expenses	**(16,538)**	(15,653)	**(52,837)**	(49,497)			**(69,375)**	(65,150)
Share of profits and losses of:								
Joint ventures	—	—	**9,349**	7,742			**9,349**	7,742
Associates	—	—	**701**	371			**701**	371
Other expenses and losses	**(3,344)**	(34)	**(122)**	(151)			**(3,466)**	(185)
Segment results	**51,316**	49,467	**66,295**	58,269			**117,611**	107,736
Finance costs							**(9,504)**	(8,177)
Interest and investment income							**17,119**	15,793
Profit before tax							**125,226**	115,352
Income tax expense							**(4,130)**	(2,251)
Profit for the year							**121,096**	113,101
Profit attributable to:								
Shareholders of the Company							**120,680**	112,410
Non-controlling interests							**416**	691
							121,096	113,101

Revenue

The Group's total revenue after inter-segment elimination increased by approximately 8.7% from approximately US$1,267.3 million for the year ended 31 December 2013 to approximately US$1,377.0 million for the year ended 31 December 2014. The increase was primarily attributable to (i) the increase in shipping volume; and (ii) the continuous growth in the Group's freight forwarding business.

Cost of Sales

Cost of sales of the Group increased by approximately 7.7% from approximately US$1,124.4 million for the year ended 31 December 2013 to approximately US$1,210.9 million for the year ended 31 December 2014. The increase was primarily attributable to the expansion in our overall operation scale.

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit increased from approximately US$143.0 million for the year ended 31 December 2013 to approximately US$166.1 million for the year ended 31 December 2014. The Group's gross profit margin increased from approximately 11.3% for the year ended 31 December 2013 to approximately 12.1% for the year ended 31 December 2014.

Other Income and Gains (excluding interest and investment income)

The Group's other income and gains (excluding interest and investment income) decreased by approximately US$7.7 million from approximately US$22.0 million for the year ended 31 December 2013 to approximately US$14.3 million for the year ended 31 December 2014. The decrease was mainly attributable to (i) the decrease in foreign exchange translation gain due to RMB depreciation against US dollar; (ii) decrease in fair value gained of cash flow hedges and non-hedge derivatives from US$9.2 million in 2013 to US$5.8 million in 2014; and (iii) foreign exchange gains from capital reduction of a subsidiary was US$0.5 million and US$2.0 million, respectively.

Administrative Expenses

Administrative expenses increased by approximately 6.4% from approximately US$65.2 million for the year ended 31 December 2013 to approximately US$69.4 million for the year ended 31 December 2014. 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 increased by approximately 20.8% from approximately US$7.7 million in 2013 to approximately US$9.3 million in 2014. The increase was mainly attributable to the expansion in the warehouse and depot business.

Share of profits and losses of associates

The Group's share of profits and losses of associates was US$0.7 million and US$0.4 million for the year ended 31 December 2014 and 2013, respectively. There is no material change in the amount.

Other Expenses and Losses

For the year ended 31 December 2014, the Group's other expenses and losses increased from approximately US$0.2 million for the year ended 31 December 2013 to approximately US$3.5 million for the same period in 2014. The amount in 2014 mainly represented losses on disposal of vessels and the relevant impairment provision recognised as a result of the vessels disposal amounted to US$3.3 million.

Finance Costs

Finance cost was US$9.5 million and US$8.2 million for the years ended 31 December 2014 and 2013, respectively. The increase was mainly due to the increase in the average bank borrowing balance in 2014. There is no material change in the effective interest rate of the Group.

Interest and Investment Income

The Group's amount of interest and investment income increased from approximately US$15.8 million for the year ended 31 December 2013 to approximately US$17.1 million for the year ended 31 December 2014. The increase was mainly attributable to the increase in average surplus fund balance available for investment.

Profit Before Tax

As a result of the foregoing, the Group's profit before tax increased by approximately 8.5% from approximately US$115.4 million for the year ended 31 December 2013 to approximately US$125.2 million for the year ended 31 December 2014.

Income Tax Expense

The Group's income tax expense was US$4.1 million and US$2.3 million for the years ended 31 December 2014 and 2013, respectively.

Profit for the Year

The Group's profit for the year ended 31 December 2014 was approximately US$121.1 million, representing an increase of approximately 7.1% as compared to the profit of approximately US$113.1 million for the year ended 31 December 2013.

Sea Freight Logistics

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

	Year ended 31 December			
	2014		2013	
	Amount (US$'000)	**% of segment revenue**	Amount (US$'000)	% of segment revenue
Income Statement Data:				
Sales to external customers — container shipping	**593,242**	**56.0%**	548,218	56.4%
Sales to external customers — dry bulk chartering	**21,593**	**2.0%**	9,944	1%
Inter-segment sales	**445,480**	**42.0%**	414,567	42.6%
Segment revenue	**1,060,315**	**100.0%**	972,729	100%
Cost of Sales	**(1,002,028)**	**(94.5%)**	(926,283)	(95.2%)
Equipment and cargos transportation costs	**(551,666)**	**(52.0%)**	(503,778)	(51.8%)
Voyage costs	**(294,475)**	**(27.8%)**	(294,165)	(30.2%)
Container shipping vessels costs	**(140,200)**	**(13.2%)**	(120,285)	(12.4%)
Dry bulk vessels costs	**(15,687)**	**(1.5%)**	(8,055)	(0.8%)
Gross Profit	**58,287**	**5.5%**	46,446	4.8%
Other income and gains, net (excluding interest and investment income)	**12,911**	**1.2%**	18,708	1.9%
Administrative expenses	**(16,538)**	**(1.6%)**	(15,653)	(1.6%)
Other expenses and losses	**(3,344)**	**(0.3%)**	(34)	—%
Segment results	**51,316**	**4.8%**	49,467	5.1%

Segment results

The following table sets forth the number of trade lanes of the Group for the years ended 31 December 2013 and 2014, and port calls per week and the average freight rates for the years indicated:

Year ended 31 December		As at 31 December			
2014	2013	**2014**	2013	**2014**	2013
Average freight rate *(US$ per TEU)*		**Number of trade lanes**		**Port calls per week**	
500	486	**59**	47	**340**	301

Revenue

Revenue of the Group's sea freight logistics business before inter-segment elimination increased by approximately 9.0% from approximately US$972.7 million for the year ended 31 December 2013 to approximately US$1,060.3 million for the year ended 31 December 2014. The increase was a combined effect of (i) the increase in container shipping volume from 1,981,576 TEU in 2013 to 2,077,335 TEU in 2014; (ii) the increase in average container shipping freight rate from US$486/TEU in 2013 to US$500/TEU in 2014; and (iii) US$11.6 million increase in the day bulk chartering income due to the expansion in fleet size.

Cost of Sales

The cost of sales of the Group's sea freight logistics business increased by approximately 8.2% from approximately US$926.3 million for the year ended 31 December 2013 to approximately US$1,002.0 million for the year ended 31 December 2014. The increase was primarily attributable to:

- the increase in equipment and cargos transportation costs by 9.5% from US$503.8 million to US$551.7 million. It was mainly attributable to (i) the increase in slot exchange fee from US$38.7 million to US$66.8 million as a result of network expansion; and (ii) the increase in other equipment and cargos transportation cost from US$84.8 million to US$97.3 million due to the increase in shipping volume;

- the voyage costs were US$294.5 million and US$294.2 million for the year ended 31 December 2014 and 2013, respectively. There is no material fluctuation in 2014. During 2014, the bunker cost decreased from US$237.3 million in 2013 to US$234.8 million mainly attributable to the decrease in average bunker cost by 5.6% from US$642.5/tonne in 2013 to US$608.2/tonne in 2014;

- increase in vessel costs by approximately US$19.9 million from approximately US$120.3 million for the year ended 31 December 2013 to approximately US$140.2 million for the same period in 2014 as a result of the increase in average charter rate and the number of self-operated vessels.

- increase in dry bulk vessels cost from US$8.1 million for the year ended 31 December 2013 to US$15.7 million to 2014. The increase is mainly attributable to the increase in depreciation and vessel crew cost as a result of the expansion in the dry bulk fleet size.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Company recorded gross profit of approximately US$58.3 million in its sea freight logistics business for the year ended 31 December 2014, representing an approximately 25.6% increase as compared to approximately US$46.4 million for the corresponding period in 2013. The gross profit margin of the Group's sea freight logistics increased from 4.8% in 2013 to 5.5% in 2014.

Other Income and Gains, Net (excluding interest and investment income)

For the year ended 31 December 2014, the other income and gains, net (excluding bank interest income and other investment income) decreased to approximately US$12.9 million in 2014 from US$18.7 million in 2013. In 2014, the amount mainly due to the decrease in foreign exchange translation gain from the Renminbi ("**RMB**") assets as RMB depreciated against US dollar in the year.

Administrative Expenses

Administrative expenses of the Group's sea freight logistics business increased by approximately 5.1% from approximately US$15.7 million for the year ended 31 December 2013 to approximately US$16.5 million in the corresponding period in 2014. The increase as primarily attributable to the increase in staff cost.

Other Expenses and Losses

Other expenses and loses for the Group's sea freight logistics business was approximately US$3.3 million and US$0.1 million for the year ended 31 December 2014 and 2013, respectively. The amount in 2014 mainly represented losses on disposal of vessels and the impairment provision made against a vessel from a confirmed disposal amounted to US$3.3 million.

Segment Results

As a result of the foregoing, the segment result of the Group's sea freight logistic increased by 3.6% from US$49.5 million in 2013 to US$51.3 million in 2014.

Land-based Logistics

The following table sets forth selected income statement data for the Group's land-based logistics segment for the years indicated:

	Year ended 31 December			
	2014		2013	
	Amount (US$' 000)	% of segment revenue	Amount (US$' 000)	% of segment revenue
Income Statement Data:				
Sales to external customers	**762,117**	**97.0%**	709,167	97.1%
Inter-segment sales	**23,960**	**3.0%**	21,543	2.9%
Segment revenue	**786,077**	**100.0%**	730,710	100.0%
Freight forwarding and shipping agency	**753,971**	**95.9%**	703,420	96.3%
Other land-based logistics businesses	**32,106**	**4.1%**	27,290	3.7%
Cost of Sales	**(678,286)**	**(86.3%)**	(634,177)	(86.8%)
Freight forwarding and shipping agency	**(655,079)**	**(83.3%)**	(615,954)	(84.3%)
Other land-based logistics businesses	**(23,207)**	**(3.0%)**	(18,223)	(2.5%)
Gross Profit	**107,791**	**13.7%**	96,533	13.2%
Other income and gains, net (excluding interest and investment income)	**1,413**	**0.2%**	3,271	0.4%
Administrative expenses	**(52,837)**	**(6.7%)**	(49,497)	(6.7%)
Other expenses and losses	**(122)**	**(0.1%)**	(151)	(0.1%)
Share of profits and losses of:				
Joint ventures	**9,349**	**1.2%**	7,742	1.1%
Associates	**701**	**0.1%**	371	0.1%
Segment results	**66,295**	**8.4%**	58,269	8.0%

Revenue

The revenue of the Group's land-based logistics business before inter-segment elimination increased by approximately 7.6% from approximately US$730.7 million for the year ended 31 December 2013 to approximately US$786.1 million for the year ended 31 December 2014. The increase was mainly a combined effect of the following:

- *Freight forwarding and shipping agency.* Revenue of the Group's freight forwarding and shipping agency business increased by approximately 7.2% from approximately US$703.4 million for the year ended 31 December 2013 to approximately US$754.0 million for the corresponding period in 2014. The increase was a combined effect of (i) increase in freight forwarding volume from 1,530,471 TEU in 2013 to 1,593,001 TEU in 2014; and (ii) the increase in average freight forwarding rate.

- *Other land-based logistics businesses.* Revenue of the Group's other land-based logistics business increased by approximately 17.6% from approximately US$27.3 million for the year ended 31 December 2013 to approximately US$32.1 million for the same period in 2014. The increase was primarily reflected the expansion of third party logistic business and other land-based logistics businesses.

Cost of Sales

The cost of sales of the Group's land-based logistics business increased by approximately 7.0% from approximately US$634.2 million for the year ended 31 December 2013 to approximately US$678.3 million for the corresponding period in 2014. The increase was a combined effect of the following:

- *Freight forwarding and shipping agency.* Cost of sales of the Group's freight forwarding and shipping agency business increased by 6.3% from US$616.0 million for the year ended 31 December 2013 to US$655.1 million for the corresponding period in 2014, primarily reflecting expansion in operation scale.

- *Other land-based logistics businesses.* Cost of sales of the Group's other land-based logistics businesses increased by approximately 27.5% from US$18.2 million for the year ended 31 December 2013 to US$23.2 million for the corresponding period in 2014. This increase primarily reflected the cost increase in connection with the third party logistics business and the cost for other land-based logistic business.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Company recorded the gross profit of approximately US$107.8 million in its land-based logistics business for the year ended 31 December 2014, representing an approximately 11.7% increase from approximately US$96.5 million for the year ended 31 December 2013. The gross profit margin of the Group's land-based logistics business was approximately 13.2% and approximately 13.7% for the years ended 31 December 2013 and 2014, respectively.

Other Income and Gains, Net (excluding interest and investment income)

Other income and gains, net (excluding interest and investment income) of the Group's land-based logistics business were approximately US$1.4 million for the year ended 31 December 2014. The decrease of approximately US$1.9 million from was mainly due to an one-time foreign exchange gain from capital reduction of a subsidiary in Mainland China in 2013.

Administrative Expenses

The Group's administrative expenses of its land-based logistics business increased by approximately 6.7% from approximately US$49.5 million for the year ended 31 December 2013 to approximately US$52.8 million for the same period in 2014. The increase was primarily attributable to the increase in staff cost.

Other Expenses and Losses

Other expenses and losses of the Group's land-based logistics business was US$0.1 million for the year ended 31 December 2014 (2013: US$0.2 million). There was no material changes in the balance.

Share of profits and losses of joint ventures

The Group's share of profits and losses of joint ventures increased from approximately US$7.7 million in 2013 to approximately US$9.3 million in 2014. The increase was primarily attributable to the expansion in the warehouse and depot business.

Share of profits and losses of associates

The Group's share of profits and losses of associates increased from approximately US$0.4 million in 2013 to approximately US$0.7 million in 2014. There is no material change in the amount.

Segment Results

As a result of the foregoing, the segment results of the Group's land-based logistics business increased by approximately 13.7% from approximately US$58.3 million for the year ended 31 December 2013 to approximately US$66.3 million for the year ended 31 December 2014.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Total assets of the Group increased by approximately 9.5% from approximately US$1,269.4 million as at 31 December 2013 to approximately US$1,389.8 million as at 31 December 2014. As at 31 December 2014, the Group had cash and cash equivalents amounting to approximately US$428.2 million, mainly denominated in US dollar, Renminbi, Japanese Yen and other currencies.

Total liabilities of the Group increased by approximately 13.1% from approximately US$524.1 million as at 31 December 2013 to approximately US$592.7 million as at 31 December 2014. At 31 December 2014, the Group had secured interest-bearing bank loans of approximately US$402 million. The maturity profile is spread over a period, with approximately US$131.2 million repayable within one year or on demand, approximately US$43.2 million within the second year, approximately US$128.4 million within third to fifth years and approximately US$99.2 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 2014, the Group hedged approximately 16% (2013: 12%) of its foreign currency sales for which firm commitments existed at the end of the reporting period.

As at 31 December 2014, the Group had current ratio (being the current assets divided by the current liabilities) of approximately 1.9 compared to that of 2.2 as at 31 December 2013. 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 shareholders of the Company less the hedging reserve. The Group's gearing ratio was 11% and 17% as at 31 December 2013 and 2014, respectively.

MATERIAL ACQUISITION AND DISPOSAL

For the year ended 31 December 2014, the Group did not have any material acquisition or disposal of subsidiaries and associated companies.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group had no significant contingent liabilities.

CHARGE ON ASSETS

As at 31 December 2014, the Group's bank loans were secured by mortgages over the Group's container vessels, dry-bulk vessels and containers which had an aggregate carrying value at the end of the reporting period of approximately US$590.9 million.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2014, the Group had an aggregate of 1,360 full-time employees. The related employees' costs for the period (including directors' emoluments) amounted to approximately US$66.8 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 adopted the Pre-IPO share option scheme and post-IPO share option scheme on 10 September 2010. Further information of those share option schemes will be available in the annual report of the Group.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Yang Shaopeng (楊紹鵬), aged 58, is the Chairman of the Board, an Executive Director, the chairman of the nomination committee ("**Nomination Committee**") and a member of the remuneration committee ("**Remuneration Committee**") of our Company. Mr. Yang has been the Chairman of our Company since April 2006 and has been actively and extensively involved in the management and strategic development of our Company, and oversees the overall development of our Group. Mr. Yang graduated from Asia International Open University (Macau) in 2000 with a master's degree in business administration and completed a CEO class in China Europe International Business School in 2004. The CEO program is a non-degree specialized executive education program that is offered to address the business and management issues relating to industry consolidation, globalization, and economic reform. Mr. Yang has over 37 years of experience in the shipping industry through his employment in the shipping and foreign trade companies. From November 1988, Mr. Yang worked as an assistant general manager at Sinotrans (Shandong) Co., Ltd. (中國外運(山東)公司), a state-owned shipping enterprise. From September 1990, he served as the deputy manager in the storage and transportation department of Shandong Foreign Trade Corporation ("**SFTC**"), a state-owned foreign trade corporation. From May 1991 to May 1992, he served as a deputy general manager of Shandong International Transportation Corporation and as general manager between May 1992 and December 1996. From December 1996 to January 2002, he served as the general manager in SITC Maritime (Group) Co., Ltd. ("**SITC Group**"). Prior to its restructuring in December 2000, SITC Group was a state-owned enterprise. From October 1998 to December 2000, Mr. Yang was a vice-president of SFTC. From January 2002 to January 2005, Mr. Yang served as the president of SITC Maritime Group Co., Ltd. (山東海豐國際航運集團有限公司) ("**Shangdong SITC**") and also as the chairman of the same company from January 2001 to November 2011. Save as disclosed above, Mr. Yang is not related to any other Directors or senior management or substantial shareholder of our Company.

Mr. Yang Xianxiang (楊現祥), aged 48, is the Vice-Chairman of the Board, Chief Executive Officer, an Executive Director, the chairman of the disclosure committee ("**Disclosure Committee**") as well as a member of the Nomination Committee and the Remuneration Committee of our Company. Mr. Yang has been a Director and chief executive officer of our Company since January 2008. He is actively involved in the management and the decision-making process of our Company. Mr. Yang graduated from Asia International Open University (Macau) with a master's degree in Business Administration in 2000 and completed a chief executive officer class in Tsinghua University in 2003. He also received a master's degree in business administration from China Europe International Business School in 2006. He completed a non-degree course in Sinology in Fudan University in 2009, which is a course on Chinese heritage classical study, and completed another non-degree Chief Executive Officer Class at the Cheung Kong Graduate School of Business in 2010. Mr. Yang has over 28 years of experience in the shipping industry through his employment in the shipping companies. In July 1987, Mr. Yang joined Lufeng Shipping Co., Ltd. (魯豐航運有限公司) ("**Lufeng Shipping**"), a container shipping company, and was subsequently promoted to be a manager before he left in July 1997. From August 1997 to December 2001, he served as a general manager in SITC Container Lines (Shandong) Co., Ltd. (山東省海豐船務有限公司). Between January 2002 and January 2005, he served as executive vice president in Shangdong SITC and as president in the same company between January 2005 and May 2007. From May 2007 to January 2008, he served as president of SITC Container Lines and as a chief executive officer of SITC Steamship (Shanghai) Co., Ltd.. Mr. Yang was appointed as an Executive Director on 9 April 2010. Save as disclosed above, Mr. Yang is not related to any other Directors or senior management or substantial shareholder of our Company.

Mr. Liu Kecheng (劉克誠), aged 41, is an Executive Director, chief financial officer, authorized representative and a member of the Disclosure Committee of our Company. Mr. Liu has been a Director of our Company since December 2006. From September 2010 to May 2013, he served as joint company secretary of our Company. Since October 2010, Mr. Liu has been appointed as the director for investment and securities, responsible for investments and equity funding. Since May 2013, Mr. Liu has been appointed as the chief financial officer of our Company, responsible for finance accounting and cash management in our Company. Mr. Liu graduated from Shandong Foreign Economic and Trade School in 1994 where he majored in foreign trade and accounting, and from Shandong University of Economics in 1996 where he majored in accounting. In 2005, he graduated from Renmin University of China majoring in accounting. He also received a master's degree in business administration from China Europe International Business School in 2007. Mr. Liu has over 21 years of experience in the shipping industry through his employment in the shipping companies. Mr. Liu worked with the finance department of Shandong Foreign Trade Corporation, a state-owned foreign trade corporation, from July 1994 to June 1998. From July 1998 to May 2000, he served as a finance manager in Shandong SITC International Container Storage and Transportation Company Limited (山東海豐國際集裝箱儲運有限公司). Between June 2000 and January 2003, he served as the manager of the finance centre and the deputy general manager of Shandong SITC. From January 2003 to October 2003, he served as the deputy general manager in the planning & development center of Shandong SITC. Between October 2003 and December 2006, Mr. Liu served as the general manager of the investment and development center in Shandong SITC. From December 2006 to January 2008, he served as the director and chief financial officer of SITC Group Company Limited ("**SITC Holding**") and Shandong SITC. Mr. Liu was appointed an Executive Director on 9 April 2010. Save as disclosed above, Mr. Liu is not related to any other Directors or senior management or substantial shareholder of our Company.

Mr. Xue Peng (薛鵬), aged 44, is an Executive Director, joint company secretary, authorized representative and a member of the Disclosure Committee of our Company. Mr. Xue has been a Director of our Company since January 2008. From January 2008 to May 2013, he served as a chief financial officer of our Company. Mr. Xue graduated from Shandong Province Foreign Trade and Economic University in 1991 majoring in financial accounting, and graduated from Shangdong University of Economics in 1997 majoring in accounting. He was qualified as an accountant in 2004 and also obtained an undergraduate degree in accounting from Renmin University of China in 2006. He received a master's degree in business administration from China Europe International Business School in 2011. Mr. Xue has over 22 years of experience in the shipping industry through his employment in the shipping companies. From March 1993 to March 1996, Mr. Xue worked in Lufeng Shipping, a container shipping company. From March 1996 to January 1998, he served as a financial manager in Guang Lian Shipping Agency (Shandong) Company Limited (山東廣聯船務有限公司), a company that is principally engaged in the shipping agency business. Between January 1998 and March 1999, he served as a financial manager in SITC Container Lines (Shandong) Co., Ltd. and Shandong SITC respectively. From March 1999 to February 2002, he served as the finance manager of SITC Japan Co., Ltd. Between February 2002 and January 2003, he served as the general manager of the supervision department in Shandong SITC. He served as a deputy general manager of the finance center of Shandong SITC from January 2003 to April 2006, and as the general manager of the finance department of SITC Holding between April 2006 and January 2008. Between April 2006 and January 2008, he also served as the financial manager of SITC Holding and SITC Shipping Agency (HK) Company Limited (新海豐船務代理(香港)有限公司), respectively. Mr. Xue was appointed an Executive Director and joint company secretary on 9 April 2010 and 3 May 2013, respectively. Save as disclosed above, Mr. Xue is not related to any other Directors or senior management or substantial shareholder of our Company.

Mr. Lai Zhiyong (賴智勇), aged 42, an Executive Director and a member of the Disclosure Committee of our Company. He has been serving as the president of SITC Logistics Group since December 2012. Mr. Lai graduated from Ocean University of China (中國海洋大學) in July 1994 specialising in International Trade. Mr. Lai has over 20 years of experience in the shipping industry. During the period from August 1997 to November 2012, Mr. Lai had served as the supervisor of the import division of SITC Lianji (Shandong) Co., Ltd. (山東海豐聯集有限公司) ("**Shandong SITC Lianji**"), the manager of the import department, operation department and marketing department of SITC Container Lines and the general manager of SITC Container Lines (Hong Kong) Co., Ltd. (新海豐集運(香港)有限公司). Mr. Lai was appointed as an Executive Director on 11 March 2013. Save as disclosed above, Mr. Lai is not related to any other Directors or senior management or substantial shareholder of our Company.

Mr. Xue Mingyuan (薛明元), aged 41, an Executive Director and a member of the Disclosure Committee of our Company. He has been serving as the president of SITC Shipping Group and the general manager of SITC Container Lines since December 2012. Mr. Xue obtained a master degree in international shipping and logistics management from The Hong Kong Polytechnic University (香港理工大學) in November 2004. Mr. Xue has over 18 years of experience in the shipping industry. During the period from August 1997 to November 2012, Mr. Xue had served as the export supervisor of Shandong SITC Lianji, the manager of the customers service department and the sales and marketing department of SITC Container Lines, the deputy general manager and general manager of SITC Container Lines (Korea) Co., Ltd. and the general manager of SITC Container Lines. Mr. Xue was appointed as an Executive Director on 11 March 2013. Save as disclosed above, Mr. Xue is not related to any other Directors or senior management or substantial shareholder of our Company.

Independent Non-executive Directors

Mr. Tsui Yung Kwok (徐容國), aged 46, is an Independent Non-executive Director, the chairman of the audit committee ("**Audit Committee**") and a member of the Remuneration Committee of our Company. Mr. Tsui was appointed as our Independent Non-executive Director in September 2010. He was awarded a bachelor's degree in business (accounting) from Curtin University of Technology, Australia in 1992 and a master's degree in corporate governance from The Hong Kong Polytechnic University in 2007. Mr. Tsui has nearly 22 years of experience in accounting and finance through his senior position in an international accounting firm in Hong Kong from February 1994 to October 2003 and his office as the chief financial officer of Qin Jia Yuan Media Services Company Limited, a company listed on the Stock Exchange (Stock Code: 2366) from 2003 to 2004. Mr. Tsui has been the chief financial officer and the company secretary of Ju Teng International Holdings Limited, a company listed on the Stock Exchange (Stock Code: 3336), since 2004. Mr. Tsui became an executive director of Ju Teng International Holdings Limited in June 2005. Mr. Tsui has also served as an independent non-executive director of Shenguan Holdings (Group) Limited (Stock Code: 829), 361 Degrees International Limited (Stock Code: 1361) and Cabbeen Fashion Limited (Stock Code: 2030) since September 2009, September 2012 and February 2013 respectively, all are companies listed on the Stock Exchange. Mr. Tsui is a member of the Institute of Chartered Accountants in Australia, CPA Australia, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Chartered Secretaries.

Mr. Yeung Kwok On (楊國安), aged 54, is an Independent Non-executive Director, the chairman of the Remuneration Committee and a member of the Nomination Committee of our Company. Mr. Yeung was appointed as our Independent Non-executive Director in September 2010. He is a Philips Chair Professor of human resources management at China Europe International Business School. He received a Ph.D. of business administration from University of Michigan in 1990. Mr. Yeung worked in Acer Group as chief human resources officer from early 1999 to June 2002. During the same period of time, he simultaneously served as the president of Aspire Academy under Acer Foundation. Mr. Yeung is a member of five editorial advisory boards, including Human Resources Management Journal (USA), and Human Relations Journal (USA). Mr. Yeung is an expert in organizational capabilities, human resources strategy, and leadership development. He is an independent director of Trina Solar Limited, a company listed on the New York Stock Exchange (NYSE: TSL) and an independent non-executive director of Country Garden Holdings Company Limited, a company listed on the Stock Exchange (Stock Code: 2007), respectively. He was an independent non-executive director of Kingdee International Software Group Company Limited (Stock Code: 268) from 2003 to 2014. Mr. Yeung also serves as independent board director for other three private corporations, and advises chief executive officers of several leading Chinese firms.

Dr. Lo Wing Yan, William (盧永仁), aged 54, was appointed as an Independent Non-executive Director and a member of the Audit Committee and Nomination Committee of our Company in September 2010. He received an M. Phil. and a Ph.D. degree, both from the University of Cambridge in England in March 1986 and March 1988, respectively. Dr. Lo is currently the Vice Chairman of Lovable International Holdings Limited, Chairman of Strategenes Limited & Governor of Charles K Kao Foundation for Alzheimer's Disease. He was also a Bye-Fellow of Downing College, the University of Cambridge. In 1999, he was appointed as a Justice of Peace (J.P.) by the government of Hong Kong. In 2003, he was appointed as a Member of Shantou Committee of the Chinese People's Political Consultative Conference. He is also a governor of an independent school, the ISF Academy in Hong Kong, as well as the Director of Junior Achievement Hong Kong. Dr. Lo is currently an independent non-executive director of Varitronix International Limited (the Stock Exchange, Stock Code: 710), International Housewares Retail Company Limited (the Stock Exchange, Stock Code: 1373), Jingrui Holdings Limited (the Stock Exchange, Stock Code: 1862), CSI Properties Limited (the Stock Exchange, Stock Code: 497) and Television Broadcasts Limited (the Stock Exchange, Stock Code: 511). He is also an independent non-executive director of Nam Tai Property Inc. (New York Stock Exchange, Stock Code: NTP) (Formerly: Nam Tai Electronics, Inc. (New York Stock Exchange, Stock Code: NTE)) and E2-Capital Holdings Limited (Singapore Stock Exchange, Stock Code: 5OF) (Formerly: Westminster Travel Limited (Singapore Stock Exchange, Stock Code: WTL)). He was appointed as an independent non-executive director of South China Land Limited (GEM of the Stock Exchange, Stock Code: 8155) from 2002 to 2011, and was a non-executive director from September 2011 to March 2014.

Dr. Ngai Wai Fung (魏偉峰), aged 53, was appointed as an Independent Non-executive Director as well as a member of the Audit Committee, Remuneration Committee and Nomination Committee of our Company in September 2010. Dr. Ngai is currently a president of the Hong Kong Institute of Chartered Secretaries, the Adjunct Professor of Law of Hong Kong Shue Yan University, a member of the Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants and a member of the General Committee of the Chamber of Hong Kong Listed Companies. He was appointed by the Chief Executive of The HKSAR as a member of Working Group on Professional Services under the Economic Development Commission for two years in 2013 and reappointed for further two years in 2015. Dr. Ngai is currently the chief executive officer of SW Corporate Services Group Limited, a specialty corporate and compliance services provider to companies in pre-IPO and post-IPO stages. Prior to that, he was the director and head of listing services of an independent integrated corporate services provider. He has over 20 years of senior management experience, most of which are in the areas of finance, accounting, internal control and regulatory compliance, corporate governance and secretarial work for listed issuers including major red chips companies. Dr. Ngai received a master's degree in business administration from Andrews University of Michigan in 1992, a master's degree in corporate finance from Hong Kong Polytechnic University in 2002 and a doctorate in Economics (Finance) from Shanghai University of Finance and Economics in 2011. Dr. Ngai is a fellow of the Association of Chartered Certified Accountants in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Secretaries and Administrators, a fellow of the Hong Kong Institute of Company Secretaries, a fellow of the Hong Kong Institute of Directors and a member of the Hong Kong Securities and Investment Institute. Dr. Ngai is currently an independent non-executive director of Bosideng International Holdings Limited (the Stock Exchange, Stock Code 3998), BaWang International (Group) Holdings Limited (the Stock Exchange, Stock Code: 1338), Powerlong Real Estate Holdings Limited (the Stock Exchange, Stock Code: 1238), Sany Heavy Equipment International Holdings Company Limited (the Stock Exchange, Stock Code: 631), Biostime International Holdings Limited (the Stock Exchange, Stock Code: 1112), China Coal Energy Company Limited (the Stock Exchange, Stock Code: 1898), Juda International Holdings Limited (the Stock Exchange, Stock Code: 1329), China Railway Group Limited (the Stock Exchange, Stock Code: 390 and the Shanghai Stock Exchange, Stock Code: 601390), and Yangtze Optical Fire and Cable Joint Stock Limited Company (the Stock Exchange, Stock Code : 6869). Dr. Ngai is also an independent director of LDK Solar Co., Ltd. (was listed on the New York Stock Exchange, Stock Code: LDK, now listed on the OTC Pink Limited Information).

LDK Solar Co., Ltd. (a company incorporated in the Cayman Islands and principally engaged in the manufacturing of photovoltaic (PV) products, whose American depositary shares was listed on the New York Stock Exchange, stock code: LDK) ("**LDK**") now listed on the OTC Pink Limited Information, in which Dr. Ngai serves as an independent director, has made a filing on 21 February 2014 with the Grand Court of the Cayman Islands for the appointment of joint provisional liquidators in connection with its plans to resolve its offshore liquidity issues as announced on 24 February 2014. The amount involved in the aforesaid proceeding includes (i) RMB 1,700,000,000 in aggregate principal amount of the Renminbi-denominated US$-settled 10% Senior Notes due 2014 issued by LDK on 28 February 2011 and (ii) US$240,000,000 in original investment amount of series A redeemable convertible preference shares, par value US$0.10 each, issued by LDK Silicon & Chemical Technology Co., Ltd., a subsidiary of LDK on 3 June 2011. As at the date of this report, the proceeding is still in progress.

Dr. Ngai was an independent non-executive director of Franshion Properties (China) Limited (Stock Exchange, Stock Code: 817) from May 2007 to June 2011, China Life Insurance Company Limited (Stock Exchange, Stock Code: 2628) from December 2006 to May 2009, and China Railway Construction Corporation Limited (the Stock Exchange, Stock Code: 1186) from November 2007 to October 2014.

JOINT COMPANY SECRETARIES

Mr. Xue Peng (薛鵬), is our joint company secretary. For details regarding Mr. Xue's experience, see the paragraph headed "Directors" under the section headed "Directors and Senior Management" in the report. Mr. Xue was appointed as a joint company secretary of our Company on 3 May 2013.

Ms. Chan Wai Ling (陳蕙玲), aged 47, is a fellow of the Hong Kong Institute of Chartered Secretaries ("**HKICS**") and also a fellow of the Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Chan is a joint company secretary of our Company. Ms. Chan is also a Director of Corporate Services of Tricor Services Limited and she has over 20 years of experience in the corporate secretarial field. She is a holder of the Practitioner's Endorsement from HKICS. Ms. Chan holds an Honours Bachelor's degree in Accountancy from City University of Hong Kong and a Bachelor of Laws degree from the University of London. Prior to joining Tricor Group in 2003, Ms. Chan was a Manager of Corporate Services with PricewaterhouseCoopers in Hong Kong. She is currently the company secretary and an authorized representative of China Maple Leaf Educational Systems Limited (Stock Code: 1317), which is listed on the Hong Kong Stock Exchange. She was appointed as a joint company secretary of our Company on 9 March 2015. She is not a full-time employee of our Company.

Report of the Board of Directors

The Directors of the Company are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2014.

MAJOR BUSINESS

The Company is an Asian shipping logistics company that provides integrated transportation and logistics solutions. The analysis of the revenue of the Group for the year is set out in Note 5 to the Financial Statements.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2014 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The financial position as at 31 December 2014 of the Group is set out in the Consolidated Statement of Financial Position. The cash flow position of the Group during the year ended 31 December 2014 is set out in the Consolidated Statement of Cash Flows.

SHARE CAPITAL

The changes in the share capital of the Group during the year ended 31 December 2014 are set out in Note 31 to the Financial Statements.

FINAL DIVIDEND

At the Board meeting held on 9 March 2015 (Monday), it was proposed that a final dividend of HK$12 cents (equivalent to US$1.54 cents) per ordinary share would be paid after 13 May 2015 (Wednesday) to the shareholders of the Company whose names appear on the Company's register of members at the close of business at 4:30 p.m. on 30 April 2015 (Thursday). The proposed final dividend is subject to approval by the shareholders at the annual general meeting of the Company to be held on 27 April 2015 (Monday) (the "**Annual General Meeting**").

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

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 23 April 2015 (Thursday) to 27 April 2015 (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, unregistered holders of shares of the Company shall ensure that all transfers of shares documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 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 22 April 2015 (Wednesday).

For determining the entitlement to the proposed final dividend (subject to approval by the shareholder at the Annual General Meeting), the register of members of the Company will be closed on 4 May 2015 (Monday), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, unregistered holders of shares of the Company shall ensure that all transfers of shares documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30p.m. on 30 April 2015 (Thursday).

RESERVE

Details of the changes in reserve of the Group during the year ended 31 December 2014 are set out in Note 33 to the Financial Statements.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for distribution of dividends to the shareholders subject to the provisions of the Company's articles of association (the "**Articles of Association**"), with the sanction of an ordinary resolution, dividend may be declared and paid out of share premium account of any other fund or account which can be authorised for this propose. As at 31 December 2014, the Company had distributable reserves of approximately US$492 million.

PROPERTY, PLANT AND EQUIPMENT

The changes in property, plant and equipment during the year ended 31 December 2014 are set out in Note 14 to the Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the aggregate percentage of purchases attributable to the Group's five largest suppliers accounted for approximately 25.1% of the Group's total purchase. The percentage of turnover attributable to the Group's five largest customers accounted for approximately 21.3% of the Group's total turnover.

None of the Directors or his/her associates and none of the shareholders possessing over 5% of the interest in the capital of the Company possessed any interest in the above-mentioned suppliers and customers.

DONATION

During the year, the charitable contributions and other donations made in Hong Kong and China amounted to approximately HK$7 million.

DIRECTORS

The directors in office during the year and as of the date of this report are as follows:

Executive Directors

YANG Shaopeng *(Chairman)*

YANG Xianxiang *(Vice-Chairman and Chief Executive Officer)*

LIU Kecheng

XUE Peng *(Joint Company Secretary)*

XUE Mingyuan

LAI Zhiyong

Independent Non-executive Directors

TSUI Yung Kwok

YEUNG Kwok On

LO Wing Yan, William

NGAI Wai Fung

Details of the resume of the directors and senior management are set forth in the section headed "Directors and Senior Management" of this report.

Pursuant to the terms of the Articles of Association of the Company and the Corporate Governance Code, Mr. YANG Xianxiang, Mr. LIU Kecheng, Mr. TSUI Yung Kwok, Mr. YEUNG Kwok On, Dr. LO Wing Yan, William and Dr. NGAI Wai Fung will retire in the coming Annual General Meeting, and being qualified, have offered to be re-elected and re-appointed at the Annual General Meeting.

SERVICE CONTRACTS OF DIRECTORS

Details of service contracts for executive Directors are set out under the section headed "Appointment and Re-election of Directors" of the Corporate Governance Report. There was no service contract entered by the Company and any Directors to be re-elected in the coming Annual General Meeting stipulating that the Company may not terminate the appointment without compensation payment (other than the statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

Other than those transactions disclosed in Note 39 to the Financial Statements and in the section headed "Connected transactions" below, there was no other significant contract with any member of the Group as the contracting party and in which the Directors of the Company possessed direct or indirect substantial interests, and which was still valid on the year end date or any time during the year and related to the business of the Group.

DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

Our Chairman, Mr. YANG Shaopeng, through Better Master Investments Limited ("**Better Master**") and Resourceful Link Management Limited ("**Resourceful Link**") owns approximately 55.31% of the issued share capital in the Company as at the date of this report. Mr. YANG Shaopeng, Better Master and Resourceful Link are the controlling shareholders of the Company. Ms. Liu Rongli, the spouse of Mr. YANG Shaopeng, one of the controlling shareholders of the Company, the chairman and an executive Director also owns as to 62.5% in SITC Manitime Group Company Limited (青島海豐投資控股有限公司) ("**Qingdao SITC Shipping**") (formerly known as SITC Investment Holdings (Qingdao) Company Limited), which is involved in various business which had been excluded from a supplemental deed of non-competition entered into between the Company and Qingdao SITC Shipping. Pursuant to such supplemental deed of non-competition, the following businesses have been excluded from the supplemental deed of non-competition provided by the controlling shareholders to the Company:

(a) SITC Steamship (Shandong) Co., Ltd. (山東海豐航運有限公司) ("**Shandong Steamship**"), a 100% subsidiary of Qingdao SITC Shipping which is principally engaged in the ship-owning business, continues to hold operating licenses for the mainland China-Taiwan routes. The vessels that operate on this route belong to the Company but are chartered to Shandong Steamship for the mainland China-Taiwan route. These vessels are being used to operate such routes on terms that permit the Company to enjoy the charter fee revenues derived from such operation.

(b) During the year under review, Shandong Steamship owned one PRC-registered vessels named Hei Feng Lian Jie. According to the PRC Regulations Governing the Registration of Ships (中華人民共和國船舶登記條例) promulgated by the State Council on 2 June 1994 and effective as of 1 January 1995, only Chinese enterprises which are owned by Chinese investors as to not less than 50% are permitted to own Chinese flag vessels, and the Company is therefore unable to acquire control of this vessel under applicable laws and regulations for the time being. However, this vessel is subject to a lease to SITC Shipping Company Limited, a subsidiary of our Company.

(c) The Company has invested in companies in which Qingdao SITC Shipping also has shareholding (whether or not such companies are subsidiaries of the Company). These companies are companies in which the Company has already, in terms of economic interests, maximized the shareholding percentage to the highest extent permitted under the laws and regulations at such time. A list of such companies that originally the Company and SITC Maritime Group Co., Limited (山東海豐國際航運集團有限公司) ("**Shandong SITC**") had both invested in, and which were subsequently transferred to Qingdao SITC Shipping, are set out in the section headed "Relationship with our Controlling Shareholders" in the Prospectus.

(d) In December 2009, SITC Container Lines Co., Ltd (新海豐集裝箱運輸有限公司) ("**SITC Container Lines**") and Shanghai Steamship (Shanghai) Co., Ltd. ("**Shanghai Steamship**") entered into a joint venture contract to establish a joint venture, SITC Shipping (Shanghai) Co., Ltd. (上海海嵐豐航運有限公司), to engage in shipping and other businesses within the PRC that can only be conducted by majority PRC-owned companies. As at the date of this report, SITC Shipping (Shanghai) Co., Ltd. had completed the deregistration procedure.

We have received an annual written confirmation from each of the Company's controlling shareholders in respect of the compliance by them and their associates with the supplemental deed of non-competition entered into by and among our Company, our controlling shareholders, Mr. YANG Shaopeng, Better Master and Resourceful Link.

The independent non-executive Directors have reviewed the supplemental deed of non-competition and whether the controlling shareholders have abided by the supplemental non-competition undertaking. The independent non-executive Directors confirmed that they had determined that the controlling shareholders have not been in breach of the supplemental non-competition undertaking during the year ended 31 December 2014.

Save as disclosed, none of the Directors or their respective connected persons have any interests in any business that competed or might compete with the business that the Group's business during the year ended 31 December 2014.

POST-IPO SHARE OPTION SCHEME

On 10 September 2010, the Company adopted a share option scheme (the "**Post-IPO Share Option Scheme**") whereby the Board can grant options for the subscription of the shares of the Company (the "**Shares**") to the employees, managerial staff and senior employees and those other persons that the Board considers that they will contribute or have contributed to the Group (the "**Participants**") as described in the Share Option Scheme in order to serve as compliment and to reciprocate their contribution to the Group. The maximum number of shares that can be issued according to the Post-IPO Share Option Scheme was 260,000,000 shares which is equivalent to 10% of the issued capital of the Company after completion of the Global Offering (as defined in the Prospectus).

The number of options that may be granted pursuant to the terms of the Post-IPO Share Option Scheme shall not exceed 10% of the issued shares immediately after the completion of the Global Offering. Unless otherwise approved by the shareholders of the Company in general meeting, the number of shares that may be granted to the Participants under the options shall not exceed 1% within any 12-month period (other than those granted to the substantial shareholders (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")), or the total number of shares that may be granted under the options to the independent non-executive Directors or any of their respective connected persons shall not exceed 0.1% of the shares in issue of the Company from time to time. There is no minimum period that the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board, however no options shall be exercised 10 years after they have been granted. The exercise price of the option shall be the higher of (a) the closing price of the Shares on the daily quotation sheet of The Stock Exchange of the Hong Kong Limited (the "**Stock Exchange**") on the date of grant; (b) the average closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) nominal value of the Share.

Each grantee shall pay a consideration of HK$1.00 at the time the option is granted. The Post-IPO Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

The details of the options granted pursuant to the Post-IPO Share Option Scheme but not yet exercised during the year ended 31 December 2014 are as follows:

Grantee and position	Date of grant of options	Number of options outstanding as at 1 January 2014	Number of Options exercised/ cancelled/ lapsed during the year	Number of options not yet exercised on 31 December 2014	Approximate percentage of shareholding upon the exercise of the options
YANG Shaopeng (Executive Director)	25 October 2011	1,000,000	—	1,000,000	0.04%
YANG Xianxiang (Executive Director)	25 October 2011	1,000,000	—	1,000,000	0.04%
LIU Kecheng (Executive Director)	25 October 2011	300,000	—	300,000	0.01%
XUE Peng (Executive Director)	25 October 2011	300,000	—	300,000	0.01%
LAI Zhiyong (Executive Director)	25 October 2011	100,000	—	100,000	0.004%
XUE Mingyuan (Executive Director)	25 October 2011	500,000	—	500,000	0.02%
TSUI Yung Kwok (Independent non-executive Director)	25 October 2011	400,000	400,000	—	0.00%
YEUNG Kwok On (Independent non-executive Director)	25 October 2011	200,000	—	200,000	0.01%
LO Wing Yan, William (Independent non-executive Director)	25 October 2011	400,000	—	400,000	0.02%
NGAI Wai Fung (Independent non-executive Director)	25 October 2011	400,000	—	400,000	0.02%
Other employees	25 October 2011	5,777,000	1,720,000	4,057,000	0.02%
Total		10,377,000	2,120,000	8,257,000	0.32%

As at 31 December 2014, the Company had 8,257,000 share options outstanding under the Post-IPO Scheme, which represented approximately 0.32% of the Shares of the Company in issue as at 31 December 2014.

PRE-IPO SHARE OPTION SCHEME

The Company adopted a pre-IPO share option scheme on 10 September 2010 (the "**Pre-IPO Share Option Scheme**"). The purpose of the Pre-IPO Share Option Scheme is to reward the contribution of certain employees, executives or officers of the Company made or may have made to the growth of the Company and/or the listing of Shares on the Stock Exchange. The principal terms of the Pre-IPO Share Option Scheme, which were confirmed and approved by resolutions in writing of all the Shareholders passed on 10 September 2010, are substantially the same as the terms of the Post-IPO Share Option Scheme except that:

(a) The subscription price per share shall be a price equivalent to a 20% discount to the Offer Price of the Shares under the Global Offering, that means HK$3.824 per share;

(b) The total number of shares involved in the Pre-IPO Share Option Scheme was 79,160,000 shares, which is equivalent to approximately 3.0% of the Shares in issue of the Company after completion of the Global Offering; and

(c) the eligible participant under the Pre-IPO Share Option Scheme are the full-time employees, executives or officers (including executive, non-executive and independent non-executive Directors) of the Company or the full-time employees of any of the subsidiaries of the level of manager or above and other full-time employees of the Company or any of the subsidiaries who have been in employment with the Company for over one year prior to the date of the adoption of the Pre-IPO Share Option Scheme or any other persons who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of the subsidiaries;

(d) the conditions which the Board may in its absolute discretion to consider (including, without limitation, any minimum period for which an Option must be held before it can be exercised and/or any performance targets which must be achieved before an Option can be exercised) as it may think fit; and

(e) save for the options which have been granted under the Pre-IPO Share Option Scheme, no further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right to do so will terminate upon the listing of the Shares on the Stock Exchange.

The details of the options granted pursuant to the Pre-IPO Share Option Scheme but not yet exercised during the year ended 31 December 2014 are as follows:

Grantee and position	Date of grant of options	Number of options granted outstanding as at 1 January 2014	Number of options exercised/ cancelled/ lapsed during the year	Number of options not yet exercised on 31 December 2014	Approximate percentage of shareholding upon the exercise of the options
YANG Shaopeng					
(Executive Director)	10 September 2010	7,200,000	—	7,200,000	0.04%
YANG Xianxiang					
(Executive Director)	10 September 2010	5,220,000	—	5,220,000	0.04%
LIU Kecheng					
(Executive Director)	10 September 2010	800,000	—	800,000	0.03%
XUE Peng					
(Executive Director)	10 September 2010	800,000	—	800,000	0.03%
LAI Zhiyong					
(Executive Director)	10 September 2010	200,000	—	200,000	0.01%
XUE Mingyuan					
(Executive Director)	10 September 2010	800,000	—	800,000	0.03%
Other employees	10 September 2010	56,300,000	3,996,000	52,304,000	2.02%
Total		71,320,000	3,996,000	67,324,000	2.2%

As at 31 December 2014, the Company had 67,324,000 share options outstanding under the Pre-IPO Scheme, which represented approximately 2.2% of the Shares of the Company in issue as at 31 December 2014. The grantees to whom an option has been granted under the Pre-IPO Share Option Scheme will be entitled to exercise his/her option in the following manner:

(a) up to 25% of the Shares that are subject to the Option so granted to him/her (rounded down to the nearest whole number) at any time during the period commencing from the first anniversary of 6 October 2010 (the "**Listing Date**") and ending on the second anniversary of the Listing Date;

(b) up to 25% of the Shares that are subject to the Option so granted to him/her (rounded down to the nearest whole number) at any time during the period commencing from the second anniversary of the Listing Date and ending on the third anniversary of the Listing Date;

(c) up to 25% of the Shares that are subject to the Option so granted to him/her (rounded down to the nearest whole number) at any time during the period commencing from the third anniversary of the Listing Date and ending on the fourth anniversary of the Listing Date; and

(d) such number of Shares that are subject to the Option so granted to him/her less the number of Shares in respect of which the Options has been exercised at any time during the period commencing from the fourth anniversary of the Listing Date and ending on the expiry of the option period.

The Options granted under the Pre-IPO Share Option Scheme are not transferable and options not exercised within the exercise period above will lapse and cease to be of further effect.

Upon acceptance of the Options, the grantee shall pay HK$1.00 to the Company as consideration for each grant of the Option. The Options granted under the Pre-IPO Share Option Scheme are not transferable and options not exercised within the exercise period above will lapse and cease to be of further effect.

Other details of the Pre-IPO Share Option Scheme are set forth in the Prospectus.

DEBENTURE

At any time during the year, the Company, its holding company or its subsidiaries were not the contracting parties of any arrangements from which the Directors could make a profit by purchasing the shares or debentures of the Company or any other companies.

INTEREST AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As at the date 31 December 2014, the interest or short position of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**"), are as follows:

(i) Interest in the Company

Name of Director	Nature of Interest	Number of Shares[1]	Approximate percentage of Shareholding
YANG Shaopeng[2]	Beneficiary of the Pengli Trust	1,431,898,158(L)	55.31%
XUE Peng[3]	Settlor of the Xue Trust	12,866,176(L)	0.50%
LAI Zhiyong[4]	Beneficiary of the Go Thrive Trust	3,037,847(L)	0.12%
	Beneficial Owner	485,000(L)	0.02%
XUE Mingyuan[4]	Beneficiary of the Go Thrive Trust	1,906,100(L)	0.07%
TSUI Yung Kwok	Beneficial Owner	400,000(L)	0.02%

Notes:

(1) The letters "L" denotes the person's long position in the Shares.

(2) 1,431,898,158 Shares are held by Resourceful Link. The issued share capital of Resourceful Link is owned as to 76.67% by Better Master. Better Master is owned as to 100% by Pengli Holdings Limited, a company wholly-owned by Barclays Wealth Nominees (Hong Kong) Limited. Barclays Wealth Trustees (Singapore) Limited as the trustee holding such interests for the beneficiaries of the Pengli Trust, namely Mr. YANG Shaopeng and his family. The Pengli Trust is a revocable discretionary trust established under the laws and regulations of the Cayman Islands. Mr. YANG Shaopeng is the settlor and a beneficiary of the Pengli Trust.

(3) 12,866,176 Shares were held by Watercrests Profits Limited, which was owned as to 50.3% by Add Investments Company Limited, which was owned as to 100% by JTC Trustees (BVI) Limited as the trustee of the Xue Trust holding such interests for the beneficiary of the Xue Trust, namely Ms. Jiao Lei, the spouse of Mr. XUE Peng. Mr. XUE Peng is the settlor.

(4) 3,037,847 Shares and 1,906,100 Shares are held by Go Thrive Limited, which is wholly owned by Mr. ZHAO Zhiyong, as the trustee holding such interests for the beneficiaries of Go Thrive Trust, including Mr. LAI Zhiyong and Mr. XUE Mingyuan.

(ii) Interest in underlying Shares

Name of Director	Nature of Interest	Number of Shares in the Company subject to options under the Pre-IPO Share Option Scheme	Number of Shares in the Company subject to options under the Post-IPO Share Option Scheme	Approximate percentage of shareholding attributable to the options under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme (Note)
YANG Shaopeng	Beneficial owner	7,200,000	1,000,000	0.32%
YANG Xianxiang	Beneficial owner	5,220,000	1,000,000	0.24%
LIU Kecheng	Beneficial owner	800,000	300,000	0.04%
XUE Peng	Beneficial owner	800,000	300,000	0.04%
LAI Zhiyong	Beneficial owner	200,000	100,000	0.01%
XUE Mingyuan	Beneficial owner	800,000	500,000	0.05%
YEUNG Kwok On	Beneficial owner	—	200,000	0.01%
LO Wing Yan, William	Beneficial owner	—	400,000	0.02%
NGAI Wai Fung	Beneficial owner	—	400,000	0.02%

Note: Assuming full exercise of the options under both the Pre-IPO Share Option and the Post-IPO Share Option Scheme

(iii) Interest in associated corporations

Name of Director	Name of associated corporation	Number of Shares	Percentage of Shareholding
YANG Shaopeng[(1)]	Resourceful Link	55,290	76.67%
YANG Xianxiang[(2)]	Resourceful Link	11,776	16.33%
LIU Kecheng[(3)]	Resourceful Link	2,205	3.05%

Notes:

(1) Resourceful Link is interested in approximately 55.31% of the issued share capital of the Company. Resourceful Link is owned as to 76.67% by Better Master, which is owned as to 100% by Pengli Holdings Limited, a company wholly-owned by Barclays Wealth Nominees (Hong Kong) Limited. Barclays Wealth Trustees (Singapore) Limited as the trustee holding such interests for the beneficiaries of the Pengli Trust, namely Mr. YANG Shaopeng and his family. The Pengli Trust is a revocable discretionary trust established under the laws and regulations of the Cayman Islands. Mr. YANG Shaopeng is the settlor and a beneficiary of the Pengli Trust.

(2) Resourceful Link is interested in approximately 55.31% of the issued share capital of the Company. Jixiang Investments Limited is interested in 16.33% of the issued share capital of Resourceful Link. Jixiang Investments Limited is in turn owned as to 100% by Jixiang Holdings Limited, a company wholly-owned by Barclays Wealth Nominees (Hong Kong) Limited. Barclays Wealth Trustees (Singapore) Limited as the trustee holding such interests for the beneficiaries of the Jixiang Trust, namely Mr. YANG Xianxiang and his family. The Jixiang Trust is a revocable discretionary trust established under the laws and regulations of the Cayman Islands. Mr. YANG Xianxiang is the settlor and a beneficiary of the Jixiang Trust.

(3) Resourceful Link is interested in approximately 55.31% of the issued share capital of the Company. Yicheng Investments Limited is interested in 3.05% of the issued share capital of Resourceful Link. Yicheng Investments Limited is in turn owned as to 100% by Yicheng Holdings Limited, a company wholly-owned by Barclays Wealth Nominees (Hong Kong) Limited. Barclays Wealth Trustees (Singapore) Limited as the trustee holding such interests for the beneficiaries of the Yicheng Trust, namely Mr. LIU Kecheng and his family. The Yicheng Trust is a revocable discretionary trust established under the laws and regulations of the Cayman Islands. Mr. LIU Kecheng is the settlor and a beneficiary of the Yicheng Trust.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at the date 31 December 2014, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

(i) Interest in the Company

Name	Capacity	Number of Shares[1]	Percentage of Shareholding
Resourceful Link[2]	Beneficial owner	1,431,898,158(L)	55.31%
Better Master[2]	Interest in controlled corporation	1,431,898,158(L)	55.31%
Pengli Holdings Limited[2]	Interest in controlled corporation	1,431,898,158(L)	55.31%
Barclays Wealth Trustees (Singapore) Limited[2]	Trustee	1,431,898,158(L)	55.31%
Joho Partners, L.P.	Beneficial owner	130,451,000	5.04%
Liu Rongli[3]	Beneficiary of the Pengli Trust	1,440,098,158	55.63%

Notes:

(1) The letters "L" denotes the person's long position in the Shares.

(2) Resourceful Link is owned as to 76.67%, 16.33%, 3.95% and 3.05% by Better Master, Jixiang Investments Limited, Xiangtai Investments Limited and Yicheng Investments Limited. Better Master is owned as to 100% by Pengli Holdings Limited, a company wholly-owned by Barclays Wealth Nominees (Hong Kong) Limited, as the trustee holding such interests for the beneficiaries of the Pengli Trust. Jixiang Investments Limited is owned as to 100% by Jixiang Holdings Limited, a company wholly-owned by Barclays Wealth Trustees (Singapore) Limited, as the trustee holding such interests for the beneficiaries of the Jixiang Trust. Xiangtai Investments Limited is owned as to 100% by Xiangtai Holdings Limited, a company wholly-owned by Barclays Wealth Nominees (Hong Kong) Limited, as the trustee holding such interests for the beneficiaries of the Xiangtai Trust. Yicheng Investments Limited is owned as to 100% by Yicheng Holdings Limited, a company wholly-owned by Barclays Wealth Trustees (Singapore) Limited, as the trustee holding such interests for the beneficiaries of the Yicheng Trust. Each of the Pengli Trust, the Jixiang Trust and the Yicheng Trust is a revocable discretionary trust established under the laws and regulations of the Cayman Islands by certain of the Directors to hold their family interests in the Company.

(3) Ms. LIU Rongli is the spouse of Mr. YANG Shaopeng and is deemed to be interested in all the shares of the Company held by Mr. YANG Shaopeng by virtue of the SFO.

SUBSIDIARIES

Details of the major subsidiaries of the Company as of 31 December 2014 are set out in Note 17 to the Financial Statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

CONNECTED TRANSACTIONS

On 19 December 2014, Sheng Lian Shipping Enterprises Inc. ("**Sheng Lian Shipping**"), an indirectly wholly-owned subsidiary of the Company, entered into memorandum of agreement ("**MOA**") with SITC Steamships Co., Ltd. ("**SITC Steamships**"), pursuant to which Sheng Lian Shipping as the seller agreed to sell to SITC Steamships as buyer the Vessel, a 847 TEU container vessel, for a consideration of US$3,400,000 (approximately HK$26,520,000).

SITC Steamships is indirectly owned as to 62.5% by Ms. LIU Rongli, the spouse of Mr. YANG Shaopeng, the controlling Shareholder of the Company and an executive Director. Accordingly, SITC Steamships is a connected person of the Company and the entering into of the MOA constitutes a connected transaction of the Company for the purpose of the Listing Rules.

As each the applicable percentage ratios (other than profit ratio) as defined under Chapter 14A of the Listing Rules in respect of the transactions under the MOA is more than 0.1% but less than 5%, the entering into of the MOA is subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the above transaction is set out in the announcement of the Company dated 19 December 2014.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions entered into by the Group during the year ended 31 December 2014.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2014, the Group entered into the following continuing connected transactions with its connected persons. Details of the continuing connected transactions of the Company are as follows:

CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT BUT ARE SUBJECT TO THE REPORTING AND ANNOUNCEMENT REQUIREMENTS

Agency Services

On 27 December 2012, the Company entered into a renewed master agency agreement with Qingdao SITC Shipping, in relation to the agency services to be provided by Qingdao SITC Shipping to the Company and the container shipping services to be provided by the Company's subsidiaries to the shipping agency companies of Qingdao SITC Shipping for a term of three years ending on 31 December 2015.

Qingdao SITC Shipping, a company which is 62.5% owned by Ms. Liu Rongli, the spouse of Mr. Yang Shaopeng, an executive Director and the controlling shareholder of the Company . Accordingly, the entering into of the renewed master agency agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The following table sets forth the annual caps for the periods below:

For the year ended/ending 31 December	Service fees received by the Company (US$)	Service fees paid by the Company (US$)
2013	27,000,000	2,000,000
2014	28,000,000	2,100,000
2015	34,000,000	2,200,000

Details of renewed master agency agreement are set out in the announcement of the Company dated 27 December 2012.

Chartering of Vessels

On 13 December 2011, SITC Shipping Company Limited, our wholly owned subsidiary, entered into an agreement with Shandong Steamship, a subsidiary of Qingdao SITC Shipping, to charter a PRC flag vessel, Hai Feng Lian Jie, for a term of one year on a time charter basis in order to meet the Company's operating requirements. On 12 December 2012, the lease was renewed for a term, commencing from 13 December 2012 and expired on 31 December 2014.

Shandong Steamship is a wholly-owned subsidiary of Qingdao SITC Shipping, a company which is 62.5% owned by Ms. Liu Rongli, the spouse of Mr. Yang Shaopeng, an executive Director and the controlling shareholder of the Company.

Accordingly, the transactions contemplated under the renewed charter agreement constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rule.

The annual caps for the three years ended 31 December 2014 are US$0.2 million, US$2.3 million and US$2.5 million, respectively.

	(US$)
For the period from 13 December 2012 to 31 December 2012	200,000
For the year ended 31 December 2013	2,300,000
For the year ended 31 December 2014	2,500,000

Details of renewed charter agreement are set out in the announcement of the Company dated 12 December 2012.

Mutual Container Shipping Services with Sinokor

On 27 December 2012, SITC Container Lines Co., Ltd ("**SITC Container Lines**") and Sinokor Merchant Marine Co., Ltd. ("**Sinokor**") entered into a renewed mutual services agreement with a fixed term of three years ending on 31 December 2015 for the provision of mutual container marine transportation services by SITC Container Liners to Sinokor.

Sinokor is a substantial shareholder of New SITC Korea, a non-wholly-owned subsidiary of the Company, Sinokor is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the entering into of the renewed mutual services agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The following table sets forth the annual caps for the periods indicated below:

For the year ended/ending 31 December	Service fees received from Sinokor (US$)	Service fees paid to Sinokor (US$)
2013	3,000,000	3,000,000
2014	3,000,000	3,300,000
2015	3,220,000	3,600,000

Details of the renewed sinokor mutual services agreement are set out in the announcement of the Company dated 27 December 2012.

Provision of Depot Services

On 27 December 2012, Smart Logistics Co., Ltd. ("**Smart Logistics**") and Damco Global Logistics (Shanghai) Co., Ltd. ("**Damco Logistics**"), a subsidiary of Maersk, entered into a renewed depot service agreement for a fixed term commencing from 1 January 2013 to 31 December 2015 (both days inclusive) for the provision of depot services by Smart Logistics to the Qingdao branch of Damco Logistics.

As Smart Logistics is 51% owned by the Company and 49% owned by Maersk Logistics Warehousing (China) Co., Ltd. (馬士基物流倉儲(中國)有限公司), a subsidiary of the A.P. Moller-Maersk Group and its affiliates ("**Maersk**"), Damco Logistics is therefore a connected person of the Company and transactions between the Company and Damco Logistics will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The annual caps for the three years ending 31 December 2015 are US$2.8 million, US$3 million and US$3.3 million, respectively. Details of renewed depot services agreement are set out in the announcement of the Company dated 27 December 2012.

Mutual Services Agreement with the Maersk Shipping

On 27 December 2012, Smart Logistics and Maersk (China) Shipping Co., Ltd. (馬士基中國航運有限公司) ("**Maersk Shipping**"), a subsidiary of Maersk, entered into a renewed mutual maersk services agreement for a fixed term commencing from 1 January 2013 to 31 December 2015 (both days inclusive) for the provision of depot services provision of logistics services by Smart Logistics to Maersk Shipping.

Maersk Shipping is a subsidiary of Maersk, who is the holding company of Maersk Logistics, a substantial shareholder of Smart Logistics, a jointly controlled entity which is 51% owned by the Company. Therefore, Maersk Shipping is a connected person of the Company under the Listing Rules.

Accordingly, the entering into of the renewed mutual services agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The annual cap for the three years ended 31 December 2015 are US$1 million, US$1.6 million and US$2.5 million, respectively. Details of the renewed maersk services agreement are set out in the announcement of the Company dated 27 December 2012.

Shipping Management and Crew Management Agreement with Qingdao SITC Shipping

On 28 February 2012, Shanghai SITC Shipping Management (Shanghai) Co., Ltd. ("**Shanghai SITC Shipping Management**"), a subsidiary of the Company, and Qingdao SITC Shipping entered into a shipping management and crew management agreement, pursuant to which Shanghai SITC Shipping Management will provide shipping management and crew management services to Qingdao SITC Shipping for a term of three financial years ended on 31 December 2014.

The following table sets forth the annual caps for the periods indicated below:

For the year ended 31 December	**Aggregate annual management fees to be charged by Shanghai SITC Shipping Management (US$)**
2012	4,200,000
2013	6,600,000
2014	7,800,000

SPECIAL CASE

On 1 October 2009, SITC Container Lines, a wholly-owned subsidiary of the Company, and Shandong Steamship, an indirect wholly-owned subsidiary of Shandong SITC, entered into a vessels charter agreement, pursuant to which the Company chartered two container vessels, "SITC Shanghai" and "SITC Kaohsiung", with capacities of 847 and 938 TEU, respectively, to Shandong SITC for the operation of the mainland China-Taiwan route. Shandong Steamship has been operating the mainland China-Taiwan route since 2003.

Pursuant to the vessels charter agreement, Shandong Steamship has appointed the Company as its representative for the route, and the charter fee of the vessels shall be the equivalence of the freight charges and service fees income for operating the route. Pursuant to such arrangement, SITC Container Lines shall be responsible for all costs in relation to the operation of the two vessels. Given that: (i) we, as the representative for Shandong Steamship, will be responsible for the business dealings with the qualified shipping agencies and freight forwarders and; and (ii) we would collect freight charges for Shandong Steamship, the economic interests and risks from such operation are passed upon us, and Shandong Steamship will not receive any benefit under the vessels charter agreement.

Due to operational reasons in our normal course of business, and the expiry of the sailing permits of the vessels under the agreement, we have replaced the charters of "SITC Shanghai" and "SITC Kaohsiung" by two other vessels, "SITC Keelung" and "SITC Pyeongtaek", in mid-2010, and have assigned "SITC Shanghai" and "SITC Kaohsiung" to the operation of our other routes. The sailing permits of "SITC Keelung" and "SITC Pyeongtaek" were valid until 30 June 2015.

Although we are not the operator of the mainland China-Taiwan route under the vessels charter agreement, we are able to derive the entire economic interests and risks of the operation of the mainland China-Taiwan route under the present arrangement. In light of the recent normalization of the relationship across the Taiwan Strait, we believe that the trade volume across the Taiwan Strait may increase in the future. Therefore, our Directors believe that the arrangement under the vessel charter agreement is important to our container shipping business, and thus it is in the best interest of the Company to enter into the long-term vessels charter agreement. Given that: (i) Shandong Steamship does not derive any economic benefits from the mainland China-Taiwan route; (ii) Shandong SITC has undertaken not to engage in the mainland China-Taiwan route if we receive approval to operate the route directly; and (iii) the seeking of independent shareholders' approval once every three years would result in unnecessary expenses and inconvenience placed on the Company, our Directors consider the transactions under the vessels charter agreement occupy a special position on the related provisions under the Listing Rules on connected transactions and should not be subject to the usual term of three years or be limited by a fixed term. In this connection, our Directors consider that it would not be appropriate to subject the vessels charter agreement to the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, and thus we have applied to the Stock Exchange for and the Stock Exchange has granted a perpetual waiver from the strict compliance with the requirements of (i) the announcement and independent shareholders' approval; (ii) setting an annual cap for the transactions; and (iii) fixing the term of the vessels charter agreement to three years or less.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the continuing connected transactions above of the Group.

All independent non-executive Directors have reviewed the above continuing connected transactions, and confirmed that those transactions were entered into:

1. in the ordinary and usual course of business of the Group;
2. on normal commercial terms or better; and
3. according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Based on the work performed, the Auditors of the Company confirmed to the Board that the aforesaid continuing connected transactions:

1. have been approved by the Board;
2. are in accordance with the pricing policy of the Group;
3. have been entered into under the terms of the related agreements governing the transactions; and
4. have not exceeded the relevant cap allowed by the Stock Exchange in the previous announcements.

CONFIRMATION OF INDEPENDENCE

The Company received the letters of confirmation of independence from all the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considered all the independent non-executive Directors as independent.

CORPORATE GOVERNANCE

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strived to maintain high corporate governance standard and has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules as in effective from time to time (the "**CG Code**") for the year ended 31 December 2014, and there has been no derivation from the code provisions for the year ended 31 December 2014.

An independent non-executive directors of the company had attended the annual general meeting held on 28 April 2015. Further information of the corporate governance practice of the Company is set out in the Corporate Governance Report.

PURCHASE, SALE AND RE-PURCHASE OF SHARES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2014.

DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

The Directors are not aware of any circumstances resulting in the responsibility of disclosure under Rule 13.20 of the Listing Rules regarding the provision of advance by the Company to an entity.

FIVE YEAR FINANCIAL SUMMARY

The summary of the results, assets and liabilities of the Group in the past five years is set out on page 166 of this report.

PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive rights in the Articles of Association of the Company or under the laws of Cayman Islands. It is stipulated that any new shares shall be offered according to the respective shareholding of the existing shareholders of the Company when new shares are issued by the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to our Company and within the knowledge of our Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 December 2014.

AUDITORS

The Company appointed Ernst & Young as the Auditors of the Company for the year ended 31 December 2014. The Company will submit a resolution in the coming Annual General Meeting to re-appoint Ernst & Young as the Auditors of the Company.

For and on behalf of the Board
YANG Shaopeng
Chairman
9 March 2015

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Annual Report of the Group for the year ended 31 December 2014.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company believes that high corporate governance standards are essential in providing a framework for the Group to formulate its business strategies and policies, and to enhance its transparency and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code as in effect from time to time, contained in Appendix 14 of the Rules Governing the Listing Rules.

The Board is of the view that throughout the year ended 31 December 2014, the Company has complied with all the code provisions as set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "**Code of Conduct**") on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Code of Conduct throughout the year ended 31 December 2014.

The Company has also established written guidelines no less exacting than the Model Code (the "**Employees Written Guidelines**") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

As at the date of this report, the Board currently comprises ten members, consisting of six Executive Directors and four Independent Non-executive Directors.

The composition of the Board is set out below:

Executive Directors

Mr YANG Shaopeng	Chairman
Mr YANG Xianxiang	Vice Chairman and Chief Executive Officer
Mr LIU Kecheng	
Mr XUE Peng	Joint Company Secretary
Mr XUE Mingyuan	
Mr LAI Zhiyong	

Independent Non-executive Directors

Mr TSUI Yung Kwok
Mr YEUNG Kwok On
Dr LO Wing Yan, William
Dr NGAI Wai Fung

The biographical information of the directors and the relationships between the members of the Board are set out and disclosed in the section headed "Directors and Senior Management" on pages 23 to 28 of this annual report.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr YANG Shaopeng and Mr YANG Xianxiang, respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally. Their respective responsibilities are clearly defined and set out in writing.

Independent Non-executive Directors

During the year ended 31 December 2014, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing one-third of the Board with two of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the Independent Non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all Independent Non-executive Directors are independent.

Directors' Re-election

Code provision A.4.2 of the Company states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Executive Directors of the Company is appointed for a specific term of three years while each of the Independent Non-executive Directors is appointed for a specified term of one year, and all the Directors are subject to retirement by rotation once every three years.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2014, the Company organized a training session conducted by the lawyer for all directors on disclosure of connected transactions, inside information, and environmental and social affairs. The Company has been encouraging the directors to participate continuous professional development courses and seminars organized by professional institutions or professional firms and reading materials on relevant topics so that they can continuously update and further improve their relevant knowledge and skills. According to the records maintained by the Company, a summary of continuous professional development received by the directors for the year ended 31 December 2014 is as follows:

Name of Directors	Type of Continuous Professional Development: Training coordinated by the Company	Type of Continuous Professional Development: Attending seminars/briefings/conferences
Executive Directors		
Mr YANG Shaopeng	✓	✓
Mr YANG Xianxiang	✓	✓
Mr LIU Kecheng	✓	✓
Mr XUE Peng	✓	✓
Mr LAI Zhiyong	✓	✓
Mr XUE Mingyuan	✓	✓
Independent Non-Executive Directors		
Mr TSUI Yung Kwok	✓	✓
Mr YEUNG Kwok On	✓	✓
Dr LO Wing Yan, William	✓	✓
Dr NGAI Wai Fung	✓	✓

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and Disclosure Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of each of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website, and the terms of reference of the Disclosure Committee are posted on the Company's website, and each of such terms of reference are also available to shareholders upon request.

Except the Disclosure Committee, the majority of the members of each Board committee are Independent Non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 3.

Audit Committee

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2014, the Audit Committee held five meetings to review the annual and interim financial results and reports in respect of the year ended 31 December 2013 and for the six months ended 30 June 2014 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice without the presence of the Executive Directors and the senior management.

Remuneration Committee

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, the remuneration policy and structure for all directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration.

During the year ended 31 December 2014, the Remuneration Committee met once to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the Executive Directors and senior management and other related matters of the Company.

Nomination Committee

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of Independent Non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Nomination Committee has reviewed the nomination procedures for selection of candidates for directorship of the Company by making reference to the Company's Board Diversity Policy, characters, skills, experience, professional knowledge, personal integrity, independency and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations to complement the corporate strategy and Board diversity, where appropriate, before making recommendation to the Board. External recruitment professionals might be engaged to carry out selection process where necessary.

During the year ended 31 December 2014, the Nomination Committee met once to review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors, and to consider the qualifications of the retiring directors standing for election at the Annual General Meeting.

Disclosure Committee

The principal duties of the Disclosure Committee include considering and making recommendations to the Board in relation to disclosure policy and guidelines regarding inside information (as defined in the "Inside Information" under the Securities and Futures Ordinance) of the Company, evaluating the information proposed to be disclosed by the Secretary of the Board, if necessary, should obtain professional advice, and report to the Board and provide sufficient details and, in respect of information required to disclose, should propose the Board the disclosure plan, consistently understanding and concerning about the business affairs, financial conditions, as well as occurred and maybe occurred material events and its influence of the Company and its Group, and actively investigating and obtaining the required information for making decision, and considering other businesses, as defined by the Board.

Summary of the Board Diversity Policy

Board Diversity Policy ("**the Policy**") was adopted by the Company pursuant to the resolution of the Board passed on 14 August 2013. The Policy aims to set out the approach to diversity on the Board. The Policy applies to the Board but not apply to diversity in relation to the employees of the Company, nor the Board and the employees of any subsidiary of the Company. In reviewing and assessing the Board composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge, industry, regional experience and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will review the Policy, as appropriate, to ensure the effectiveness of the Policy and will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. The Company aims to maintain an appropriate balance of diversity perspectives of the Board in supporting the attainment of its strategic objectives and its sustainable development.

On 28 October 2013, the Board discussed the above measurable objectives, including but not limited to skills, knowledge, professional experience and cultural and educational background, and agreed that these measurable objectives were achieved for the diversity of the Board which contributed to the corporate strategy and the business development of the Company.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year ended 31 December 2014, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Code of Conduct, Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each director at the Board, Nomination Committee, Remuneration Committee and Audit Committee meetings and the general meetings of the Company held during the year ended 31 December 2014 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**	**Annual General Meeting**
YANG Shaopeng	5/5	1/1	1/1	N/A	1/1
YANG Xianxiang	5/5	1/1	1/1	N/A	1/1
LIU Kecheng	5/5	N/A	N/A	N/A	1/1
XUE Peng	5/5	N/A	N/A	N/A	1/1
XUE Mingyuan	5/5	N/A	N/A	N/A	1/1
LAI Zhiyong	5/5	N/A	N/A	N/A	1/1
TSUI Yung Kwok	5/5	N/A	1/1	5/5	1/1
YEUNG Kwon On	5/5	1/1	1/1	N/A	1/1
LO Wing Yan, William	5/5	1/1	N/A	5/5	1/1
NGAI Wai Fung	5/5	1/1	1/1	5/5	1/1

Apart from regular Board meetings, the Chairman also held a meeting with the Independent Non-executive Directors without the presence of Executive Directors during the year ended 31 December 2014.

DIRECTORS' RESPONSIBILTY IN RESPECT OF THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2014.

The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 61 to 62.

AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2014 amounted to HK$3,030,000 and HK$623,000 respectively.

An analysis of the remuneration paid to the external auditors of the Company, Messrs Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2014 is set out below:

Service Category	Fees Paid/ Payable (HK$'000)
Audit Services	3,030
Non-audit Services	
– Tax advisory services	203
– Others	420
Total:	3,653

INTERNAL CONTROLS

During the year under review, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control system of the Company and its subsidiaries in respect of the material controls, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

JOINT COMPANY SECRETARY

Mr XUE Peng, the Executive Director and joint company secretary, reports to the Company's Chairman, Mr YANG Shaopeng, and/or the Vice Chairman and Chief Executive Officer, Mr YANG Xianxiang, depends on various matters, respectively.

Ms CHAN Wai Ling (and Ms HO Siu Pik who resigned on 9 March 2015) of Tricor Services Limited, external service provider, has been engaged by the Company as its joint company secretary. Ms CHAN's primary contact person at the Company is Mr XUE Peng, the Executive Director and joint company secretary, and Ms Elaine XU, the manager of the Investment and Management Centre, of the Company.

All of Mr XUE, Ms HO and Ms CHAN undertook not less than 15 hours of relevant professional training during the year ended 31 December 2014.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

PROCEDURES FOR CONVENING AN EXTRAORDINARY GENERAL MEETING

The Board may whenever it thinks fit call extraordinary general meetings. Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2012 Revision). However, shareholders who wish to propose resolutions may follow article 58 of the Articles of Association of the Company for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures are set out in the section headed "Procedures for convening an extraordinary general meeting" in this report.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Room 2202, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong (For the attention of the Company Secretary)
Fax:	852-2824 3748
Tel:	852-2850 0302
Email:	ir@sitc.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

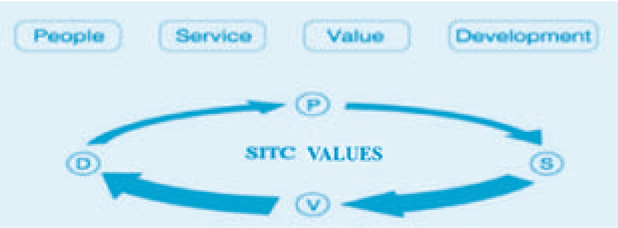
The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings.

The Chairman of the Board, the chairmen of Audit Committee, Remuneration Committee, Nomination Committee and Disclosure Committee, or, in their absence, other members of the respective committees, will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

INTRODUCTION

SITC International has adopted "P-S-V-D" as core values and by adhering to the "customer oriented" operation philosophy, it is dedicated to provide highly efficient and high quality logistics service to customers within the Asian region and become the top choice for customers. Since its listing on the Stock Exchange in 2010, the Company has actively undertaken the social responsibilities of being a listed company. While delievering excellent results performance, much attentiion is also paid by the Company in respecting staff, contributing to society and building good reputation and corporate image, and strong support from investors has been received, providing a solid base for sustainable future development of the Company.



I. Continuing Staff Development:

"Staff is the greatest asset of SITC, we can only provide top class service to customers, create top class value and achieve top class corporate development if we are able to nurture top class staff." These are the words from Mr. Yang Shaopeng, Chairman of the Board of the Company, which fully reflect the "human-based" corporate value of SITC.

Staff Recruitment: The Company has established a scientific and comprehensive staff recruitment model for the selection of outstanding personnel to join the Company through a job competence model, network testing, interview and practical assessment, while an initial understanding of the Company is also gained by new staff before joining the Company.

Staff Training: The Company is particularly concerned about the career planning and enhancement of integrated capabilities for staff. The "SITC International Training System Establishment Committee" has been formed by the Company to determine the contents of training sessions required to be undertaken by various levels of staff according to the classification of staff, officer-in-charge, manager and general manager grades and the core strategy of the Company. Training materials for the training programs are compiled by professionals designated by the Company, which will be reviewed and amended many times by the Committee before they are published for use. All of the staff are required to complete all training programs of their grade relating to their job positions and pass an online test. For confirmation, rotation and promotion of staff, all training programs for the target grade and the target position must be completed and the online test must be passed by the relevant staff, the training ratio is 100%. For the year ended 31 December 2014, the average number of training hours for staff is 5.5 hours, the average number of training hours for officer-in-charge is 10.5 hours, the average number of training hours for manager is 8.7 hours and the average number of training hours for general manager and above is 5 hours. Moreover, the Company also encourages staff to participate in external trainings for upgrading university degree qualification, advancement in job titles and upgrading skills, a portion of the training expenses may be reimbursed after achieving certain qualifications, such as most of the senior management team members of SITC have obtained the China-Europe EMBA diplomas.

The establishment of the above training system has greatly stimulated the learning motivations of staff and a positive learning atmosphere has been formed within the Company, as a result both occupational skills and integrated quality have been enhanced to a certain extent.

Cultivating Reserve Team Staff: The Company has established the "SITC International Team Building Management Committee" to be responsible for cultivating reserve team staff, determination of key positions and selection models, and the reserve team staff will be identified through differentiation assessment, targeted training will be provided by training sessions, job rotations and promotions to maintain a reserve pool of management personnel for the Company. By now, the "reserve team of general manager talents" and "reserve team of financial manager talents" have been built up to supply outstanding personnel for key positions.

Staff Benefits and Living support: Apart from making contributions to five types of insurance and one type of provident fund according to requirements for staff, a relief fund has also been established for providing assistance in case of critical illness and death, other benefits are also available such as deployment subsidies, staff birthday benefit, joining date anniversary benefit, body health examination, employer's liability insurance, critical illness insurance, travel insurance for overseas business trips, etc. to provide maximum protection for staff and relieve the staff from further worries. In order to arouse motivation of staff and listen to the truthful views of staff in general, the Company will conduct a survey by questionnaire within the Company before deciding on issues closely related to staff benefits. As of the date of this report, a total of 18 surveys by questionnaire have been conducted and the feedback ratio is 100%. Furthermore, the Company has adopted the share option schemes so as to grant share options to those eligible employees who have made great contributions to the Company, such that more staff may benefit directly from the excellent results performance of the Company while at the same time incentivize staff to work harder and create effective benefits.

In addition, the Company has also organized a diversity of cultural activities, sports activities such as badminton, table-tennis and tug-of-war tournaments, Chinese and foreign language competition, weekend hiking and outing activities for local staff. The annual spring gathering is also a great event for staff from various regions for social gathering and celebrating the Spring Festival. The various activities organized by the Company have reinforced the cohesion and unity within the Company, staff members are united in the SITC family to meet any established target.

Caring for Shipping Crew: The shipping crew is a special group that operates externally for long period of time, special attention and care have been provided by the Company. Apart from protecting the body health and safe operation of the shipping crew, the Company also organize visits to the crew and their families, where moon cakes and new year gifts are sent to the crew and their families by mail during mid-autumn festival and lunar new year to bring blessings from the Company during the festive season. The Company will also organize Spring Festival gatherings for local shipping crew and families with great prizes and gifts. For shipping crew working on ships during the festive season, the Company increases their meal expenses and organize big feast and entertainment activities. The Company also publishes the "SITC Shipping Crew" magazine as chief editor, in which views and thoughts, poems, business tips from a large quantity of crew members will be collected and published for the crew to express their feelings in general and acting as a platform for exchange of information, as well as showing the creative talents of SITC crew members.

SITC International has a total of 1,990 (including 641 shipping crew members) full-time employees. Of which, 1,831 employees are below the age of 40 and 273 employees are aged 40 and above, young employees bring fresh vigor and talent reserve to the Company. There are 1,827 employees in mainland China and 167 employees overseas. With increasing internationalization of the Company, the number of overseas employees is also increasing. The annual staff turnover of the Company is 12%, while the turnover of management staff is just 3%. A stable and well-experienced management team is also the key to overcome difficulties and achieve outstanding performance by the Company.

"People" is the first essential core value of the Company and penetrates through all the systems of the Company. The Company has provided a comfortable, harmonious, positive and advanced working environment as well as the platform and space for exercising talents by employees for the realization of sustainable staff development.

II. Environmental Protection:

With an aggravating environment today, green and low-carbon initiatives have become a global trend. Green development is not just a social responsibility ought to be performed by a listed company, but also has important implications on the internal urge for cost reduction, efficiency enhancement, survival and sustainable development of the Company.

Energy Saving and Emission Reduction: Vessels operated by the Company are equipped with anti-pollution equipment satisfying international convention requirements and accredited with ISPP and IOPP certificates, and strictly comply with the provisions and requirements under the MARPOL Convention in the aspects of handling and discharge. The sulphur content in the refilling fuel is strictly controlled at below 3.5% in compliance with the requirement under international convention, all vessels equipped with diesel engines have been accredited with EIAPP certificates. Furthermore, the Company has also reduced oil consumption through the following measures for efficiency purpose: increasing maintenance for mechanical equipment to operate at its best performance; achieve effective oil conservation through such measures as speed reduction in main engine, reducing the loading of power generator, lowering steam pressure and adjusting the speed of shipping routes; reduce cylinder oil consumption in vessels by strengthening the management guidance on cylinder oil from the technical perspective, provide special training to crew members to enhance their knowledge on oil conservation.

R&D of new vessel types: the Company continuously develops new container vessels and pioneers to adopt SSB design in the global regional container vessels which makes great breakthroughs in reducing vessel's wave pressure, lowering fuel consumption and improving the crew's comfort level. It also adopts the advanced energy saving technology in the world, such as Rudder skeg, Rudder bulb, cylindrical screw cap and other leading technologies in the international ship building industry. Through these innovations, it has successfully built SITC's new generation of energy saving, green, low carbon and environmental friendly vessels, thereby enhancing SITC's leadership in Asia market in terms of shipping speed, fuel consumption, loading rate, etc. This series of vessels has won a widespread praise in the industry, such as the first annual vessel prize held by Taiwan Shipbuilding Association and gracing the cover of 2014 Significant Ship published by a magazine of the Royal Institution of Naval Architects (RINA).

Change in transportation modes: Desolate port routes towards Hitachinaka, Shimizu, Kawasaki and Tokuyama in Japan and Bintulu in Malaysia are newly opened to change the traditional inland transportation of these desolate port cities to marine transportation. Throughout 2014, total cargo volume generated from change of inland transportation to marine transportation amounted to approximately 850,000TEU, thus reducing auto carbon emission by approximately 200,000TEU.

Reduction in office-consumed resources: The Company adopts the advanced ground source heat pumps in offices where conditions permit to strengthen the measures such as control over indoor temperature which reduced carbon emission of 10 tons in 2014, saving about 40,000 kWh electricity. The Company has also developed and promoted within the Group an OA paperless and mobile office system to reduce papers consumed in daily work, 50,000 pieces of papers each year, as well as to improve its work efficiency. Furthermore, the Company has adopted an electronic filing system to save manpower and material resources in file administration on the premise of keeping files in safety.

Operating practices:

Production safety: Safety is the basis for a shipping enterprise's operations as well as a precondition for creating good results. In addition to strict implementation of SOLARS Convention, STCW Convention and MLC2006 Convention, the Company has formulated a detailed safety management manual SMS based on market price, which shall be jointly implemented by vessels and terminals and covers safety, avoidance of personal injury, occupational health and other aspects including detailed operating procedures and safety and emergency measures. The Company also allocates sufficient crew in accordance with STCW Convention, MLC2006 Convention and ISM Rules and provides comfortable work environment for its crew to avoid their fatigued operations. For risks of terrorist attack in certain shipping areas, the Company sets up a bullying prevention ship security plan (SSP) in strict accordance with the ISPS Code to install CCTV monitoring on vessels and other bullying prevention measures, and make a naval escort plan for vessels shipping in piracy-prone area with armed guards to safeguard the safety of crew and vessels. Through these measures, the Company has no serious accidents from 2011 to 2014.

Anti-Fraud: The Company has established a perfect and transparent anti-fraud and complaints report mechanism. SITC has set up hotlines and emails to receive real name or anonymous reporting of its employees and third parties. The hotline number, email and communication address, etc. are publicly available through internal and external network, publicity board, schedule advertisement and other medias. Reporting materials relating to anti-fraud cases after handling of reporting and investigation shall be filed promptly and typical cases may be selected to prepare training materials for prevention and correction. Reports that involve the Company's senior management shall be made directly through a special email of the Audit Committee. Upon receipt of a senior management's report, SITC shall submit it to the Audit Committee within two working days for its determination of further investigation. During such investigation, the Audit Committee can engage an external auditor or other institutions to assist in investigation as and when necessary. There were a total of 10 customers' complaints received in 2014 all of which have been properly handled with a satisfactory reply delivered to customers during the year.

Customer service: it is one of the most important corporate philosophy of the Company to be the first choice of customers. The Company endeavors to provide highly efficient and quality services to customers.

Daily maintenance of customers: the Company randomly select part of its customers every year to conduct the investigation on customers' satisfaction for the Group's services. Responding to customers' feedback, the Company will require relevant departments to improve their business so as to constantly enhance customers' satisfaction and service competitiveness. In respect of the long-term cooperative customers, the Company require the headquarter and sales personnel and customer service staff of port companies to regularly visit customers ,understand their demands, complete customer visit records in details and share the record with the port companies whose business is relevant with ours so as to achieve seamless engagement in service.

Personal and customized services: in accordance with customers' demand, we provide personal and customized services to satisfy customers' logistics requirement for low cost and high efficiency. For example, we decisively arrange Subic and Batangas in the periphery of the Port of Manila to be calling ports and gain time for customers to ensure the normal operation of their production lines in face of serious port congestion of the Manila Port based on customer's demand.

Supplier management: SITC International strives to maintain long-term and stable cooperative relationship with upstream and downstream suppliers to achieve a win-win cooperation model. In respect of supplier selection, the Company strictly implements review process by primarily reviewing financial position, management experience, industry qualification, credit condition of its partners, especially conducting major investigating for the above factors. Once quality suppliers are selected, the Company will communicate by regularly organizing negotiations and visiting to form long-term and stable cooperation relationship and to maintain a fair and justice trading environment on the basis of mutual trust and understanding to achieve coexistence and co-prosperity between the Company and its partners. The marine logistic operation model with high frequency and high density of SITC International needs active support from the calling port operators to achieve win-win cooperation by entering into strategic cooperation agreements with the Shanghai Port, the Qingdao Port and the Dalian Port to lay a foundation of providing safe, punctual, fast quality logistics services to customers. The Company also maintains long-term cooperative relationship with several reputable suppliers in the world.

COMMUNITY PARTICIPATION

SITC International attaches great importance to reward and contribution to society when creating good economic effects.

Community welfare: the Company calls for its employees to donate blood without payment by upholding the spirit of "caring for others and paying back to society". In order to further promote the spirit of "contribution and mutual cooperation", the logistics group in the Shanghai Region conducted old books recycling activity titled "Giving Hope by Gifting Books with Love" (放飛愛心書送希望)from 17 September to 27 September 2014. During this activity, we have received 150 health books and all books were gifted to needy families in the community through the Tilanqiao North Bund neighborhood community, with recipients aged from 4-20. In the morning of 11 May 2014, 111 employees of SITC International in the Shanghai Region participated in the "CIIC Cup Charity and Health Run"(中智杯慈善健康跑) activity. Through 3- kilometer running, they commonly practiced the "One Hour Exercise Each Day, Healthy Work Every Day, and Happiness for a Lifetime" philosophy. Meanwhile, the activity fee of RMB 11,100 paid by the Company was fully donated to the Shanghai Charity Foundation, to be specially used as "the Special Fund for Children's Development" established by the Shanghai sub-committee of the Committee of Experts under the China National Committee for the Wellbeing of the Youth, to help children in distress.

Concern on vulnerable groups: the Company also established an orphan and disabled children care center together with the welfare house in Jinan, Shangdong and Ai You Charity Foundation. This center has 60 berths in total and the annual investment amounts to RMB 3 million to provide special care and medical assistance for the orphan and disabled infants.

Protection of the natural environment: SITC participated in the activities organized by the Foundation for Nature Conservation and established Sichuan Panda Foundation(四川大熊貓基金會) and organized other nature conservation projects with other people with lofty ideals. In 2014, SITC donated RMB3 million to the foundation.

Concerns on and Supports to Education: the objective of establishing the "SITC International Scholarship and Grants" by the Company at the Qingdao shipping institute is for rewarding students with excellence in academic performance, personal conduct and comprehensive development in the ocean shipping profession, as well as for sponsoring students in the ocean shipping profession encountered with economic difficulties in their families during the studying period, so that they can complete their study smoothly, and become independent talents in early time. The scholarship and grants amounts are RMB 150,000 and RMB 50,000 each year, respectively.

CONCLUSION

The performance of social responsibility by an enterprise is the necessary choice to realize its sustainable development. With its significant efforts in employees protection, participation in customer service community and environmental protection, the Company made certain achievements, and was widely recognized by the society. In 2014, the Company was awarded by the China Communications and Transportation Association with “Top 10 Enterprise Comprehensive Service of Container Liner”, “Best Container Liner Company of China-Japan Shipping Route-Gold Award”, “Best Container Liner Company of China-Southeast Asia Shipping Route-Gold Award”, “Best Container Liner Company of China-Korea Shipping Route-Silver Award” and “Best Container Liner Company of China-Taiwan Shipping Route-Silver Award”; and “Top 10 Enterprise Comprehensive Service of Freight Forwarding” and “Freight Forwarding Company Warehouse Service Gold Award”. Mr. Yang Xianxiang, our CEO, was awarded with “the Top Ten Influential People in the Shipping Industry of China”. The Company was awarded with “Social Responsibility Award of the Shipping Enterprise in China” by the China Shipping Gazette; the top 100 H shares in 2014-the 6th in the Top ten small enterprises in comprehensive strength; and the Thailand company of SITC Container was awarded with the “Best Shipping Company Award in 2014” by the Commercial Ministry of Thailand (泰國商務部) and the Thailand Exporters Association (泰國出口商協會). Honors only reflect the past time, the Company will continue to invest in social responsibility to protect employees’ legal interest, protect environment, improve service quality, be public-minded, achieving the win-win situation of the enterprise revenue and the social benefit.

Independent Auditors' report

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To the shareholders of SITC International Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of SITC International Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 63 to 165, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

9 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2014

	Notes	2014 US$'000	2013 US$'000
REVENUE	5	**1,376,952**	1,267,329
Cost of sales		**(1,210,874)**	(1,124,350)
Gross profit		**166,078**	142,979
Other income and gains, net	5	**31,443**	37,772
Administrative expenses		**(69,375)**	(65,150)
Other expenses and losses		**(3,466)**	(185)
Finance costs	7	**(9,504)**	(8,177)
Share of profits and losses of:			
Joint ventures		**9,349**	7,742
Associates		**701**	371
PROFIT BEFORE TAX	6	**125,226**	115,352
Income tax	10	**(4,130)**	(2,251)
PROFIT FOR THE YEAR		**121,096**	113,101
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:	21		
Changes in fair value		**(264)**	32
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year		**16,734**	12,588
Reclassification adjustments for gains included in consolidated profit or loss		**(2,698)**	(7,972)
		14,036	4,616
Exchange differences on translation of foreign operations		**(3,810)**	(832)
Share of other comprehensive income of joint ventures		**(742)**	514
Share of other comprehensive income of associates		**(249)**	286
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**8,971**	4,616
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		**8,971**	4,616
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**130,067**	117,717

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

Year ended 31 December 2014

	Notes	2014 US$'000	2013 US$'000
Profit for the year attributable to:			
Shareholders of the Company	11	**120,680**	112,410
Non-controlling interests		**416**	691
		121,096	113,101
Total comprehensive income attributable to:			
Shareholders of the Company		**129,692**	116,986
Non-controlling interests		**375**	731
		130,067	117,717
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	13		
Basic (US cents per share)		**4.67**	4.35
Diluted (US cents per share)		**4.66**	4.34

Details of the dividends paid and proposed for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 US$'000	2013 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**668,825**	616,661
Prepaid land lease payments	15	**21,104**	12,676
Advance payments for acquisition of property, plant and equipment		**37,985**	21,020
Goodwill	16	**1,142**	—
Investments in joint ventures	18	**29,807**	26,906
Investments in associates	19	**10,812**	10,400
Held-to-maturity investments	20	—	8,262
Available-for-sale investments	21	**3,571**	1,239
Derivative financial instruments	28	**282**	690
Total non-current assets		**773,528**	697,854
CURRENT ASSETS			
Bunkers		**16,996**	18,927
Trade receivables	22	**66,633**	76,560
Prepayments, deposits and other receivables	23	**43,753**	37,181
Due from related companies	24	**247**	996
Held-to-maturity investments	20	**57,127**	—
Derivative financial instruments	28	**3,314**	4,824
Restricted bank balances	25	—	1,890
Cash and cash equivalents	25	**428,247**	431,136
Total current assets		**616,317**	571,514
CURRENT LIABILITIES			
Trade payables	26	**141,294**	145,462
Other payables and accruals	27	**42,621**	42,244
Due to related companies	24	**3,409**	13,528
Derivative financial instruments	28	**170**	855
Interest-bearing bank borrowings	29	**131,152**	56,457
Income tax payables		**2,612**	479
Total current liabilities		**321,258**	259,025
NET CURRENT ASSETS		**295,059**	312,489
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,068,587**	1,010,343

Consolidated Statement of Financial Position (continued)

31 December 2014

	Notes	2014 US$'000	2013 US$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,068,587**	1,010,343
NON-CURRENT LIABILITIES			
Derivative financial instruments	28	**579**	345
Interest-bearing bank borrowings	29	**270,814**	264,707
Total non-current liabilities		**271,393**	265,052
Net assets		**797,194**	745,291
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	31	**33,378**	33,333
Reserves	33	**757,555**	710,016
		790,933	743,349
Non-controlling interests		**6,261**	1,942
Total equity		**797,194**	745,291

YANG Shaopeng
Executive Director

YANG Xianxiang
Executive Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	Attributable to shareholders of the Company														
	Issued capital US$'000 (note 31)	Share premium account US$'000 (note 31)	Capital redemption reserve US$'000 (note 33(a))	Merger reserve US$'000 (note 33(b))	PRC reserve funds US$'000 (note 33(c))	Capital reserve US$'000 (note 33(d))	Share-based compensation reserve US$'000 (note 33(e))	Share option reserve US$'000 (note 33(f))	Hedging reserve US$'000 (note 33(g))	Available-for-sale investment revaluation reserve US$'000 (note 33(h))	Exchange fluctuation reserve US$'000 (note 33(i))	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2013	33,323	348,460	202	(10,842)	3,722	(463)	4,597	2,779	3,928	121	9,589	300,135	695,551	(2,412)	693,139
Profit for the year	—	—	—	—	—	—	—	—	—	—	—	112,410	112,410	691	113,101
Other comprehensive income for the year:															
Changes in fair value of available-for-sale investments, net of income tax	—	—	—	—	—	—	—	—	—	22	—	—	22	10	32
Changes in fair value of hedging instruments, net of income tax	—	—	—	—	—	—	—	—	4,616	—	—	—	4,616	—	4,616
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	—	—	(862)	—	(862)	30	(832)
Share of other comprehensive income of:															
Joint ventures	—	—	—	—	—	—	—	—	—	—	514	—	514	—	514
Associates	—	—	—	—	—	—	—	—	—	—	286	—	286	—	286
Total comprehensive income for the year	—	—	—	—	—	—	—	—	4,616	22	(62)	112,410	116,986	731	117,717
Final 2012 dividend paid	—	—	—	—	—	—	—	—	—	—	—	(39,966)	(39,966)	—	(39,966)
Special dividend paid (note 12)	—	—	—	—	—	—	—	—	—	—	—	(33,344)	(33,344)	—	(33,344)
Acquisition of subsidiaries under common control with deficiencies in assets	—	—	—	3,480	—	—	—	—	—	—	—	—	3,480	4,275	7,755
De-registration of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	—	(312)	(312)
Transfer to PRC reserve funds	—	—	—	—	224	—	—	—	—	—	—	(224)	—	—	—
Dividends declared to non-controlling equity holders	—	—	—	—	—	—	—	—	—	—	—	—	—	(340)	(340)
Issue of shares upon exercise of share options (note 31)	10	274	—	—	—	—	—	(88)	—	—	—	—	196	—	196
Transfer of share option reserve upon forfeiture or expiry of share options	—	—	—	—	—	—	—	(78)	—	—	—	78	—	—	—
Share option expense (note 32)	—	—	—	—	—	—	—	446	—	—	—	—	446	—	446
At 31 December 2013	33,333	348,734*	202*	(7,362)*	3,946*	(463)*	4,597*	3,059*	8,544*	143*	9,527*	339,089*	743,349	1,942	745,291

Consolidated Statement of Changes in Equity (continued)

Year ended 31 December 2014

	Attributable to shareholders of the Company														
	Issued capital US$'000 (note 31)	Share premium account US$'000 (note 31)	Capital redemption reserve US$'000 (note 33(a))	Merger reserve US$'000 (note 33(b))	PRC reserve funds US$'000 (note 33(c))	Capital reserve US$'000 (note 33(d))	Share-based compensation reserve US$'000 (note 33(e))	Share option reserve US$'000 (note 33(f))	Hedging reserve US$'000 (note 33(g))	Available-for-sale investment revaluation reserve US$'000 (note 33(h))	Exchange fluctuation reserve US$'000 (note 33(i))	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2014	33,333	348,734	202	(7,362)	3,946	(463)	4,597	3,059	8,544	143	9,527	339,089	743,349	1,942	745,291
Profit for the year	—	—	—	—	—	—	—	—	—	—	—	120,680	120,680	416	121,096
Other comprehensive income for the year:															
Changes in fair value of available-for-sale investments, net of income tax	—	—	—	—	—	—	—	—	—	(264)	—	—	(264)	—	(264)
Changes in fair value of hedging instruments, net of income tax	—	—	—	—	—	—	—	—	14,036	—	—	—	14,036	—	14,036
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	—	—	(3,769)	—	(3,769)	(41)	(3,810)
Share of other comprehensive income of:															
Joint ventures	—	—	—	—	—	—	—	—	—	—	(742)	—	(742)	—	(742)
Associates	—	—	—	—	—	—	—	—	—	—	(249)	—	(249)	—	(249)
Total comprehensive income for the year	—	—	—	—	—	—	—	—	14,036	(264)	(4,760)	120,680	129,692	375	130,067
Final 2013 dividend paid	—	—	—	—	—	—	—	—	—	—	—	(49,988)	(49,988)	—	(49,988)
Special dividend paid (note 12)	—	—	—	—	—	—	—	—	—	—	—	(33,369)	(33,369)	—	(33,369)
Acquisition of subsidiaries (note 34)	—	—	—	—	—	—	—	—	—	—	—	—	—	4,764	4,764
Acquisition of non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	—	—	(270)	(270)
Transfer to PRC reserve funds	—	—	—	—	193	—	—	—	—	—	—	(193)	—	—	—
Dividends declared to non-controlling equity holders	—	—	—	—	—	—	—	—	—	—	—	—	—	(550)	(550)
Issue of shares upon to exercise of share options under the pre-IPO share option scheme (note 31)	18	697	—	—	—	—	—	(36)	—	—	—	—	679	—	679
Issue of shares upon exercise of share options under the post-IPO share option scheme (note 31)	27	753	—	—	—	—	—	(242)	—	—	—	—	538	—	538
Transfer of share option reserve upon forfeiture or expiry of share options	—	—	—	—	—	—	—	(68)	—	—	—	68	—	—	—
Share option expense (note 32)	—	—	—	—	—	—	—	32	—	—	—	—	32	—	32
At 31 December 2014	33,378	350,184*	202*	(7,362)*	4,139*	(463)*	4,597*	2,745*	22,580*	(121)*	4,767*	376,287*	790,933	6,261	797,194

* These reserve accounts comprise the consolidated reserves of US$757,555,000 (2013: US$710,016,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 US$'000	2013 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**125,226**	115,352
Adjustments for:			
Finance costs	7	**9,504**	8,177
Share of profits of joint ventures		**(9,349)**	(7,742)
Share of profits of associates		**(701)**	(371)
Interest income	5	**(9,774)**	(8,501)
Loss/(gain) on disposal of items of property, plant and equipment, net	5, 6	**911**	(84)
Fair value gains, net:			
Derivative instruments – transactions not qualifying as hedges	5	**(3,068)**	(1,232)
Cash flow hedges (transfer from equity)	5	**(2,698)**	(7,972)
Foreign exchange gains arising from the capital reduction of a subsidiary	5	**(520)**	(1,974)
Gain on bargain purchase	34	**(654)**	—
Depreciation	14	**35,619**	28,727
Recognition of prepaid land lease payments	15	**357**	317
Impairment of property, plant and equipment	14	**2,371**	—
Impairment of trade receivables	22	**47**	163
Equity-settled share option expenses	32	**32**	446
		147,303	125,306
Decrease/(increase) in bunkers		**1,931**	(68)
Decrease/(increase) in trade receivables		**7,345**	(3,936)
Decrease/(increase) in prepayments, deposits and other receivables		**(5,029)**	794
Decrease/(increase) in amounts due from related companies		**749**	(382)
Decrease/(increase) in derivative financial assets		**1,918**	(1,586)
Decrease/(increase) in restricted bank balances		**1,890**	(911)
Increase/(decrease) in trade payables		**(3,236)**	7,163
Increase in other payables and accruals		**8,014**	1,580
Increase in amounts due to related companies		**274**	5,357
Increase in derivative financial liabilities		**2,057**	8,444
Effect of foreign exchange rate changes, net		**(1,488)**	757
Cash generated from operations		**161,728**	142,518
Interest income received		**7,788**	6,155
Interest paid		**(9,555)**	(8,177)
Hong Kong profits tax paid		**(69)**	(758)
Overseas income tax paid		**(1,349)**	(2,195)
Net cash flows from operating activities		**158,543**	137,543

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2014

	Notes	2014 US$'000	2013 US$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(101,995)**	(105,297)
Proceeds from disposal of items of property, plant and equipment		**4,812**	530
Advance payments for acquisition of property, plant and equipment		**(16,965)**	(21,020)
Acquisition of subsidiaries	34	**(7,472)**	—
Investments in joint ventures		**(1,235)**	(2,055)
Purchases of available-for-sale investments		**(2,596)**	—
Purchases of held-to-maturity investments		**(49,064)**	(8,262)
Decrease/(increase) in non-pledged time deposits with original maturity of over three months but less than one year when acquired		**269,465**	(257,999)
Increase in non-pledged time deposits with original maturity of over one year when acquired		**(242,139)**	—
Decrease in pledged time deposits		—	80
Dividends received from joint ventures		**6,941**	6,095
Dividends received from associates		**40**	131
Withholding tax paid on dividends received		**(440)**	—
Net cash flows used in investing activities		**(140,648)**	(387,797)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	31	**1,217**	196
New bank borrowings		**284,585**	328,193
Repayment of bank borrowings		**(182,002)**	(193,375)
Advances from a company controlled by the controlling shareholder of the Company's ultimate holding company		—	21,372
Repayment of advances from a company controlled by the controlling shareholder of the Company's ultimate holding company		**(10,303)**	(40,311)
Acquisition of non-controlling interest		**(270)**	—
Dividends paid		**(83,357)**	(73,310)
Dividends paid to non-controlling equity holders		**(640)**	(250)
Net cash flows from financing activities		**9,230**	42,515
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**27,125**	(207,739)
Cash and cash equivalents at beginning of year		**150,536**	357,172
Effect of foreign exchange rate changes, net		**(2,688)**	1,103
CASH AND CASH EQUIVALENTS AT END OF YEAR		**174,973**	150,536

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2014

	Note	2014 US$'000	2013 US$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**62,572**	29,651
Short-term financial instruments	25	**—**	23,761
Non-pledged time deposits with original maturity of less than three months when acquired		**112,401**	97,124
Cash and cash equivalents as stated in the consolidated statement of cash flows		**174,973**	150,536
Non-pledged time deposits with original maturity of over three months but less than one year when acquired		**11,135**	280,600
Non-pledged time deposits with original maturity of over one year when acquired		**242,139**	—
Cash and cash equivalents as stated in the consolidated statement of financial position		**428,247**	431,136

Statement of Financial Position

31 December 2014

	Notes	2014 US$'000	2013 US$'000
NON-CURRENT ASSETS			
Investment in a subsidiary	17	**59,413**	59,413
Available-for-sale investments	21	**2,323**	—
Total non-current assets		**61,736**	59,413
CURRENT ASSETS			
Deposits and other receivables	23	—	61
Due from a subsidiary	17	**376,041**	410,818
Dividend receivable		**90,000**	49,988
Cash and cash equivalents	25	**283**	136
Total current assets		**466,324**	461,003
NET CURRENT ASSETS		**466,324**	461,003
TOTAL ASSETS LESS CURRENT LIABILITIES		**528,060**	520,416
Net assets		**528,060**	520,416
EQUITY			
Issued capital	31	**33,378**	33,333
Reserves	33	**494,682**	487,083
Total equity		**528,060**	520,416

YANG Shaopeng
Executive Director

YANG Xianxiang
Executive Director

Notes to Financial Statements

31 December 2014

1. CORPORATE INFORMATION

SITC International Holdings Company Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is located at Room 2203, 22/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the provision of marine transportation services, freight forwarding services for marine transportation, depot and warehouse services and related business.

In the opinion of the directors, the immediate holding company of the Company is Resourceful Link Management Limited, which is incorporated in the British Virgin Islands (the "BVI"), and the ultimate holding company of the Company is Better Master Investments Limited, which is incorporated in the BVI.

2.1 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 ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in Sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for derivative financial instruments and certain available-for-sale investments, which have been measured at fair value. These financial statements are presented in the United States dollars ("US$" or "US dollars") 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 2014. 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.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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 in the accounting policy for subsidiaries below. 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendments to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendments to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendments to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendments to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

The adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014

2 Effective for annual periods beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after 1 January 2017

4 Effective for annual periods beginning on or after 1 January 2018

5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is the process of making an assessment of the impact of these changes.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group’s financial assets. Further information about the impact will be available nearer the implementation date of the standard.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 *Operating Segments:* Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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 results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5.

Business combinations and goodwill

Acquisition of subsidiaries under common control has been accounted for using the merger method of accounting. The acquisition method of accounting is used to account for acquisition of subsidiaries which are not under common control.

Business combinations under common control

Under the merger method of accounting, the net assets of the combining entities of business are combined using their existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of the acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination. The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

Other business combinations

Under the acquisition method of accounting, the consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Other business combinations (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments and listed equity investments and club debentures included in available-for-sale investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than bunkers and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for major inspection and drydocking costs are capitalised in the carrying amounts of the assets as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3% to 7%
Vessels	4% to 6%
Containers	9% to 20%
Computers, furniture and equipment	10% to 33$^{1}/_{3}$%
Motor vehicles	12% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building or vessel under construction or equipment under installation or testing, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction/equipment and capitalised borrowing costs on related borrowing funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair values plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in finance costs for loans and in other expenses for receivables in profit or loss.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in other expenses and losses in profit or loss.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other income and gains in profit or loss, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to other expenses and losses in profit or loss. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses and losses in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss - is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through profit or loss if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related companies, derivative financial instruments and interest-bearing bank loans.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. These derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of hedging derivative is recognised in profit or loss as other expenses and losses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in profit or loss as other expenses and losses.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in profit or loss as other expenses and losses.

Amounts recognised in other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Cash flow hedges (continued)

Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as a part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

Bunkers

Bunkers represent fuels and are stated at the lower of the cost and net realisable value. Cost is determined on the weighted average basis.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of assets, the grants are recorded at the fair value of the non-monetary assets and released to profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the rendering of container shipping services, on a percentage of completion basis, which is determined using the time proportion method for each individual voyage;

(b) from the rendering of shipping agency services, freight forwarding services for marine transportation and logistics management services, when the services have been rendered;

(c) rental income, on a time proportion basis over the lease terms;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates two share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Retirement benefit schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by local municipal governments. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Interim dividends are simultaneously proposed and declared because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Final dividends are recognised as liability when they have been approved by the shareholders.

Foreign currencies

These financial statements are presented in the US dollars, which is the Group's presentation currency. The functional currency of the Company is the Hong Kong dollar while the US dollar is used as the presentation currency of the financial statements of the Company for the purpose of aligning with the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designed as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of certain subsidiaries, joint ventures and associates are currencies other than the US dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their profit or loss is translated into US dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of subsidiaries are translated into US dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these subsidiaries which arise throughout the year are translated into US dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Income taxes

Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Recognition of a deferred tax liability for withholding taxes

The New Corporate Income Tax Law of the People's Republic of China (the "PRC"), which became effective on 1 January 2008, states that the distribution of dividends by a foreign invested enterprise established in Mainland China to its foreign investors, from its earnings in 2008 and thereafter, shall be subject to withholding corporate income tax at a rate of 10%. The Group carefully evaluates the necessity of dividend distribution of its PRC subsidiaries out of profits earned after 1 January 2008 based on the senior management's judgement.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2014 was US$1,142,000 (2013: Nil). Further details are given in note 16.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of property, plant and equipment

Management determines the residual values, useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual residual values and useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where residual values or useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation in the future periods.

Impairment of trade receivables

The Group maintains an allowance for the estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the aging of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected. The carrying amount of trade receivables at 31 December 2014 was US$66,633,000 (2013: US$76,560,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Fair value of derivative instruments

The fair value of derivative financial instruments is the estimated amount that the Group would receive or pay to terminate these derivative instruments at the end of the reporting period, taking into account current market conditions. The carrying amount of derivative financial assets at 31 December 2014 was US$3,596,000 (2013: US$5,514,000). The carrying amount of derivative financial liabilities at 31 December 2014 was US$749,000 (2013: US$1,200,000).

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The Group did not recognise any deferred tax assets as at 31 December 2014 (2013: Nil).

Recognition of equity-settled share option expenses

As further disclosed in note 32 to the financial statements, the Company has granted pre-IPO and post-IPO share options to its employees. The directors have used a binomial model to determine the total fair value of the options granted, which is expensed over the vesting period. Significant estimates, such as the risk-free rate, dividend yield and expected volatility, were required to be made by the directors as the parameters for applying a binomial model. The Company has engaged Jones Lang LaSalle Sallmanns and BMI Appraisals Limited, independent and qualified valuers, to perform appraisals of the fair values of the Company's shares at the grant dates of the pre-IPO and post-IPO share options, respectively. The grants of equity instruments might be conditional upon satisfying specified conditions. Significant management judgement was required to take into account the conditions and adjust the number of equity instruments included in the measurement of equity-settled share option expenses.

For the pre-IPO scheme, determining the number of equity instruments that eventually vest requires management to make assumptions regarding the profit forecast and likelihood of a successful initial public offering, and hence they were subject to uncertainty.

For the post-IPO scheme, determining the number of equity instruments that eventually vest requires management to make assumptions regarding the dividend yield, exercise behaviour of share options and employee exit rate, and hence they were subject to uncertainty.

4. OPERATING SEGMENT INFORMATION

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

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

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

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 interest income, interest income on held-to-maturity investments and finance costs are excluded from such measurement.

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

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

Intersegment sales and transfers are transacted in accordance with the terms and conditions mutually agreed by the parties involved.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2014

	Sea freight logistics US$'000	Land-based logistics US$'000	Total US$'000
Segment revenue:			
Sales to external customers	614,835	762,117	1,376,952
Intersegment sales	445,480	23,960	469,440
	1,060,315	786,077	1,846,392
Reconciliation:			
Elimination of intersegment sales			(469,440)
Revenue			1,376,952
Segment results	51,316	66,295	117,611
Reconciliation:			
Bank interest income			9,774
Interest income on held-to-maturity investments			7,345
Finance costs			(9,504)
Profit before tax			125,226
Segment assets	697,571	327,134	1,024,705
Reconciliation:			
Elimination of intersegment receivables			(163,129)
Corporate and other unallocated assets			528,269
Total assets			1,389,845
Segment liabilities	121,023	220,660	341,683
Reconciliation:			
Elimination of intersegment payables			(163,129)
Corporate and other unallocated liabilities			414,097
Total liabilities			592,651

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2014 (continued)

	Sea freight logistics US$'000	Land-based logistics US$'000	Total US$'000
Other segment information:			
Share of profits and losses of:			
Joint ventures	—	9,349	9,349
Associates	—	701	701
Depreciation	30,254	5,365	35,619
Recognition of prepaid land lease payments	—	357	357
Loss/(gain) on disposal of items of property, plant and equipment, net	969	(58)	911
Impairment of property, plant, and equipment	2,371	—	2,371
Impairment of trade receivables	33	14	47
Investments in joint ventures	—	29,807	29,807
Investments in associates	—	10,812	10,812
Capital expenditure*	107,220	2,433	109,653

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

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2013

	Sea freight logistics US$'000	Land-based logistics US$'000	Total US$'000
Segment revenue:			
Sales to external customers	558,162	709,167	1,267,329
Intersegment sales	414,567	21,543	436,110
	972,729	730,710	1,703,439
Reconciliation:			
Elimination of intersegment sales			(436,110)
Revenue			1,267,329
Segment results	49,467	58,269	107,736
Reconciliation:			
Bank interest income			8,501
Interest income on held-to-maturity investments			7,292
Finance costs			(8,177)
Profit before tax			115,352
Segment assets	621,660	304,760	926,420
Reconciliation:			
Elimination of intersegment receivables			(139,328)
Corporate and other unallocated assets			482,276
Total assets			1,269,368
Segment liabilities	137,182	200,091	337,273
Reconciliation:			
Elimination of intersegment payables			(139,328)
Corporate and other unallocated liabilities			326,132
Total liabilities			524,077

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2013 (continued)

	Sea freight logistics US$'000	Land-based logistics US$'000	Total US$'000
Other segment information:			
Share of profits and losses of:			
Joint ventures	—	7,742	7,742
Associates	—	371	371
Depreciation	23,178	5,549	28,727
Recognition of prepaid land lease payments	—	317	317
Gain on disposal of items of property, plant and equipment, net	(18)	(66)	(84)
Impairment of trade receivables	—	163	163
Investments in joint ventures	—	26,906	26,906
Investments in associates	—	10,400	10,400
Capital expenditure*	118,220	4,225	122,445

* 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 consider that the nature of the Group's business and the way in which costs are allocated preclude a meaningful allocation of vessels and their operating profits and related capital expenditure to specific geographical segments as defined under HKFRS 8 *Operating Segments* issued by the HKICPA. These 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.

	2014 US$'000	2013 US$'000
Mainland China	**589,977**	588,078
Japan	**391,528**	308,933
Southeast Asia	**204,746**	144,101
Others	**190,701**	226,217
	1,376,952	1,267,329

Major customer information disclosure

During the year, there was no customer individually accounted for 10% or more of the Group's revenue (2013: None).

5. REVENUE, OTHER INCOME AND GAINS, NET

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

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

	Note	2014 US$'000	2013 US$'000
Other income			
Bank interest income		**9,774**	8,501
Interest income on held-to-maturity investments		**7,345**	7,292
Government subsidies*		**3,217**	1,498
		20,336	17,291
Gains, net			
Gain on bargain purchase	34	**654**	—
Gain on disposal of items of property, plant and equipment, net		—	84
Fair value gains on cash flow hedges (transfer from equity), net		**2,698**	7,972
Fair value gains on derivatives – transactions not qualifying as hedges, net		**3,068**	1,232
Foreign exchange gains arising from the capital reduction of a subsidiary		**520**	1,974
Other foreign exchange differences, net		**4,167**	9,219
		11,107	20,481
Other income and gains, net		**31,443**	37,772

* The amount represented subsidies received from relevant governmental authorities in Mainland China for the Group's operation of container lines and logistics business. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

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

	Notes	2014 US$'000	2013 US$'000
Cost of services provided:			
Cost of bunkers consumed		**234,801**	237,305
Others		**771,457**	708,654
		1,006,258	945,959
Depreciation	14	**35,619**	28,727
Impairment of property, plant and equipment*	14	**2,371**	—
Loss/(gain) on disposal of items of property, plant and equipment, net*		**911**	(84)
Recognition of prepaid land lease payments	15	**357**	317
Auditors' remuneration		**400**	432
Minimum lease payments under operating leases in respect of:			
Buildings		**4,296**	4,294
Vessels		**83,665**	69,408
Containers		**62,884**	60,343
		150,845	134,045
Employee benefits expense (including directors' and the chief executive officer's remuneration (note 8)):			
Wages and salaries		**58,477**	53,815
Equity-settled share option expense	32	**32**	446
Pension scheme contributions (defined contribution scheme)		**8,320**	7,120
		66,829	61,381
Impairment of trade receivables*	22	**47**	163

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

7. FINANCE COSTS

Finance costs are interest on bank loans.

8. DIRECTORS' AND THE CHIEF EXECUTIVE OFFICER'S REMUNERATION

Directors' and the chief executive officer's remuneration for the year, disclosed pursuant to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group	
	2014	2013
	US$' 000	US$' 000
Fees	**281**	262
Other emoluments:		
Salaries, allowances and benefits in kind	**1,565**	1,442
Performance-related bonuses	**894**	955
Equity-settled share option expense	**5**	169
Pension scheme contributions	**73**	48
	2,537	2,614
	2,818	2,876

In prior years, certain directors were granted share options, in respect of their services to the Group, under the share option schemes of the Company, further details of which are set out in note 32 to the financial statements. The fair value of these options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and the chief executive officer's remuneration disclosures.

8. DIRECTORS' AND THE CHIEF EXECUTIVE OFFICER'S REMUNERATION (continued)

(a) Independent non-executive directors

	Fees US$'000	Equity-settled share option expense US$'000	Total remuneration US$'000
2014			
Mr. Tsui Yung Kwok	**28**	—	**28**
Mr. Yeung Kwok On	**28**	—	**28**
Dr. Lo Wing Yan, William, J.P.	**28**	—	**28**
Dr. Ngai Wai Fung	**31**	—	**31**
	115	—	**115**
2013			
Mr. Tsui Yung Kwok	26	11	37
Mr. Yeung Kwok On	26	5	31
Dr. Lo Wing Yan, William, J.P.	26	11	37
Dr. Ngai Wai Fung	28	11	39
	106	38	144

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

8. DIRECTORS' AND THE CHIEF EXECUTIVE OFFICER'S REMUNERATION (continued)

(b) Executive directors, a non-executive director and the chief executive officer

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Performance-related bonuses US$'000	Equity-settled share option expense US$'000	Pension scheme contributions US$'000	Total remuneration US$'000
2014						
Executive directors:						
Mr. Yang Shaopeng	**28**	**632**	**294**	**3**	**3**	**960**
Mr. Yang Xianxiang*	**28**	**481**	**216**	**2**	**12**	**739**
Mr. Liu Kecheng	**28**	**107**	**86**	—	**15**	**236**
Mr. Xue Peng	**26**	**96**	**66**	—	**13**	**201**
Mr. Xue Mingyuan**	**28**	**143**	**143**	—	**15**	**329**
Mr. Lai Zhiyong**	**28**	**106**	**89**	—	**15**	**238**
	166	**1,565**	**894**	**5**	**73**	**2,703**
2013						
Executive directors:						
Mr. Yang Shaopeng	26	586	356	44	—	1,012
Mr. Yang Xianxiang*	26	450	263	39	10	788
Mr. Liu Kecheng	26	100	95	10	10	241
Mr. Xue Peng	26	100	79	10	10	225
Mr. Xue Mingyuan**	21	106	103	15	8	253
Mr. Lai Zhiyong**	21	80	45	3	8	157
Ms. Li Xuexia***	5	20	14	10	2	51
	151	1,442	955	131	48	2,727
Non-executive director:						
Ms. Liu Rongli***	5	—	—	—	—	5
	156	1,442	955	131	48	2,732

8. DIRECTORS' AND THE CHIEF EXECUTIVE OFFICER'S REMUNERATION (continued)

(b) Executive directors, a non-executive director and the Chief Executive Officer (continued)

* Mr. Yang Xianxiang is also the chief executive officer of the Company.

** Mr. Xue Mingyuan and Mr. Lai Zhiyong were appointed executive directors on 11 March 2013.

*** Ms. Li Xuexia and Ms. Liu Rongli resigned as an executive director and a non-executive director, respectively, on 11 March 2013.

There was no arrangement under which a director or the chief executive officer waived or agreed to waive any remuneration during the year (2013: None).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five executive directors including the chief executive officer (2013: five executive directors including the chief executive officer), details of whose remuneration are set out in note 8 above.

10. INCOME TAX

	Group	
	2014	2013
	US$'000	US$'000
Current:		
Mainland China	**3,802**	1,430
Hong Kong	**296**	713
Elsewhere	**221**	108
Overprovision in prior years:		
Mainland China	**(3)**	—
Hong Kong	**(186)**	—
Total tax charge for the year	**4,130**	2,251

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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.

10. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group - 2014

	Mainland China		Hong Kong		Elsewhere		Total	
	US$'000	%	US$'000	%	US$'000	%	US$'000	%
Profit before tax	23,856		93,217		8,153		125,226	
Tax at the statutory rate	5,964	25.0	15,381	16.5	1,594	19.6	22,939	18.3
Lower tax rate(s) for specific provinces or enacted by local authority	(637)	(2.7)	—	—	—	—	(637)	(0.5)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC joint ventures	440	1.8	—	—	—	—	440	0.4
Adjustments in respect of current tax of previous periods	(3)	—	(186)	(0.2)	—	—	(189)	(0.2)
Profits and losses attributable to joint ventures and associates	(2,029)	(8.5)	—	—	(258)	(3.2)	(2,287)	(1.8)
Income not subject to tax	(23)	(0.1)	(25,467)	(27.3)	(7,229)	(88.7)	(32,719)	(26.1)
Expenses not deductible for tax	257	1.1	10,340	11.1	6,147	75.4	16,744	13.4
Tax losses utilised from previous periods	(135)	(0.6)	—	—	(66)	(0.8)	(201)	(0.2)
Tax losses not recognised	50	0.2	42	—	33	0.4	125	0.1
Temporary differences not recognised	(85)	(0.4)	—	—	—	—	(85)	(0.1)
Tax charge at the Group's effective rate	3,799	15.8	110	0.1	221	2.7	4,130	3.3

10. INCOME TAX (continued)

Group - 2013

	Mainland China		Hong Kong		Elsewhere		Total	
	US$'000	%	US$'000	%	US$'000	%	US$'000	%
Profit before tax	8,991		96,808		9,553		115,352	
Tax at the statutory rate	2,248	25.0	15,974	16.5	2,804	29.3	21,026	18.2
Effect of withholding tax at 5% on the distributable profits of the Group's PRC joint ventures	293	3.3	—	—	—	—	293	0.3
Profits and losses attributable to joint ventures and associates	(95)	(1.1)	(1,068)	(1.1)	(158)	(1.7)	(1,321)	(1.1)
Income not subject to tax	(3,811)	(42.4)	(14,376)	(14.9)	(8,115)	(84.9)	(26,302)	(22.8)
Expenses not deductible for tax	2,795	31.1	183	0.2	5,577	58.4	8,555	7.4
Tax charge at the Group's effective rate	1,430	15.9	713	0.7	108	1.1	2,251	2.0

11. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company for the year ended 31 December 2014 includes a profit of US$26,000 (2013: loss of US$807,000) which has been dealt with in the financial statements of the Company.

A reconciliation of the amount of consolidated profit/(loss) for the year attributable to shareholders of the Company dealt with in the financial statements of the Company to the Company's profit for the year is as follows:

	2014	2013
	US$'000	US$'000
Amount of consolidated profit/(loss) for the year attributable to shareholders of the Company dealt with in the financial statements of the Company	**26**	(807)
Final dividend from a subsidiary attributable to the profits of the previous financial year, approved and payable during the year	**90,000**	107,557
Company's profit for the year (note 33)	**90,026**	106,750

12. DIVIDENDS

	2014		2013	
	HK$'000	**US$'000 equivalent**	HK$'000	US$'000 equivalent
Special – HK10 cents (equivalent to US1.30 cents) (2013: HK10 cents (equivalent to US1.30 cents)) per ordinary share	**258,698**	**33,369**	256,492	33,344
Proposed final – HK12 cents (equivalent to US1.54 cents) (2013: HK15 cents (equivalent to US1.93 cents)) per ordinary share	**310,652**	**40,054**	387,806	49,988
	569,350	**73,423**	644,298	83,332

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

13. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to shareholders of the Company, and the weighted average number of ordinary shares of 2,586,328,381 (2013: 2,584,805,699) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to shareholders of the Company. The weighted average number of ordinary shares used in the calculation is the 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 or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2014	2013
	US$'000	US$'000
Earnings		
Profit attributable to shareholders of the Company, used in the basic and diluted earnings per share calculations	**120,680**	112,410

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**2,586,328,381**	2,584,805,699
Effect of dilution – weighted average number of ordinary shares – share options	**4,285,298**	3,405,648
Weighted average number of ordinary shares in issue during the year, used in the diluted earnings per share calculation	**2,590,613,679**	2,588,211,347

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings US$'000	Vessels US$'000	Containers US$'000	Computers, furniture and equipment US$'000	Motor vehicles US$'000	Construction in progress US$'000	Total US$'000
31 December 2014							
At 1 January 2014:							
Cost	41,915	631,858	34,788	24,325	3,329	2,927	739,142
Accumulated depreciation and impairment	(3,070)	(91,298)	(14,724)	(11,593)	(1,796)	—	(122,481)
Net carrying value	38,845	540,560	20,064	12,732	1,533	2,927	616,661
At 1 January 2014, net of accumulated depreciation and impairment	38,845	540,560	20,064	12,732	1,533	2,927	616,661
Additions	82	1,539	17,474	1,762	415	71,416	92,688
Acquisitions of subsidiaries (note 34)	—	—	392	1,217	16	2,837	4,462
Transfers	3,979	72,590	—	403	—	(76,972)	—
Depreciation provided during the year	(1,316)	(28,227)	(2,027)	(3,607)	(442)	—	(35,619)
Impairment	—	(2,371)	—	—	—	—	(2,371)
Disposals/write-off	—	(5,273)	(18)	(198)	(16)	(218)	(5,723)
Exchange realignment	(960)	—	(2)	(284)	(37)	10	(1,273)
At 31 December 2014, net of accumulated depreciation and impairment	40,630	578,818	35,883	12,025	1,469	—	668,825
At 31 December 2014:							
Cost	44,929	698,053	52,523	26,638	3,503	—	825,646
Accumulated depreciation and impairment	(4,299)	(119,235)	(16,640)	(14,613)	(2,034)	—	(156,821)
Net carrying value	40,630	578,818	35,883	12,025	1,469	—	668,825

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Buildings US$'000	Vessels US$'000	Containers US$'000	Computers, furniture and equipment US$'000	Motor vehicles US$'000	Construction in progress US$'000	Total US$'000
31 December 2013							
At 1 January 2013:							
Cost	40,677	520,871	17,115	19,368	3,145	15,086	616,262
Accumulated depreciation and impairment	(1,716)	(70,310)	(13,247)	(7,233)	(1,805)	—	(94,311)
Net carrying value	38,961	450,561	3,868	12,135	1,340	15,086	521,951
At 1 January 2013, net of accumulated depreciation and impairment	38,961	450,561	3,868	12,135	1,340	15,086	521,951
Additions	94	6,796	17,727	1,826	1,064	94,938	122,445
Transfers	—	104,191	—	2,932	—	(107,123)	—
Depreciation provided during the year	(1,302)	(20,988)	(1,522)	(4,402)	(513)	—	(28,727)
Disposals/write-off	—	—	(9)	(34)	(403)	—	(446)
Exchange realignment	1,092	—	—	275	45	26	1,438
At 31 December 2013, net of accumulated depreciation and impairment	38,845	540,560	20,064	12,732	1,533	2,927	616,661
At 31 December 2013:							
Cost	41,915	631,858	34,788	24,325	3,329	2,927	739,142
Accumulated depreciation and impairment	(3,070)	(91,298)	(14,724)	(11,593)	(1,796)	—	(122,481)
Net carrying value	38,845	540,560	20,064	12,732	1,533	2,927	616,661

The Group's buildings are situated in Mainland China and held under medium term leases.

On 19 December 2014, the Group entered into a memorandum of agreement with SITC Steamships Co., Ltd. ("SITC Steamships"), a company controlled by the controlling shareholder of the Company's ultimate holding company (the "Controlling Shareholder", who is also an executive director of the Company), pursuant to which the Group agreed to sell and SITC Steamships agreed to acquire the container vessel "SITC Shanghai" at a consideration of US$3,400,000. "SITC Shanghai" had not been delivered to SITC Steamships and it was still leased to a charterer for use by the Group as at the end of the reporting period. The delivery will take place when the lease expire on or before 30 June 2015. An impairment of US$2,371,000 was charged to profit or loss during the year against this container vessel (2013: Nil).

At 31 December 2014, certain of the Group's vessels and containers with an aggregate net carrying amount of approximately US$574,538,000 (2013: US$505,019,000) and US$16,376,000 (2013: Nil) were pledged to secure bank loans granted to the Group (note 29).

15. PREPAID LAND LEASE PAYMENTS

	Group 2014 US$'000	2013 US$'000
Carrying amount at 1 January	**13,015**	12,956
Acquisition of subsidiaries (note 34)	**9,273**	—
Recognised during the year	**(357)**	(317)
Exchange realignment	**(308)**	376
Carrying amount at 31 December	**21,623**	13,015
Current portion included in prepayments, deposits and other receivables (note 23)	**(519)**	(339)
Non-current portion	**21,104**	12,676

The Group's parcels of leasehold land are situated in Mainland China and are held under medium term leases.

16. GOODWILL

	Group 2014 US$'000	2013 US$'000
Cost and net carrying amount at 1 January	—	—
Acquisition of a subsidiary (note 34)	**1,142**	—
Cost and net carrying amount at 31 December	**1,142**	—

16. GOODWILL (continued)

Impairment testing of goodwill

Goodwill of the Group arose from the acquisition of Tianjin Xin Hua Xi Logistics Co., Ltd. ("Tianjin Xin Hua Xi") during the year. Tianjin Xin Hua Xi is engaged in the business of depot services and is considered a cash-generating unit that can generate independent cash flows. The goodwill so arising was allocated to the Tianjin Xin Hua Xi cash-generating unit for impairment testing.

The recoverable amount of the Tianjin Xin Hua Xi cash-generating unit has been determined based on a value in use calculation using pre-tax cash flow projections of financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 13%. The growth rate used to extrapolate the cash flows of the business beyond the five-year period is 2%. This growth rate represents the average growth rate of the industry in which the business operates. Senior management of Tianjin Xin Hua Xi cash-generating unit believes that this growth rate is justified, given the expansion of the business of depot services by the Group in Mainland China during the year.

Assumptions were used in the value in use calculation of the Tianjin Xin Hua Xi cash-generating unit for 31 December 2014. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

17. INVESTMENT IN A SUBSIDIARY

	Company	
	2014	2013
	US$'000	US$'000
Unlisted investment, at cost	**59,413**	59,413

Notes:

(a) The amount due from a subsidiary of US$376,041,000, as included in the Company's current assets (2013: US$410,818,000), is unsecured, interest-free and repayable on demand.

17. INVESTMENT IN A SUBSIDIARY (continued)

Particulars of the directly held subsidiary and the principal indirectly held subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of registered/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
SITC Group Company Limited	BVI/Hong Kong 18 April 2006	US$10,000	100	—	Investment holding
SITC Shipowning Group Company Limited	BVI/Hong Kong 12 May 2006	US$1	—	100	Investment holding
SITC Container Lines Company Limited	Hong Kong/Hong Kong 25 January 1994	HK$1,000,000	—	100	Provision of container marine transportation
SITC Container Lines (Japan) Co., Ltd. #	Japan/Japan 9 September 1999	JPY10,000,000	—	100	Provision of shipping agency services for marine transportation
SITC Container Lines (Korea) Co., Ltd. #	Korea/Korea 7 December 2002	KRW600,000,000	—	80	Provision of shipping agency services for marine transportation
SITC Shipping Agency (HK) Company Limited	Hong Kong/Hong Kong 13 September 2004	HK$5,000,000	—	100	Provision of shipping agency and freight forwarding services for marine transportation
SITC Container Lines (Shanghai) Co., Ltd. *#	PRC/Mainland China 11 August 2008	US$16,000,000	—	100	Provision of shipping agency services for marine transportation
SITC Shipping Agency (Qingdao) Co., Ltd. **#	PRC/Mainland China 19 October 2004	RMB2,000,000	—	49∫	Provision of shipping agency and freight forwarding services for marine transportation
SITC Shipping Agency (Tianjin) Co., Ltd. **#	PRC/Mainland China 27 July 2005	RMB2,000,000	—	49Ω	Provision of shipping agency and freight forwarding services for marine transportation
SITC Shipping Agency (Shanghai) Co., Ltd. **#	PRC/Mainland China 17 March 2006	RMB2,000,000	—	49@	Provision of shipping agency and freight forwarding services for marine transportation

17. INVESTMENT IN A SUBSIDIARY (continued)

Particulars of the directly held subsidiary and the principal indirectly held subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of registered/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
SITC Brokers Company Limited	Hong Kong/Hong Kong 7 June 2006	HK$1	—	100	Provision of vessel chartering and sales brokerage services
SITC Insurance Brokers (HK) Company Limited	Hong Kong/Hong Kong 14 July 2010	HK$300,000	—	100	Provision of shipping insurance brokerage services
SITC Logistics (HK) Limited	Hong Kong/Hong Kong 2 June 2006	HK$1	—	100	Investment holding
SITC Ocean Shipping Company Limited	Hong Kong/Hong Kong 7 June 2006	HK$1	—	100	Investment holding
SITC Logistics Co., Ltd. *#	PRC/Mainland China 8 March 2001	RMB134,000,000	—	100	Investment holding and provision of freight forwarding services for marine transportation
New SITC Logistics (Japan) Co., Ltd. #	Japan/Japan 6 December 1995	JPY10,000,000	—	100	Provision of freight forwarding services for marine transportation
SITC Logi Korea Co., Ltd. #	Korea/Korea 18 June 2010	KRW300,000,000	—	100	Provision of freight forwarding services for marine transportation
SITC Qingdao International Development Co. Ltd. *#	PRC/Mainland China 16 December 2010	US$1,000,000	—	100	Investment holding
Qingdao SITC Logistics Park Management Company Limited *#	PRC/Mainland China 19 October 2011	RMB121,900,000	—	100	Provision of storage and terminal services
Qingdao Smart Cargo Logistics Company Limited *#	PRC/Mainland China 7 June 2011	US$30,000,000	—	60	Provision of warehouse and depot services
SITC Technologies (Shanghai) Co., Ltd. *#	PRC/Mainland China 28 October 2005	RMB10,000,000	—	100	Investment holding
Tailian Container Enterprises Inc.	Panama/Mainland China 27 March 1996	US$10,000	—	100	Container holding and chartering
Ken Link Shipping Enterprises Inc.	Panama/Mainland China 25 June 1991	US$2	—	100	Vessel holding and chartering

17. INVESTMENT IN A SUBSIDIARY (continued)

Particulars of the directly held subsidiary and the principal indirectly held subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of registered/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xin Lian Shipping Enterprises Inc.	Panama/Mainland China 13 October 1992	US$200	—	100	Vessel holding and chartering
Sheng Lian Shipping Enterprises Inc.	Panama/Mainland China 19 May 1994	US$200	—	100	Vessel holding and chartering
Hai Lian Shipping Enterprises Inc.	Panama/Mainland China 10 August 2003	US$10,000	—	100	Vessel holding and chartering
Jia Lian Shipping Enterprises Inc.	Panama/Mainland China 10 September 2003	US$10,000	—	100	Vessel holding and chartering
SITC Tianjin Shipping Enterprises Inc.	Panama/Mainland China 17 May 2004	US$100	—	100	Vessel holding and chartering
SITC Nagoya Shipping Enterprises Inc.	Panama/Mainland China 17 May 2004	US$100	—	100	Vessel holding and chartering
SITC Xiamen Shipping Enterprises Inc.	Panama/Mainland China 1 September 2004	US$100	—	100	Vessel holding and chartering
SITC Hong Kong Shipping Enterprises Inc.	Panama/Mainland China 6 December 2004	US$100	—	100	Vessel holding and chartering
SITC Kaohsiung Shipping Enterprises Inc.	Panama/Mainland China 12 February 2007	US$10,000	—	100	Vessel holding and chartering
SITC Keelung Shipping Company Limited	Hong Kong/Mainland China 30 November 2009	US$100	—	100	Vessel holding and chartering
SITC Hakata Shipping Company Limited	Hong Kong/Mainland China 30 November 2009	US$100	—	100	Vessel holding and chartering
SITC Pyeongtaek Shipping Company Limited	Hong Kong/Mainland China 30 November 2009	US$100	—	100	Vessel holding and chartering
SITC Taishan Shipping Company Limited	Hong Kong/Mainland China 29 April 2010	HK$1	—	100	Vessel holding and chartering
SITC Inchon Shipping Company Limited	Hong Kong/Mainland China 1 March 2011	US$100	—	100	Vessel holding and chartering
SITC Hochiminh Shipping Company Limited	Hong Kong/Mainland China 1 March 2011	US$100	—	100	Vessel holding and chartering

17. INVESTMENT IN A SUBSIDIARY (continued)

Particulars of the directly held subsidiary and the principal indirectly held subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of registered/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
SITC Huangshan Shipping Company Limited	Hong Kong/Mainland China 20 April 2011	HK$1	—	100	Vessel holding and chartering
SITC Huashan Shipping Company Limited	Hong Kong/Mainland China 20 April 2011	HK$1	—	100	Vessel holding and chartering
SITC Lushan Shipping Company Limited	Hong Kong/Mainland China 20 April 2011	HK$1	—	100	Vessel holding and chartering
SITC Zhoushan Shipping Company Limited	Hong Kong/Mainland China 20 April 2011	HK$1	—	100	Vessel holding and chartering
SITC Haiphong Shipping Company Limited	Hong Kong/Mainland China 11 October 2011	US$100	—	100	Vessel holding and chartering
SITC Kwangyang Shipping Company Limited	Hong Kong/Mainland China 11 October 2011	US$100	—	100	Vessel holding and chartering
SITC Qingdao Shipping Company Limited	Hong Kong/Mainland China 11 October 2011	US$100	—	100	Vessel holding and chartering
SITC Busan Shipping Company Limited	Hong Kong/Mainland China 11 October 2011	US$100	—	100	Vessel holding and chartering
SITC Dalian Shipping Company Limited	Hong Kong/Mainland China 1 December 2011	US$100	—	100	Vessel holding and chartering
SITC Lianyungang Shipping Company Limited	Hong Kong/Mainland China 1 December 2011	US$100	—	100	Vessel holding and chartering
SITC Fangcheng Shipping Company Limited	Hong Kong/Mainland China 1 December 2011	US$100	—	100	Vessel holding and chartering
SITC Shenzhen Shipping Company Limited	Hong Kong/Mainland China 1 December 2011	US$100	—	100	Vessel holding and chartering
SITC Yantai Shipping Company Limited	Hong Kong/Mainland China 1 December 2011	US$100	—	100	Vessel holding and chartering
SITC Osaka Shipping Company Limited	Hong Kong/Mainland China 1 December 2011	US$100	—	100	Vessel holding and chartering
SITC Moji Shipping Company Limited	Hong Kong/Mainland China 1 December 2011	US$100	—	100	Vessel holding and chartering

17. INVESTMENT IN A SUBSIDIARY (continued)

Particulars of the directly held subsidiary and the principal indirectly held subsidiaries are as follows:

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of registered/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
SITC Shimizu Shipping Company Limited	Hong Kong/Mainland China 1 December 2011	US$100	—	100	Vessel holding and chartering
SITC Yokkaichi Shipping Company Limited	Hong Kong/Mainland China 1 December 2011	US$100	—	100	Vessel holding and chartering
SITC Laem Chabang Shipping Company Limited	Hong Kong/Mainland China 16 March 2013	US$100	—	100	Vessel holding and chartering
SITC Manila Shipping Company Limited	Hong Kong/Mainland China 16 March 2013	US$100	—	100	Vessel holding and chartering
SITC Jakarta Shipping Company Limited	Hong Kong/Mainland China 18 March 2013	US$100	—	100	Vessel holding and chartering
SITC Bangkok Shipping Company Limited	Hong Kong/Mainland China 18 March 2013	US$100	—	100	Vessel holding and chartering
SITC Hengshan Shipping Company Limited	Hong Kong/Mainland China 10 February 2014	RMB100	—	100	Vessel holding and chartering
SITC Shandong Shipping Company Limited	Hong Kong/Mainland China 17 July 2014	US$100	—	100	Vessel holding and chartering
SITC Zhejiang Shipping Company Limited	Hong Kong/Mainland China 17 July 2014	US$100	—	100	Vessel holding and chartering

17. INVESTMENT IN A SUBSIDIARY (continued)

* Registered as wholly-foreign-owned enterprises under PRC laws.

** Registered as limited liability companies under PRC laws.

The English names of these companies represent the best effort made by management of the Company to directly translate their Chinese names as they have not registered any official English names.

∫ The joint venture contract and articles of association of SITC Shipping Agency (Qingdao) Co., Ltd. stipulate that the board of directors of SITC Shipping Agency (Qingdao) Co., Ltd. should consist of three directors, two of which should be appointed by the Group and one director should be appointed by the non-controlling equity holder. The Group has the power to direct the relevant activities that significantly affect the returns of SITC Shipping Agency (Qingdao) Co., Ltd. and thus the Group is able to control SITC Shipping Agency (Qingdao) Co., Ltd. Therefore, it is accounted for as a subsidiary of the Group.

Ω The articles of association of SITC Shipping Agency (Tianjin) Co., Ltd. stipulate that it should have one executive director rather than a board of directors. This executive director has been appointed by the Group since its establishment and the non-controlling equity holder has agreed to continue this arrangement during the term of the joint venture. The Group has the power to direct the relevant activities that significantly affect the returns of SITC Shipping Agency (Tianjin) Co., Ltd. and thus the Group is able to control SITC Shipping Agency (Tianjin) Co., Ltd. Therefore, it is accounted for as a subsidiary of the Group.

@ By virtue of the entrustment arrangement entered into between SITC Container Lines Company Limited, a subsidiary indirectly held by the Company, and the non-controlling equity holders of SITC Shipping Agency (Shanghai) Co., Ltd., the Group has the power to govern the relevant activities that significantly affect the returns of SITC Shipping Agency (Shanghai) Co., Ltd. and thus the Group is able to control SITC Shipping Agency (Shanghai) Co., Ltd.. Therefore, it is accounted for as a subsidiary of the Group.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

18. INVESTMENTS IN JOINT VENTURES

	Group	
	2014	2013
	US$'000	US$'000
Share of net assets	**29,807**	26,906

18. INVESTMENTS IN JOINT VENTURES (continued)

Notes:

(a) The Group's trade receivable balances due from joint ventures and trade payable balances due to joint ventures are disclosed in notes 22 and 26 to the financial statements, respectively. Other balances with joint ventures are disclosed in note 24 to the financial statements.

(b) Particulars of the Group's joint ventures, which are all indirectly held by the Company, are as follows:

Name	Registered capital	Place of registration and operations and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
SITC Tsingtao Beer Warehouse Co., Ltd.	RMB10,000,000	PRC/Mainland China	45%	40%	45%	Warehouse operation
Smart Logistics Co., Ltd.	RMB25,000,000	PRC/Mainland China	51%	50%	51%	Provision of Storage and terminal services
Singamas Logistics (Qingdao) Co., Ltd.	RMB47,455,820	PRC/Mainland China	40%	40%	40%	Provision of storage and terminal services
Shandong Hanjin Logistics Co., Ltd.	RMB18,245,128	PRC/Mainland China	30%	40%	30%	Provision of storage and terminal services
Bright Logistics (Shanghai) Co., Ltd.	RMB21,489,430	PRC/Mainland China	50%	50%	50%	Warehouse Operation
SITC Container Lines Vietnam Co., Ltd.	US$400,000	Vietnam/Vietnam	49%	50%	49%	Provision of shipping agency services for marine transportation
SITC Container Lines Thailand Co., Ltd.	THB12,000,000	Thailand/Thailand	49%	50%	49%	Provision of shipping agency services for marine transportation
SITC-Dinh Logistics Co., Ltd.	US$5,000,000	Vietnam/Vietnam	49%	50%	49%	Provision of depot and warehousing services
SITC Newport Logistics Co., Ltd.	US$300,000	Vietnam/Vietnam	50%	50%	50%	Provision of depot and warehousing services
PT SITC Indonesia	IDR2,800,000,000 .	Indonesia/Indonesia	49%	50%	49%	Provision of shipping agency services for marine transportation
Bangkok Container Depot Co., Ltd.	THB25,000,000	Thailand/Thailand	49%	50%	49%	Provision of depot and warehousing services

18. INVESTMENTS IN JOINT VENTURES (continued)

Notes: (continued)

(c) In the opinion of the directors, all joint ventures of the Group are not individually material and the following table illustrates their financial information in aggregate:

	2014 US$'000	2013 US$'000
Share of the joint ventures' profit for the year	**9,349**	7,742
Share of the joint ventures' total comprehensive income	**8,607**	8,256
Aggregate carrying amount of the Group's investments in joint ventures	**29,807**	26,906

19. INVESTMENTS IN ASSOCIATES

	Group	
	2014 US$'000	2013 US$'000
Share of net assets	**10,812**	10,400

Notes:

(a) The Group's trade receivable balances due from associates and trade payable balances due to associates are disclosed in notes 22 and 26 to the financial statements, respectively.

(b) Particulars of the associates, which are all indirectly held by the Company, are as follows:

Name	Registered/ paid-up/issued capital	Place of registration and operations	Percentage of ownership interest attributable to the Group	Principal activities
SITC Container Lines Philippines, Inc. #	20,000 ordinary shares of Philippine peso 100 each	Philippines/Philippines	40%	Provision of shipping agency and freight forwarding services
Shandong i-Logistics Company Limited	Registered capital of RMB58,000,000	PRC/Mainland China	25%	Provision of storage and terminal services
APL-SITC Terminal Holdings Pte. Ltd.	10 ordinary shares of US$ 1 each	Singapore/Singapore	20%	Investment holding

During the year, the Group has discontinued the recognition of its share of losses of SITC Container Lines Philippines, Inc. because the accumulated share of losses in the associate has exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amount of the Group's unrecognised share of losses in this associate for the current year and cumulatively were US$31,000 (2013: Nil) and US$31,000 (2013: Nil), respectively

19. INVESTMENTS IN ASSOCIATES (continued)

Notes: (continued)

(c) In the opinion of the directors, all associates of the Group are not individually material and the following table illustrates their financial information in aggregate:

	2014 US$'000	2013 US$'000
Share of the associates' profit for the year	**701**	371
Share of the associates' total comprehensive income	**452**	657
Aggregate carrying amount of the Group's investments in associates	**10,812**	10,400

20. HELD-TO-MATURITY INVESTMENTS

	Group	
	2014 US$'000	2013 US$'000
Unlisted investments, at amortised cost	**57,127**	8,262

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Listed equity investments, at fair value:				
Hong Kong	**2,323**	—	**2,323**	—
Club debenture, at fair value	**568**	559	—	—
Unlisted equity investments, at cost	**680**	680	—	—
	3,571	1,239	**2,323**	—

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to US$264,000 (2013: gain of US$32,000).

At the end of the reporting period, the Group's unlisted equity investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

22. TRADE RECEIVABLES

	Group	
	2014	2013
	US$'000	US$'000
Trade receivables	**66,842**	76,725
Impairment	**(209)**	(165)
	66,633	76,560

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.

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

	Group	
	2014	2013
	US$'000	US$'000
Within 1 month	**55,839**	64,932
1 to 2 months	**8,523**	9,339
2 to 3 months	**1,849**	1,681
Over 3 months	**422**	608
	66,633	76,560

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

	Group	
	2014	2013
	US$'000	US$'000
At 1 January	**165**	—
Impairment losses recognised (note 6)	**47**	163
Exchange realignment	**(3)**	2
At 31 December	**209**	165

22. TRADE RECEIVABLES (continued)

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of US$209,000 (2013: US$163,000) with a total carrying amount before provision of US$209,000 (2013: US$163,000).

The individually impaired trade receivables related to customers that were in financial difficulties or were in default in both interest and/or principal payments and only a portion of the receivables was expected to be recovered.

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

	Group	
	2014	2013
	US$' 000	US$' 000
Neither past due nor impaired	**66,211**	75,952
Less than one month past due	**422**	608
	66,633	76,560

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.

Included in the Group's trade receivables are amounts due from the Group's joint ventures and associates of US$10,140,000 (2013: US$7,767,000) and US$2,278,000 (2013: US$37,000), respectively. In addition, as at 31 December 2013, also included in the Group's trade receivables are amounts due from companies controlled by the Controlling Shareholder of US$1,000. All of the above amounts are repayable on credit terms similar to those offered to the major customers of the Group.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	US$' 000	US$' 000	**US$' 000**	US$' 000
Prepayments	**26,900**	25,725	—	—
Deposits and other receivables	**16,853**	11,456	—	61
	43,753	37,181	—	61

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

24. DUE FROM/TO RELATED COMPANIES

An analysis of the balances with related companies is as follows:

	Group	
	2014	2013
	US$'000	US$'000
Due from related companies		
Companies controlled by the Controlling Shareholder	**102**	695
Joint ventures	**145**	301
	247	996
Due to related companies		
Companies controlled by the Controlling Shareholder	**878**	10,303
Joint ventures	**2,531**	3,225
	3,409	13,528

The maximum outstanding amount due from companies controlled by the Controlling Shareholder during the year was US$695,000 (2013:US$695,000). The balances with related companies are unsecured, interest-free and repayable on demand.

None of the amounts due from related companies is either past due or impaired.

25. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES

	Group		Company	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Cash and bank balances	**62,572**	31,020	**283**	136
Short-term financial instruments (note (a))	—	23,761	—	—
Time deposits	**365,675**	378,245	—	—
	428,247	433,026	**283**	136
Less: Restricted bank balances (note (b))	—	(1,890)	—	—
Cash and cash equivalents	**428,247**	431,136	**283**	136

25. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES (continued)

Notes:

(a) Short-term financial instruments are traded on the Shanghai Stock Exchange, which are pledged by short-term government bonds and with maturity periods ranging from 1 day to 14 days. Owing to their insignificant risk of changes in value and short maturities, the directors are of the opinion that they are cash equivalents.

(b) Restricted bank balances are restricted to use on repayment of the secured borrowings.

(c) At the end of the reporting period, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US$122,106,000 (2013: US$140,085,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(d) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods ranging between one day and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

26. TRADE PAYABLES

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

	Group	
	2014	2013
	US$'000	US$'000
Within 1 month	**114,352**	128,208
1 to 2 months	**16,031**	9,248
2 to 3 months	**6,484**	3,093
Over 3 months	**4,427**	4,913
	141,294	145,462

Included in the Group's trade payables are amounts due to companies controlled by the Controlling Shareholder and the Group's joint ventures of US$467,000 (2013: US$499,000) and US$2,270,000 (2013: US$2,156,000), respectively. In addition, as at 31 December 2013, also included in the Group's trade payables were amounts due to the Group's associates of US$739,000. All of the above amounts are repayable within 30 days, and on credit terms similar to those offered by the major suppliers of the Group.

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

27. OTHER PAYABLES AND ACCRUALS

	Group	
	2014	2013
	US$'000	US$'000
Other payables	31,319	31,172
Accruals	11,302	11,072
	42,621	42,244

Other payables are non-interest-bearing and have an average credit term of three months.

28. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2014		2013	
	Assets	Liabilities	Assets	Liabilities
	US$'000	US$'000	US$'000	US$'000
Forward currency contracts	3,261	—	4,716	712
Interest rate swaps	335	749	798	488
	3,596	749	5,514	1,200
Portion classified as non-current:				
Interest rate swaps	(282)	(579)	(690)	(345)
Current portion	3,314	170	4,824	855

The carrying amounts of forward currency contracts and interest rate swaps are the same as their fair values. The above transactions involving derivative financial instruments are conducted with creditworthy banks.

28. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Forward currency contracts designated as cash flow hedges

Certain forward currency contracts are designated as hedging instruments in respect of highly probable forecast sales transactions denominated in Japanese yen. These forward currency contract balances vary with the levels of expected foreign currency denominated sales and changes in foreign exchange forward rates.

The terms of these forward currency contracts match the terms of the highly probable forecast sales transactions. The cash flow hedges relating to expected future sales in 2014 were assessed to be highly effective and net losses of US$3,258,000 (2013: US$757,000) were included in the hedging reserve as follows:

	Group	
	2014	2013
	US$' 000	US$' 000
Total fair value gains/(losses) on forward contracts included in the hedging reserve	**(1,256)**	7,237
Reclassified from other comprehensive income and recognised in profit or loss	**(2,002)**	(7,994)
Net losses recognised in hedging reserve during the year on forward currency contracts designated as cash flow hedges	**(3,258)**	(757)

Forward currency contracts not designated as hedging instruments

In addition, the Group has entered into various forward currency contracts to manage its exchange rate exposures. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. A net gain in fair value changes in non-hedging forward currency contracts amounting to US$3,791,000 (2013: a net loss of US$302,000) was recognised in profit or loss during the year.

Interest rate swaps not designated as hedging instruments

The Group has entered into various interest rate swap contracts to manage its interest rate exposures. These interest rate swap contracts are not designated for hedge purposes and are measured at fair value through profit or loss. A net loss on fair value changes in interest rate swaps amounting to US$723,000 (2013: gain of US$1,534,000) was charged to profit or loss during the year.

29. INTEREST-BEARING BANK BORROWINGS

Group

	2014			2013		
	Effective interest rate (%)	Maturity	US$'000	Effective interest rate (%)	Maturity	US$'000
Current						
Bank loans – secured	**1.25%**	**2015**	**10,000**	1.26%	2014	10,000
	1.26%	**2015**	**51,500**	1.27%	2014	4,000
	1.27%	**2015**	**26,500**	1.35%	2014	5,000
Current portion of long term bank loans – secured	**LIBOR+0.8 - LIBOR+2.75**	**2015**	**41,568**	LIBOR+0.8 - LIBOR+2.75	2014	35,873
	2.39	**2015**	**792**	2.39	2014	792
	2.49	**2015**	**792**	2.49	2014	792
			131,152			56,457
Non-current						
Bank loans – secured	**LIBOR+0.8 - LIBOR+2.75**	**2016-2026**	**259,726**	LIBOR+0.8 - LIBOR+2.75	2015-2023	252,624
		2016-2022	**5,544**	2.39	2015-2022	6,048
		2016-2022	**5,544**	2.49	2015-2022	6,035
			270,814			264,707
			401,966			321,164

	Group	
	2014 US$'000	2013 US$'000
Analysed into bank loans repayable:		
Within one year or on demand	**131,152**	56,457
In the second year	**43,152**	37,457
In the third to fifth years, inclusive	**128,408**	121,972
Beyond five years	**99,254**	105,278
	401,966	321,164

29. INTEREST-BEARING BANK BORROWINGS (continued)

Group (continued)

Notes:

(a) Certain bank loans with a total carrying amount of US$133,260,000 (2013: US$91,299,000) denominated in Japanese Yen are designated as hedging instruments in respect of highly probable forecast sales transactions denominated in Japanese yen denominated in Japanese Yen. These bank loans balances vary with the levels of expected foreign currency denominated sales and changes in foreign exchange forward rate.

The terms of these bank loans match the terms of the highly probable forecast sales transactions. The cash flow hedges relating to expected future sales transactions denominated in Japanese yen were assessed to be highly effective and net gains of US$17,294,000 (2013: US$5,373,000) were included in the hedging reserve as follows:

	Group	
	2014	2013
	US$'000	US$'000
Total fair value gains on bank loans included in the hedging reserve	**17,990**	5,351
Reclassified from other comprehensive income and recognised in profit or loss	**(696)**	22
Net gains recognised in the hedging reserve during the year on bank loans designated as cash flow hedges	**17,294**	5,373

(b) The Group's bank loans are secured by mortgages over the Group's vessels and containers which had an aggregate carrying value at the end of the reporting period of approximately US$574,538,000 (2013: US$505,019,000) and US$16,376,000 (2013: Nil), respectively.

(c) Except for certain bank loans of JPY16,112,397,000 (equivalent to approximately US$133,260,000) which are denominated in Japanese yen as at 31 December 2014 (2013: JPY10,465,491,000 (equivalent to approximately US$99,097,000)), all remaining bank loans are denominated in US dollars.

(d) At 31 December 2013, SITC Maritime (Group) Company Limited and SITC Shipowning Holding Pte. Ltd., both being companies controlled by the Controlling Shareholder, had guaranteed certain of the Group's bank loans up to US$50,100,000 and US$36,212,000, respectively.

30. DEFERRED TAX

(a) The Group had no tax losses arising in Hong Kong during the year that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose (2013: Nil).

(b) The Group has tax losses arising in Mainland China of US$2,022,000 (2013: US$4,403,000), that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

(c) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

30. DEFERRED TAX (continued)

(c) (continued)

At 31 December 2014, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately US$18,424,000 at 31 December 2014 (2013: US$9,195,000).

(d) There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

31. SHARE CAPITAL

Shares

	2014		2013	
	HK$'000	US$'000 equivalent	HK$'000	US$'000 equivalent
Authorised:				
5,000,000,000 ordinary shares of HK$0.1 each (note (ii))	**500,000**		500,000	
Issued and fully paid:				
2,588,769,000 (2013: 2,585,273,000) ordinary shares of HK$0.1 each	**258,877**	**33,378**	258,527	33,333

A summary of movements in the Company's issued share capital is as follows:

	Number of issued and fully paid ordinary shares	Issued share capital		Share premium account		Total
		HK$'000	US$'000 equivalent	HK$'000	US$'000 equivalent	US$'000 equivalent
At 1 January 2013	2,584,500,000	258,450	33,323	3,165,335	407,872	441,195
Share options exercised (note (a))	773,000	77	10	2,128	274	284
At 31 December 2013 and 1 January 2014	2,585,273,000	258,527	33,333	3,167,463	408,146	441,479
Share options exercised under pre-IPO share option scheme (note (b))	1,376,000	138	18	5,402	697	715
Share options exercised under post-IPO share option scheme (note (c))	2,120,000	212	27	5,837	753	780
At 31 December 2014	2,588,769,000	258,877	33,378	3,178,702	409,596	442,974

31. SHARE CAPITAL (continued)

Shares (continued)

Notes:

(a) During the year ended 31 December 2013, subscription rights attaching to 773,000 share options issued under the post-IPO share option scheme were exercised at the subscription price of HK$1.968 per share (note 32), resulting in the issue of 773,000 shares of HK$0.1 each for a total cash consideration, before expenses, of approximately HK$1,521,000 (equivalent to approximately US$196,000). An amount of HK$684,000 (equivalent to approximately US$88,000) was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(b) During the year ended 31 December 2014, subscription rights attaching to 1,376,000 share options issued under the pre-IPO share option scheme were exercised at the subscription price of HK$3.824 per share (note 32), resulting in the issue of 1,376,000 shares of HK$0.1 each for a total cash consideration, before expenses, of approximately HK$5,262,000 (equivalent to approximately US$679,000). An amount of HK$278,000 (equivalent to approximately US$36,000) was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(c) During the year ended 31 December 2014, subscription rights attaching to 2,120,000 share options issued under the post-IPO share option scheme were exercised at the subscription price of HK$1.968 per share (note 32), resulting in the issue of 2,120,000 shares of HK$0.1 each for a total cash consideration, before expenses, of approximately HK$4,172,000 (equivalent to approximately US$538,000). An amount of HK$1,877,000 (equivalent to approximately US$242,000) was transferred from the share option reserve to the share premium account upon the exercise of the share options.

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 32 to the financial statements.

32. SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

The Company adopted a share option scheme in 2010 (the "Pre-IPO Share Option Scheme"). The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of certain employees, executives or officers of the Company made or may have made to the growth of the Company and/or the listing of shares on the Hong Kong Stock Exchange (the "Stock Exchange"). Eligible participants of the Pre-IPO Share Option Scheme include the Company's directors, including independent non-executive directors, and other employees of the Group. Upon the fulfilment of certain conditions, the Pre-IPO Share Option Scheme became effective on 31 March 2010 and will remain effective for five years commencing on the listing date of the Company on the Stock Exchange. The Pre-IPO Share Option Scheme was approved and adopted on 10 September 2010.

The aggregate number of shares that may be issued pursuant to the Pre-IPO Share Option Scheme shall not exceed 80,000,000 shares. The options granted to the participants pursuant to the Pre-IPO Share Option Scheme vest at the rate of 25% of each such grant for each year measured from the date of the first anniversary of the listing date of the Company, provided these employees remain in service at the respective vesting date.

The exercise price of share options is HK$3.824 per share, which was determined at a price equivalent to a 20% discount to the IPO price of the Company's shares of HK$4.78 per share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

32. SHARE OPTION SCHEMES (continued)

Pre-IPO Share Option Scheme (continued)

The following share options were outstanding under the Pre-IPO Share Option Scheme during the year:

	2014		2013	
	Weighted average exercise price HK$ per share	Number of options '000	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**3.824**	**71,320**	3.824	73,200
Exercised during the year	**3.824**	**(1,376)**	—	—
Forfeited during the year	**3.824**	**(2,620)**	3.824	(1,880)
At 31 December	**3.824**	**67,324**	3.824	71,320

The exercise prices and exercise periods of the share options outstanding under the Pre-IPO Share Option Scheme outstanding as at the end of the reporting period are as follows:

Number of options '000 2014	Number of options '000 2013	Exercise price* HK$ per share	Exercise period
7,324	11,320	3.824	any time commencing from the first anniversary of the IPO date to 30 September 2015
20,000	20,000	3.824	any time commencing from the second anniversary of the IPO date to 30 September 2015
20,000	20,000	3.824	any time commencing from the third anniversary of the IPO date to 30 September 2015
20,000	20,000	3.824	any time commencing from the fourth anniversary of the IPO date to 30 September 2015
67,324	71,320		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The above share options were all granted in 2010 and had a total fair value on the grant date of US$2,084,000, of which the Group recognised a share option expense of US$32,000 during the year (2013: US$174,000). At 31 December 2014, the fair value of these share options had been fully recognised in profit or loss in current year or prior years.

32. SHARE OPTION SCHEMES (continued)

Pre-IPO Share Option Scheme (continued)

The fair value of these equity-settled share options at the date of grant was determined by Jones Lang LaSalle Sallmanns using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the valuation of share options granted:

IPO date	30 September 2010
Maturity date	30 September 2015
Stock price	US$1.0
Exercise price*	HK$3.824 (80% of the IPO price)
Volatility (%)	56.70
Risk-free interest rate (%)	2.23
Dividends yield (%)	2.00
Pre-forfeiture rate (%)	0.00
Post-forfeiture rate (%)	5.00
Early exercise level	3

* The expected exercise price is subject to the adjustments in the event of any capitalisation issue, rights issue, open offer, sub-division, consolidation of shares, or reduction of capital of the Company.

The expected volatility is indicative of future trends, which may also not necessarily be the actual outcome.

There is no cash settlement alternative. The Company has not developed a past practice of cash settlement.

At the end of the reporting period, the Company had 67,324,000 (2013: 71,320,000) share options outstanding under the Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 67,324,000 additional ordinary shares of the Company and additional share capital of HK$6,732,000 (equivalent to approximately US$870,000) and share premium of HK$250,715,000 (equivalent to approximately US$32,326,000).

Subsequent to the end of the reporting period, a total of 40,000 share options issued under the Pre-IPO Share Option Scheme were forfeited.

32. SHARE OPTION SCHEMES (continued)

Post-IPO Share Option Scheme

The Company operates another share option scheme (the "Post-IPO Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Post-IPO Share Option Scheme include the Company's directors, including independent non-executive directors, and other employees of the Group. The Post-IPO Share Option Scheme became effective on 10 September 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Post-IPO Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Post-IPO Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive officer or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, or in excess of 0.1% of the shares of the Company in issue at any time, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

There is no minimum period that the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the board of directors, however no options shall be exercised 10 years after the date of grant. Each grantee shall pay a consideration of HK$1.00 at the time the option is granted.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

32. SHARE OPTION SCHEMES (continued)

Post-IPO Share Option Scheme (continued)

The following share options were outstanding under the Post-IPO Share Option Scheme during the year:

	2014		2013	
	Weighted average exercise price HK$ per share	Number of options '000	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**1.968**	**10,377**	1.968	11,400
Forfeited during the year	**1.968**	—	1.968	(250)
Exercised during the year	**1.968**	**(2,120)**	1.968	(773)
At 31 December	**1.968**	**8,257**	1.968	10,377

The weighted average share price at the date of exercise for share options exercised during the year was HK$3.86 per share (2013: HK$2.746 per share).

The exercise prices and exercise periods of the share options outstanding under the Post-IPO Share Option Scheme outstanding as at the end of the reporting period are as follows:

Number of options '000		Exercise price* HK$ per share	Exercise period
2014	2013		
3,967	4,927	1.968	25 October 2012 to 25 October 2021
4,290	5,450	1.968	25 October 2013 to 25 October 2021
8,257	10,377		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The above share options were all granted in 2011 and had a total fair value on the grant date of US$1,347,000, of which US$272,000 share option expense was recognised by the Group during the prior year. The fair value of these share options had been fully recognised in profit or loss in the prior years and hence no share option expense in respect of these share options was recognised in profit or loss in the current year.

32. SHARE OPTION SCHEMES (continued)

Post-IPO Share Option Scheme (continued)

The fair value of equity-settled share options at the date of grant was determined by BMI Appraisals Limited using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the valuation of share options granted:

Dividend yield (%)	6.12
Expected volatility (%)	53.25
Risk-free interest rate (%)	1.44
Expected life of options (year)	10
Weighted average share price (HK$ per share)	3.5

The expected life of the options was the contractual life of the options and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 8,257,000 (2013: 10,377,000) share options outstanding under the Post-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 8,257,000 additional ordinary shares of the Company and additional share capital of HK$826,000 (equivalent to approximately US$106,000) and share premium of HK$15,424,000 (equivalent to approximately US$1,989,000).

Subsequent to the end of the reporting period, a total of 30,000 share options issued under the Post-IPO Share Option Scheme were exercised.

33. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 67 and 68 of the financial statements.

(a) **Capital redemption reserve**

The capital redemption reserve arose from the repurchase and cancellation of shares in prior years.

(b) **Merger reserve**

The merger reserve comprises the excess of the Company's share of the nominal value of the paid-up capital of the subsidiaries acquired, over the Company's cost of acquisition of the subsidiaries under common control; the capital contribution from the then holding companies of the Group's subsidiaries; and the deemed distributions to the Controlling Shareholder and the acquisition of subsidiaries through business combinations under common control.

(c) **PRC reserve funds**

Pursuant to the relevant laws and regulations, a portion of the profits of the Company's subsidiaries established in the PRC has been transferred to statutory reserve funds which are restricted as to use.

(d) **Capital reserve**

The capital reserve represents the difference between the amount of share repurchase consideration and the amount of the subscription monies of repurchased shares.

(e) **Share-based compensation reserve**

The share-based compensation reserve represents the difference between the fair value and consideration of the shares of the Company or its holding companies purchased by the Group's employees.

33. RESERVES (continued)

Group (continued)

(f) Share option reserve

The share option reserve comprises the fair value of the share options granted which are yet to be exercised as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited after being vested.

(g) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net gain or loss on the hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flows in accordance with the accounting policy adopted for cash flow hedges.

(h) Available-for-sale investment revaluation reserve

The available-for-sale investment revaluation reserve represents unrealised gains and losses arising from changes in fair value of available-for-sale investments.

(i) Exchange fluctuation reserve

The exchange fluctuation reserve represents the differences arising from the translation of assets and liabilities and profit or loss of subsidiaries, whose functional currencies are not the US dollar, into the presentation currency of the Group.

33. RESERVES (continued)

Company

	Share premium account US$'000	Capital redemption reserve US$'000	Share option reserve US$'000	Available-for-sale investments revaluation reserve US$'000	Retained profits US$'000	Total US$'000
At 1 January 2013	407,872	202	2,779	—	42,158	453,011
Profit for the year and total comprehensive income for the year (note 11)	—	—	—	—	106,750	106,750
Final 2012 dividend paid	—	—	—	—	(39,966)	(39,966)
Special dividend paid (note 12)	—	—	—	—	(33,344)	(33,344)
Issue of shares upon exercise of share options under the Post-IPO Share Option Scheme (note 31)	274	—	(88)	—	—	186
Transfer of share option reserve upon forfeiture or expiry of share options	—	—	(78)	—	78	—
Share option expense (note 32)	—	—	446	—	—	446
At 31 December 2013 and 1 January 2014	408,146	202	3,059	—	75,676	487,083

33. RESERVES (continued)

Company (continued)

	Share premium account US$'000	Capital redemption reserve US$'000	Share option reserve US$'000	Available-for-sale investments revaluation reserve US$'000	Retained profits US$'000	Total US$'000
Profit for the year (note 11)	—	—	—	—	90,026	90,026
Other comprehensive income for the year:						
Changes in fair value of available-for-sale investments, net	—	—	—	(274)	—	(274)
Total comprehensive income for the year	—	—	—	(274)	90,026	89,752
Final 2013 dividend paid	—	—	—	—	(49,988)	(49,988)
Special dividend paid (note 12)	—	—	—	—	(33,369)	(33,369)
Issue of shares upon exercise of share options under the Pre-IPO Share Option Scheme (note 31)	697	—	(36)	—	—	661
Issue of shares upon exercise of share options under the Post-IPO Share Option Scheme (note 31)	753	—	(242)	—	—	511
Transfer of share option reserve upon forfeiture or expiry of share options	—	—	(68)	—	68	—
Share option expense (note 32)	—	—	32	—	—	32
At 31 December 2014	409,596	202	2,745	(274)	82,413	494,682

34. BUSINESS COMBINATIONS

On 22 April 2014, the Group acquired 60% of the registered capital of Tianjin Xin Hua Xi, a private company established in the PRC specialising in depot services, for a total cash consideration of US$2,146,000, of which US$1,940,000 was paid on 22 April 2014 and the remaining balance of US$206,000 was paid on 8 July 2014.

On 30 June 2014, the Group acquired 60% of the registered capital of Qingdao Smart Cargo Logistics Co., Ltd. ("Qingdao Smart Cargo"), a private company established in the PRC specialising in warehouse and depot services, for a total cash consideration of US$5,487,000, of which US$2,496,000 was paid on 30 June 2014 and the remaining balance of US$2,991,000 was paid on 3 July 2014.

The purpose of the acquisitions of Tianjin Xin Hua Xi and Qingdao Smart Cargo is to consolidate and expand the Group's land-based logistics service chain as part of the Group's strategy. The Group has elected to measure the non-controlling interest in Tianjin Xin Hua Xi and Qingdao Smart Cargo at the non-controlling interest's proportionate share of Tianjin Xin Hua Xi and Qingdao Smart Cargo's identifiable net assets, respectively.

The fair values of the identifiable assets and liabilities of Tianjin Xin Hua Xi and Qingdao Smart Cargo as at their respective dates of acquisition were as follows:

		Fair value recognised on acquisition		
		Tianjin Xin Hua Xi	Qingdao Smart Cargo	Total
	Notes	US$'000	US$'000	US$'000
Property, plant and equipment		1,523	2,939	4,462
Prepaid land lease payments		—	9,273	9,273
Cash and bank balances		156	5	161
Trade receivables		171	—	171
Other current assets		368	167	535
Trade payables		(158)	—	(158)
Other current liabilities		(386)	(2,149)	(2,535)
Total identifiable net assets at fair value		1,674	10,235	11,909
Non-controlling interests		(670)	(4,094)	(4,764)
Goodwill arising on acquisition	16	1,142	—	1,142
Gain on bargain purchase recognised in other income and gains, net in profit or loss	5	—	(654)	(654)
		2,146	5,487	7,633
Satisfied by cash		2,146	5,487	7,633
Revenue contribution since acquisition		3,917	17	3,934
Profit/(loss) for the year since acquisition		(283)	175	(108)

34. BUSINESS COMBINATIONS (continued)

The Group incurred transaction costs of US$28,000 and US$36,000 for the acquisition of Tianjin Xin Hua Xia and Qingdao Smart Cargo, respectively. These transaction costs have been expensed and are included in administrative expenses in profit or loss.

The goodwill arising from the acquisition of Tianjin Xin Hua Xi represented the premium paid for the Group's strategy to consolidate its land-based logistics service chain. The goodwill is not expected to be deductible for income tax purposes.

The gain on bargain purchase arising from the acquisition of Qingdao Smart Cargo represented the difference between the consideration for the acquisition of Qingdao Smart Cargo and the fair value of the assets acquired.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	Tianjin Xin Hua Xi	Qingdao Smart Cargo	Total
	US$'000	US$'000	US$'000
Cash consideration	(2,146)	(5,487)	(7,633)
Cash and bank balances acquired	156	5	161
Net cash outflow included in cash flows from investing activities	(1,990)	(5,482)	(7,472)
Transaction costs of the acquisitions included in cash flows from operating activities	(28)	(36)	(64)
	(2,018)	(5,518)	(7,536)

Had the business combinations taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been US$1,379,586,000 and US$103,880,000, respectively.

35. FINANCIAL GUARANTEES

As at 31 December 2014, the Company had provided a guarantee of US$493,562,000 (2013: US$394,080,000) with respect of banking facilities made available to its subsidiaries. As at 31 December 2014, the banking facilities granted to its subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of US$401,966,000 (2013: US$234,835,000).

36. OTHER CONTINGENT LIABILITIES

Save as disclosed in note 35, at the end of the reporting period, neither the Group nor the Company had other significant contingent liabilities.

37. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases to third parties certain of its vessels (note 14 to the financial statements) and certain land and buildings to third parties and joint ventures (note 15 to the financial statements) under operating lease arrangements. Leases for vessels are negotiated for terms ranging from 10 to 24 months and those for land are for terms ranging from 3 to 10 years.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2014 US$' 000	2013 US$' 000
Within one year	**22,137**	10,341
In the second to fifth years, inclusive	**7,778**	3,749
After five years	**354**	462
	30,269	14,552

(b) As lessee

The Group leases containers, vessels, office properties and warehouses for business use under operating leases arrangements. Leases for containers are negotiated for terms ranging from one to ten years, those for vessels are for terms ranging from one to two years, those for office properties and warehouses are for terms ranging from one to five years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2014 US$' 000	2013 US$' 000
Within one year	**74,534**	76,444
In the second to fifth years, inclusive	**71,505**	78,334
After five years	**20,749**	771
	166,788	155,549

38. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 37 above, the Group had capital commitments of US$196,000,000 (2013: US$255,880,000) in total, which are contracted, but not provided for, in respect of acquisition of vessels at the end of the reporting period.

39. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		Group	
	Notes	**2014**	2013
		US$'000	US$'000
Companies controlled by the Controlling Shareholder:			
Container marine transportation services income	(i)	**17,153**	16,453
Container vessel rental expenses	(ii)	**1,815**	1,987
Shipping agency fee income	(i)	**808**	—
Shipping agency fee expenses	(iii)	**1,707**	1,203
Vessel management income	(i)	**64**	73
Freight forwarding services expense	(iii)	—	33
Freight forwarding services income	(i)	—	28
Custom services income	(i)	—	2
Joint ventures:			
Container marine transportation services income*	(i)	**133,446**	56,911
Freight forwarding services income for marine transportation*	(i)	**1,169**	2,056
Warehousing expenses*	(ii)	**5,553**	8,850
Freight forwarding services expenses*	(ii)	—	163
Land and buildings rental income*	(iv)	**1,064**	889
Shipping agency fee income*	(i)	**1,362**	1,502
Shipping agency fee expenses*	(iii)	**2,817**	2,560
Customs service income*	(i)	**16**	12
Associates:			
Container marine transportation services income*	(i)	**57,127**	18,521
Shipping agency fee expenses*	(iii)	**540**	493
Freight forwarding services income*	(i)	**92**	—

39. RELATED PARTY DISCLOSURES (continued)

(a) (continued)

Notes:

(i) The container marine transportation services income, shipping agency fee income, vessel management income, freight forwarding services income and custom services income from companies controlled by the Controlling Shareholder, joint ventures and associates were conducted according to the published prices and conditions similar to those offered to the major customers of the Group.

(ii) The container vessel rental expenses to companies controlled by the Controlling Shareholder are based on market price.

(iii) The shipping agency fee expenses, warehousing expenses and freight forwarding services expenses to companies controlled by the Controlling Shareholder, joint ventures and associates were conducted according to the published prices and conditions similar to those offered by the major suppliers of the Group.

(iv) The land and building rental income from joint ventures are based on the market price.

(b) Compensation of key management personnel of the Group which are also the directors of the Company, is as follows:

	2014 US$' 000	2013 US$' 000
Short term employee benefits	**2,740**	2,659
Post-employment benefits	**73**	48
Equity-settled share option expenses	**5**	169
Total compensation paid to key management personnel	**2,818**	2,876

Further details of the directors' and the chief executive officer's emoluments are included in note 8 to the financial statements.

(c) Other transactions with related parties:

(i) On 19 December 2014, the Group entered into a memorandum of agreement with SITC Steamships, pursuant to which the Group agreed to sell and SITC Steamships agreed to acquire the container vessel "SITC Shanghai" at a consideration of US$3,400,000. "SITC Shanghai" had not been delivered to SITC Steamships and it was still being leased to a charterer for use by the Group as at the end of the reporting period, as further detailed in note 14 to the financial statements. The delivery will take place when the lease expire on or before 30 June 2015.

(ii) At 31 December 2013, certain companies controlled by the Controlling Shareholder had guaranteed certain of the Group's bank loans up to US$86,312,000, as further detailed in note 29 to the financial statements.

Except for item (b) and those transactions identified with "*", the above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

As at 31 December 2014

Financial assets

	Financial assets at fair value through profit or loss – designated as such upon initial recognition US$'000	Held-to-maturity investments US$'000	Loans and receivables US$'000	Available-for-sale financial assets US$'000	Total US$'000
Held-to-maturity investments	—	57,127	—	—	57,127
Available-for-sale investments	—	—	—	3,571	3,571
Trade receivables	—	—	66,633	—	66,633
Financial assets included in prepayments, deposits and other receivables	—	—	16,853	—	16,853
Due from related companies	—	—	247	—	247
Derivative financial instruments	3,596	—	—	—	3,596
Cash and cash equivalents	—	—	428,247	—	428,247
	3,596	57,127	511,980	3,571	576,274

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group (continued)

As at 31 December 2014 (continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss – designated as such upon initial recognition US$'000	Financial liabilities at amortised cost US$'000	Total US$'000
Trade payables	—	141,294	141,294
Financial liabilities included in other payables and accruals	—	31,319	31,319
Due to related companies	—	3,409	3,409
Derivative financial instruments	749	—	749
Interest-bearing bank borrowings	—	401,966	401,966
	749	577,988	578,737

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group (continued)

As at 31 December 2013

Financial assets

	Financial assets at fair value through profit or loss – designated as such upon initial recognition US$'000	Held-to-maturity investments US$'000	Loans and receivables US$'000	Available-for-sale financial assets US$'000	Total US$'000
Held-to-maturity investments	—	8,262	—	—	8,262
Available-for-sale investments	—	—	—	1,239	1,239
Trade receivables	—	—	76,560	—	76,560
Financial assets included in prepayments, deposits and other receivables	—	—	11,456	—	11,456
Due from related companies	—	—	996	—	996
Derivative financial instruments	5,514	—	—	—	5,514
Restricted bank balances	—	—	1,890	—	1,890
Cash and cash equivalents	—	—	431,136	—	431,136
	5,514	8,262	522,038	1,239	537,053

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group (continued)

As at 31 December 2013 (continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss – designated as such upon initial recognition US$'000	Financial liabilities at amortised cost US$'000	Total US$'000
Trade payables	—	145,462	145,462
Financial liabilities included in other payables and accruals	—	31,172	31,172
Due to related companies	—	13,528	13,528
Derivative financial instruments	1,200	—	1,200
Interest-bearing bank borrowings	—	321,164	321,164
	1,200	511,326	512,526

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

Financial assets

	2014			2013	
	Available-for-sale financial assets US$'000	Loans and receivables US$'000	Total US$'000	Loans and receivables US$'000	Total US$'000
Available-for-sale investments	2,323	—	2,323	—	—
Financial assets included in prepayments, deposits and other receivables	—	—	—	61	61
Due from a subsidiary	—	376,041	376,041	410,818	410,818
Dividend receivable	—	90,000	90,000	49,988	49,988
Cash and cash equivalents	—	283	283	136	136
	2,323	466,324	468,647	461,003	461,003

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts		Fair values	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Financial assets				
Available-for-sale investments:				
Listed equity investments, at fair value	**2,323**	—	**2,323**	—
Club debentures, at fair value	**568**	559	**568**	559
Derivative financial instruments	**3,596**	5,514	**3,596**	5,514
	6,487	6,073	**6,487**	6,073
Financial liabilities				
Derivative financial instruments	**749**	1,200	**749**	1,200

Company

	Carrying amounts		Fair values	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Financial assets				
Available-for-sale investments:				
Listed equity investments, at fair value	**2,323**	—	**2,323**	—

The unlisted equity investments of the Group's available-for-sale investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably.

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, pledged deposits, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to related companies, an amount due from a subsidiary and dividend receivables approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the Chief Financial Officer and the Audit Committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the Chief Financial Officer. The valuation process and results are discussed with the Audit Committee twice a year for interim and annual financial reporting.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of the financial assets and liabilities are included at the amounts at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments and club debenture of available-for-sale investments at fair value are based on quoted market prices. The directors believe that the estimated fair values resulting from the changes in quoted market prices, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair values of held-to-maturity financial instruments and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The non-performance risk from the Group for its interest-bearing bank borrowings as at 31 December 2014 was assessed to be insignificant.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions of creditworthy banks. Derivative financial instruments, including forward currency contracts and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts and interest rate swaps are the same as their fair values.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Group

As at 31 December 2014:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Available for-sale investments:				
Listed equity investments, at fair value	2,323	—	—	2,323
Club debentures, at fair value	568	—	—	568
Derivative financial instruments	—	3,596	—	3,596
	2,891	3,596	—	6,487

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Assets measured at fair value: (continued)

Group (continued)

As at 31 December 2013:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Available-for-sale investments:				
Club debentures, at fair value	559	—	—	559
Derivative financial instruments	—	5,514	—	5,514
	559	5,514	—	6,073

Company

As at 31 December 2014:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	**Significant observable inputs (Level 2) US$'000**	**Significant unobservable inputs (Level 3) US$'000**	**Total US$'000**
Available-for-sale investments:				
Listed equity investments, at fair value	**2,323**	—	—	**2,323**

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value:

Group

As at 31 December 2014:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	US$'000	US$'000	US$'000	US$'000
Derivative financial instruments	—	**749**	—	**749**

As at 31 December 2013:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	US$'000	US$'000	US$'000	US$'000
Derivative financial instruments	—	1,200	—	1,200

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 (2013: Nil) and no transfer into or out of Level 3 for both financial assets and financial liabilities (2013: Nil).

The Company did not have any financial assets measured at fair value as at 31 December 2013 and financial liabilities measured at fair value as at 31 December 2014 (2013: Nil).

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to maintain between 5% and 50% of its interest-bearing borrowings at fixed interest rates. To manage this mix in a cost-effective manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2014, after taking into account the effect of the interest rate swaps, approximately 47% (2013: 39%) of the Group's interest-bearing borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax US$'000
2014		
United States dollar	**100**	**(1,138)**
Japanese yen	**100**	**(1,093)**
United States dollar	**(100)**	**1,138**
Japanese yen	**(100)**	**1,093**
2013		
United States dollar	100	(997)
Japanese yen	100	(991)
United States dollar	(100)	997
Japanese yen	(100)	991

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. In addition, certain bank loans were denominated in currencies other than the functional currencies of the entities to which they relate. Approximately 60% (2013: 68%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 53% (2013: 43%) of costs were denominated in the units' functional currencies. The Group requires all its operating units to use forward currency contracts to manage the foreign currency exposures on transactions in excess of certain amounts of Japanese yen and Renminbi for which receipts are anticipated in more than one month after the Group has entered into firm commitments for sales. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm underlying sales or purchase commitment is in place.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

At 31 December 2014, the Group had hedged 16% (2013: 12%) of its foreign currency sales for which firm commitments existed at the end of the reporting period.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of certain interest-bearing bank borrowings designated as hedging instruments).

	Increase/ (decrease) in rate %	Increase/ (decrease)/ in profit before tax US$'000	Increase/ (decrease) in equity US$'000
2014			
If United States dollar weakens against Renminbi	**5.0**	**9,190**	—
If United States dollar strengthens against Renminbi	**(5.0)**	**(9,190)**	—
If United States dollar weakens against Japanese yen	**5.0**	**1,162**	**(5,964)**
If United States dollar strengthens against Japanese yen	**(5.0)**	**(1,162)**	**5,964**
2013			
If United States dollar weakens against Renminbi	5.0	5,590	—
If United States dollar strengthens against Renminbi	(5.0)	(5,590)	—
If United States dollar weakens against Japanese yen	5.0	689	—
If United States dollar strengthens against Japanese yen	(5.0)	(689)	—

* Excluding retained profits

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale investments, amounts due from related companies, other receivables and certain derivative instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 22 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group's policy is that not more than 90% of borrowings should mature in any 12-month period. 32% of the Group's debts will mature in less than one year from 31 December 2014 (2013: 18%) based on the carrying values of borrowings included in the financial statements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2014				
	Within one year or on demand US$'000	In the second year US$'000	In the third to fifth years, inclusive US$'000	In the sixth to tenth years, inclusive US$'000	Total US$'000
Interest-bearing bank borrowings	**137,595**	**48,598**	**139,249**	**105,781**	**431,223**
Trade payables	**141,294**	—	—	—	**141,294**
Financial liabilities included in other payables and accruals	**33,042**	—	—	—	**33,042**
Due to related companies	**3,409**	—	—	—	**3,409**
Derivative financial instruments	**216**	**144**	**216**	**195**	**771**
	315,556	**48,742**	**139,465**	**105,976**	**609,739**

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Group (continued)

	2013				
	Within one year or on demand	In the second year	In the third to fifth years, inclusive	In the sixth to tenth years, inclusive	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Interest-bearing bank borrowings	63,762	43,807	135,615	113,516	356,700
Trade payables	145,462	—	—	—	145,462
Financial liabilities included in other payables and accruals	31,170	—	—	—	31,170
Due to related companies	13,528	—	—	—	13,528
Derivative financial instruments	855	143	184	18	1,200
	254,777	43,950	135,799	113,534	548,060

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 31 December 2013.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

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 ratio. Net debt includes interest-bearing bank borrowings, trade and other payables and accruals, amounts due to related companies, less cash and cash equivalents. Adjusted capital includes equity attributable to shareholders of the Company less the hedging reserve. The gearing ratios as at the end of the reporting periods were as follows:

Group

	2014	2013
	US$'000	US$'000
Interest-bearing bank borrowings	**401,966**	321,164
Trade payables	**141,294**	145,462
Other payables and accruals	**42,621**	42,244
Due to related companies	**3,409**	13,528
Less: Cash and cash equivalents	**(428,247)**	(431,136)
Net debt	**161,043**	91,262
Equity attributable to shareholders of the Company	**790,933**	743,349
Hedging reserve	**(22,580)**	(8,544)
Adjusted capital	**768,353**	734,805
Capital and net debt	**929,396**	826,067
Gearing ratio	**17%**	11%

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 9 March 2015.

Five Year Financial Summary

A summary of consolidated results and of the assets, liabilities and equity of SITC International Holdings Company Limited (the "Company") and its subsidiaries (together the "Group") for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

The summary below does not form part of the audited financial statements.

	Year ended 31 December				
	2014	2013	2012	2011	2010
	US$'000	US$'000	US$'000	US$'000	US$'000
			(Restated)	(Restated)	(Restated)
RESULTS					
REVENUE	**1,376,952**	1,267,329	1,212,431	1,066,282	857,954
Cost of sales	**(1,210,874)**	(1,124,350)	(1,070,664)	(947,800)	(693,391)
Gross profit	**166,078**	142,979	141,767	118,482	164,563
Other income and gains, net	**31,443**	37,772	14,205	34,478	2,374
Administrative expenses	**(69,375)**	(65,150)	(60,682)	(52,115)	(41,251)
Other expenses and losses	**(3,466)**	(185)	(18,325)	(4,576)	(13,650)
Finance costs	**(9,504)**	(8,177)	(3,369)	(2,685)	(1,849)
Share of profits and losses of:					
Joint ventures	**9,349**	7,742	6,640	5,145	4,522
Associates	**701**	371	548	258	133
PROFIT BEFORE TAX	**125,226**	115,352	80,784	98,987	114,842
Income tax	**(4,130)**	(2,251)	(2,293)	(2,004)	(1,518)
PROFIT FOR THE YEAR	**121,096**	113,101	78,491	96,983	113,324
Profit attributable to:					
Shareholders of the Company	**120,680**	112,410	83,920	95,199	112,604
Non-controlling interests	**416**	691	(5,429)	1,784	720
	121,096	113,101	78,491	96,983	113,324

	As at 31 December				
ASSETS, LIABILITIES AND EQUITY	**2014**	2013	2012	2011	2010
	US$'000	US$'000	US$'000	US$'000	US$'000
TOTAL ASSETS	**1,389,845**	1,269,368	1,080,990	900,167	819,865
TOTAL LIABILITIES	**(592,651)**	(524,077)	(387,851)	(243,098)	(222,382)
NET ASSETS	**797,194**	745,291	693,139	657,069	597,483
Represented by:					
Equity attributable to shareholders of the Company	**790,933**	743,349	695,551	652,233	594,580
Non-controlling interests	**6,261**	1,942	(2,412)	4,836	2,903
TOTAL EQUITY	**797,194**	745,291	693,139	657,069	597,483