SITC

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

The Winner of 2018 SITC Team Building Activities--"SITC in My Eyes" Painting Contest：Zhou Cheng (周誠)

2018 ANNUAL REPORT


SITC
107
OOCTU
T107

Contents

Corporate Profile

SITC International Holdings Company Limited (the "**Company**" or "**SITC**" or "**we**") is an Asia's leading shipping logistics company that provides integrated transportation and logistics solutions. As at 31 December 2018, we ranked the 18th 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 market in terms of shipping volume, according to Drewry Maritime Services (Asia) Pte Ltd, an independent industry consultant.

The following map illustrates the intra-Asia container shipping routes (including trade lanes operated through joint services and container slot exchange arrangements) and land integrated logistics network of the Group as of 31 December 2018:

Our business can be segregated into two main business segments: container shipping and logistics segment and dry bulk and others segment. Our container shipping and logistics segment principally covers integrated logistics services such as the provision of container transportation, freight forwarding, shipping agency, depot and warehousing, etc. Our dry bulk and others segment principally covers the provision of dry bulk vessel leasing, land leasing and air-freight forwarding services.

Corporate Information

DIRECTORS

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

BOARD COMMITTEES

Audit and Risk Management Committee

TSUI Yung Kwok *(Chairman)*
LO Wing Yan, William
NGAI Wai Fung

Remuneration Committee

YEUNG Kwok On *(Chairman)*
YANG Shaopeng
YANG Xianxiang
TSUI Yung Kwok
NGAI Wai Fung

Nomination Committee

YANG Shaopeng *(Chairman)*
YANG Xianxiang
YEUNG Kwok On
LO Wing Yan, William
NGAI Wai Fung

Disclosure Committee

YANG Xianxiang *(Chairman)*
LIU Kecheng
XUE Peng
XUE Mingyuan
LAI Zhiyong

Sustainable Development Committee

YANG Xianxiang *(Chairman)*
LIU Kecheng
XUE Peng
XUE Mingyuan
LAI Zhiyong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

CORPORATE HEADQUARTER

21/F, World Trade Centre
280 Gloucester Road
Causeway Bay
Hong Kong

AUTHORIZED REPRESENTATIVES

LIU Kecheng
XUE Peng

JOINT COMPANY SECRETARIES

XUE Peng
CHAN Wai Ling (FCS, FCIS (PE))

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor,
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

Corporate Information

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
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 (by alphabetical order)

ANZ Bank
Bank of America
Bank of China
Bank of China (Hong Kong) Limited
China Merchants Bank
Citibank, N.A
Standard Chartered Bank (Hong Kong) Limited
Sumitomo Mitsui Banking Corporation
The Hongkong and Shanghai Banking Corporation Limited

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

		2018	2017	Change
Results				
Turnover	US$'000	**1,449,088**	1,348,385	7.5%
Profit attributable to shareholders of the Company	US$'000	**197,514**	188,613	4.7%
Basic earnings per share	US cents	**7.44**	7.15	4.1%
Profit margin	%	**13.7**	14.1	(0.4) pt.
Net cash flows from operating activities	US$'000	**238,477**	247,806	(3.8)%
Financial Position				
Equity attributable to shareholders of the Company	US$'000	**1,037,032**	963,518	7.6%
Net current assets	US$'000	**233,159**	275,225	(15.3)%
Interest bearing bank borrowings	US$'000	**313,665**	415,423	(24.5)%
Financial Ratio				
Return on equity (note 1)	%	**19.7**	20.5	(0.8) pt.
Return on assets (note 2)	%	**12.6**	12.4	0.2 pt.
Assets turnover ratio (note 3)	times	**0.92**	0.88	0.04
Gearing ratio (note 4)	%	**11**	9	2 pt.
Operating Statistics				
Number of container vessels operated as at year end	vessels	**79**	77	2
Container shipping volume - Container shipping and supporting logistics	TEU	**2,399,169**	2,385,881	13,288

Note 1

Return on equity is calculated by using the 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.

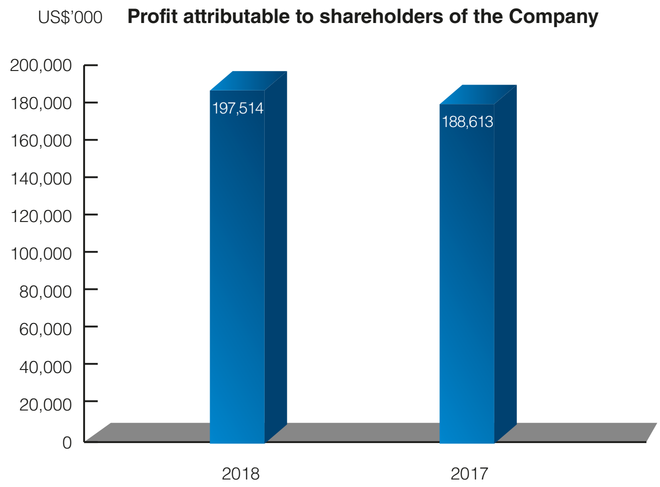
Note 3

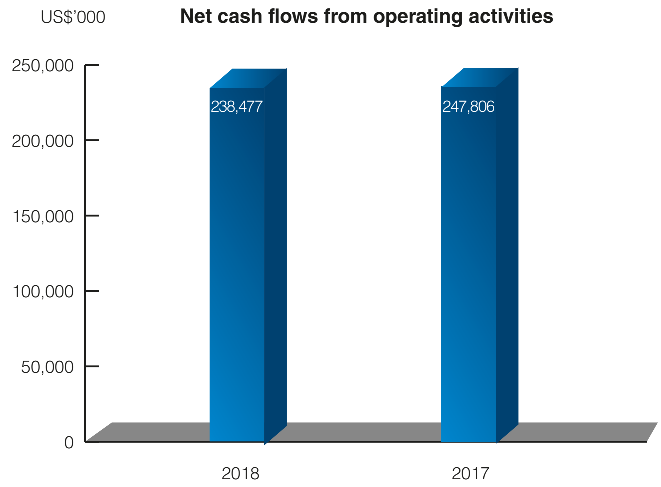
Assets turnover ratio is calculated by using the turnover and the average balance of total assets as at beginning of year and end of year.

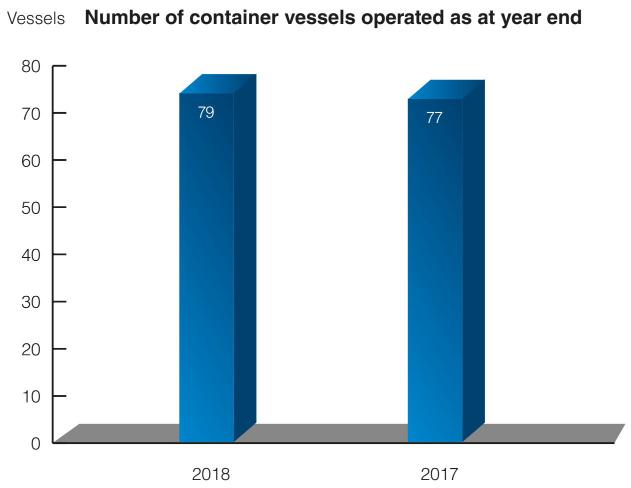
Note 4

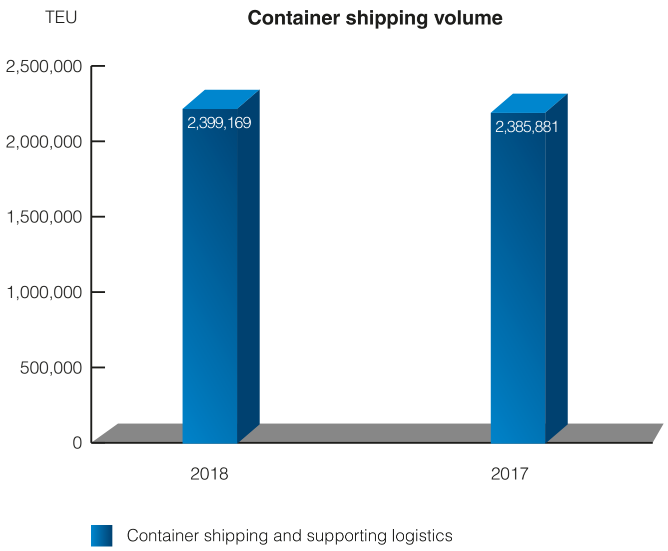
Gearing ratio is calculated by using net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank borrowings, trade and other payables, accruals, amounts due to related companies, less cash and cash equivalents. Adjusted capital includes equity attributable to owners of the parent less the hedging reserve.

Financial and Operating Highlights









Major Milestones in 2018

On 11 January 2018, China Shipping 50 Forum, the 14th China Freight Industry Award • Innovation Award, 2017 China Shipping Celebrity Ceremony were held in Guangzhou. On the ceremony, SITC won many awards, including 2017 Carrier Innovation Award, 2017 Freight Forwarding and Logistics Innovation Award. Chairman of SITC, Mr. Yang Shaopeng and Vice Chairman & CEO, Mr. Yang Xianxiang were rewarded as "the Most Influential Person of 2017 Shipping Year", President of SITC Shipping Group, Mr. Xue Mingyuan, rounded out "2017 China Shipping Celebrity List" released by China Shipping Gazatte.

On 26 January 2018, SITC Shipowning Group Company Limited exercised option for the construction of two container vessels.

On 7 February 2018, the opening ceremony of Dalian Hantong Logistics Co., Ltd. was held in Dayaowan, Dalian. The business scope is container management, loading and unloading, P.T.I, M&R and G.O.H.

China-Europe Block Train (Qinzhou) Product Launch Conference was held by SITC Logistics and Guangxi Sino-Europe Railway Logistics at Haiphong on 13 March 2018 and at Bangkok on 15 March 2018. Mr. Hu Suojin, SITC Logistics and Guangxi Sino-Europe Railway Logistics will open together a new model of sea rail combined transportation from South east asia to Europe via Qinzhou, China. This will be new breakthroughs and provide new convenient transportation channel for cargo exported to Mid Asia, Russia and Europe from South east asia and south of China.

On 16 March 2018, SITC and Guangzhou Port Group have held the signing ceremony of strategic cooperation between SITC Container Lines and Guangzhou Port and the new route announcement at Guangzhou Port Nansha Port Phase III Terminal. Both sides will play a role on their advantages to form a strong alliance in areas like market development, feeder cooperation, etc. By this, both sides could achieve resources sharing and advantages complementing so that the products and services of both companies could be extended and developed.

The prestigious 6th Tao Zhu Gong Awards ceremony was held on 20 March 2018 in Beijing. The Company was awarded as the Winner in Top Local or Global Banking Solution., recommended by Citibank and Standard Chartered Bank.

On 26 March 2018, SITC Container Lines' China-Indonesia express service of CVI calls Nansha officially. It takes a solid first step for the strategic cooperation between SITC & GZ Port Group.

On 17 April 2018, M/V. SITC KAWASAKI, the KAWASAKI- THAILAND Service of VTX3 Line, has successfully berthed at KAWASAKI Port and held the mainden voyage ceremony in Kawasaki terminal. As the fifth Line of SITC operated in Kawasaki which from 2012, VTX3 Line provides the first express service of Thailand/Vietnam-Japan, and it continuously enriches the service network of SITC in Kawasaki port.

On 11 May 2018, the launching ceremony of Qingdao SITCLAF supply chain platform was jointly prepared by SITC and LAF packaging. Qingdao SITCLAF Supply Chain Management Co., Ltd.'s business purpose is to rely on the advantages of having resources from both shareholders to create and win together, for bulk fluid customers to provide safety, environmental protection, efficient integrated logistics solutions, so as to build the largest and most professional bulk cargo container road, rail, sea freight Integrated transport service system and logistics supply chain management platform.

On 16 May 2018, during the 15th China International Logistics Festival, the chairman of SITC, Mr. Yang Shaopeng, was selected at Reform and Opening 40 years, Logistics Celebrity 40 List. *Logistics Time* launched the event, and celebrity list was finalized through online poll, news exposure and expert reviews. The award recognizes enterprise leaders for outstanding achievements in the logistics growth and innovation.

On 21 May 2018, the director of Shanghai Transport Committee Xie Feng and President of Shanghai Shipping Exchange Zhang Ye visited SITC Japan. CEO of SITC, Yang Xianxiang, and SITC JAPAN GM Zhang Lijie attended the meeting. Yang CEO introduced the growth and business status of SITC. Director Xie highly praised SITC's unique business model and high efficiency. The two sides also fully exchanged opinions on the prospects and planning of shipping industry.

Major Milestones in 2018

From 23 to 24 of May 2018, four CCS auditors carried out the DOC annual audit of SITC Shipping Management (Shanghai) Co., Ltd. SITC Shipping Management (Shanghai) Co., Ltd. passed the DOC annual audit successfully after two days audit.

On 24 May 2018, MBA students from the University of Nevada, Las Vegas (UNLV) visited SITC Shanghai Office. For 2018, UNLV made overseas study trip with the theme of "Doing Business in China." 28 Students from Education, IT Services, Chemical Manufacturing, Retail, Venture Capital, News & Media, etc. participated in this program.

On 25 May 2018, the students from "2018 Portuguese-speaking Countries Seminar" of Shandong Foreign Trade Vocational College came to visit SITC Shanghai Office. The seminar was composed of 35 main leaders from Customs, Trade Ministry of Cape Verde and Brazil.

On 29 May 2018, Mr. Nguyen Dang Nghiem, the President of Saigon Newport Corporation and main leaders visited SITC Shanghai Office again. At this meeting, the two sides discussed the beginning of the new development to explore the opportunities for multi – field cooperation. At the same time, it is full of expectations for Saigon Newport Corporation and SITC to establish closer links and expand the win-win relationship.

On 30 May 2018, SITC signed the cooperation framework agreement with Shanghai Maritime University, School of Economics and Management, and launched orientation program.

On 26 June 2018, SITC entered into the Shipbuilding Contracts with Jiangsu Yangzijiang Shipbuilding Co. Ltd, pursuant to which the seller agreed to construct two container vessels for SITC.

On 11 July 2018 "2018 China International Seafarer Forum" and "Opening Ceremony of the 2018 Zheng He Sailing Voyage List" organized by CNSS and several industry organizations was held in Shanghai. SITC won the "Pioneer Enterprise of 21st Century Maritime Silk Road in 2017 Shipping Industry".

On 24 August 2018, the students from "Syria Customs Quality Inspection Management Seminar" of Shandong Foreign Trade Vocational College came to visit SITC Shanghai Office. Twenty leading officials from Syrian Department of Transportation, Customs Service and related departments were briefed on SITC's development history, operation status, etc. They also watched the demonstration of ship targeting system.

On 31 August 2018, SITC Vietnam and SITC logistics Vietnam attended the launch conference held by CELB. At the conference, SITC and CELB signed co-operation contracts. The mayor of Chong Qing city and the Vice Minister of Ministry of Industry and Trade Vietnam witnessed the unveiling ceremony of "INTERNATIONAL CARGO DISTRIBUTION CENTER OF HAIPHONG", "INTERNATIONAL CARGO DISTRIBUTION CENTER OF HANOI" and "INTERNATIONAL CARGO DISTRIBUTION CENTER OF HO CHI MINH" between SITC and CELB.

On 6 September 2018, CEO, Mr. Yang Xianxiang, inspected Osaka and Kobe Ports, which were affected by the No. 21 typhoon. Yang CEO visited the four terminals that SITC called, inquired about the damage situation and the countermeasures in detail, and proposed the optimal plan for the recovery of the affected lines.

On 8 September 2018, "SITC Davao" arrived at Dongjiakou Port., and this marked SITC maiden voyage of the foreign trade route in Dongjiakou Port.

On 20 September 2018, the Naming & Delivery Ceremony of M/V "SITC TOYOHASHI" was successfully held at Busan, Korea, by SITC International Holdings Co., Ltd. (SITC) and Dae Sun Shipbuilding & Engineering Co., Ltd (Dae Sun).

On 20 September 2018, the 15th China Freight Industry Awards Ceremony was held in Shanghai. On the ceremony, SITC won many awards, including "Top 10 Enterprise Comprehensive Service of Container Liner", "Best Efficiency Service of Container liner", and "China's Freight Forwarding Brand Top 50".

On 12 October 2018, endless Road Ahead, Join Hands Together--SITC International 2018 Gobi Expedition begins, SITC Gobi Challengers officially set foot on the desert of the Gobi Desert, jointly opening a three-day, two-night, 88-kilometer non-stop hiking road challenge.

On 17 October 2018, SITC Logistics Group signed strategic cooperation agreement with Chengdu Port Investment Group and Guangzhou Port Logistics Group at Shenzhen. The three parties reached a consensus to stablish and deepen business partnership with each other, realizing the advantage complementation and mutual benefit. The three parties also agreed to build the sea rail intermodal channel of "Chengdu-Guangzhou" together, creating one convenient, stable, energetic sea rail intermodal channel for manufacturing enterprises and logistics companies of both places and neighboring regions.

In October 2018, a severe earthquake and tsunami in the Palu area in central Sulawesi caused heavy losses. On 19 October 2018, with the help of PELINDO4 PEDULI, Dwi Indriyani, head of the Makassar branch donated Rp 50,000,000.00 to the Palu disaster area on behalf of SITC for the resettlement of the victims and the reconstruction of the home after the disaster.

On 2 November 2018, SITC entered into the Shipbuilding Contracts with Jiangsu Yangzijiang Shipbuilding Co. Ltd, pursuant to which the seller agreed to construct three container vessels for SITC.

On 12 November 2018, SIPG Football Club held "Champion SIPG, Glory Shanghai" season summary convention. As the long-standing sponsor of SIPG football team, and also the sponsor of this celebration dinner, SITC was invited to attend the activity to celebrate Shanghai SIPG Team won the championship in 2018 CSL.

On 19 November 2018, SITC and Sinochem International signed a logistics cooperation framework agreement at Sinochem International Plaza. The signing of the cooperation agreement will promote the comprehensive logistics business cooperation between the two companies and their subsidiaries domestic and abroad. Through the integration of advantages and strengths, the two companies will enhance respective service quality and efficiency, enhance market position and comprehensive competitiveness, and will achieve a win-win result.

On 21 November 2018, the second depot of SITC NEWPORT named TAN VAN SMART Depot opening, SITC's total depot area in Ho Chi Minh is reaching about 34,000 square meters. TAN VAN SMART Depot located in BINH DUONG province will provide customers with better and faster logistics service, and improve our integrated service in Ho Chi Minh.

On 25 November 2018, the Naming Ceremony of M/V "SITC TOKUYAMA" was successfully held at Busan, Korea, by SITC International Holdings Co., Ltd. (SITC International) and Dae Sun Shipbuilding & Engineering Co., Ltd (Dae Sun).

On 4 December 2018, SITC new service SKT2 line was successfully called at Sendai Port. Sendai has become the 16th direct calling port at Japan of SITC.

On 14 December 2018, the Naming & Delivery Ceremony of M/V "SITC SENDAI" was successfully held at Busan, Korea, by SITC International Holdings Co., Ltd. (SITC International) and Dae Sun Shipbuilding & Engineering Co., Ltd (Dae Sun).

Chairman's Statement

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

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 2018.

The year ended 31 December 2018 witnessed material fluctuations in the global container shipping and logistics market. China-US trade disputes, the slowdown in world economic growth and the intensified competition resulting from shipping capacity expansion all caused an impact on the improvement of demand and supply dynamics in this market.

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. Through effective management of shipping capacity and stabilization of freight rates, the Company continued to adopt a low-cost expansion strategy and maintained steady growth in its results. The Group's operation still performed well during the year under review, with turnover reaching approximately US$1,449.1 million, representing an increase of approximately 7.5% as compared with 2017. Meanwhile gross profit reached approximately US$252.6 million, representing an increase of approximately 0.4% as compared with 2017. Profit before income tax amounted to approximately US$207.7 million, representing an increase of approximately 4.9% from 2017. Profit attributable to owners of the parent amounted to approximately US$197.5 million and earnings per share was approximately US7.44 cents. For the year ended 31 December 2018, the Board resolved to recommend the payment of a final dividend of HK26 cents per share.

Over the past years, SITC continued to record 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 0.6% to 2,399,169 TEU, with average freight rate of US$522.1/TEU (excluding slot exchange fee rate), up 6.4% year on year. SITC maintained stable growth in intra-Asia shipping market share in 2018.

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 2018, a total of 3 new vessels and 1 secondhand vessels were delivered. Our total fleet capacity at the end of 2018 reached 107,269 TEU. The Group considers that the new vessel orders placed at a time of low vessel price help the Group expand its self-owned fleet and secure a long-term cost advantage for SITC. As at 31 December 2018, the Group had 52 self-owned container vessels and 27 chartered container vessels. Meanwhile, the Group owned 6 dry bulk vessels with a gross tonnage of 438,595 DWT.

In respect of the container shipping and logistics business, the Group continued to implement various extension and upgrade to certain container shipping route services networks. As of 31 December 2018, the Group operated 64 trade lanes, including 9 trade lanes through joint services and 24 trade lanes through container slot exchange arrangements, The Group also operated (including through joint ventures) approximately 1,130,000 m^2 of depot and 90,000 m^2 of warehousing space.

Looking forward, although the global economic recovery is expected to sustain, with the impact of increasing uncertainties in trade policies of major economies, the growth of international trade will be influenced by the greater downside risk of economic growth. According to Clarkson's forecast, the cargo transportation demand along Asian lanes will increase by 5.9% in 2019, representing a decrease of 0.5 percentage points compared to that of 2018. Meanwhile, certain part of the industry has been transferred to Southeast Asian economies. With the improved construction of infrastructure in Southeast Asian ports, trade development of Southeast Asian countries may become the bright spot in the future, and the Company will continue to implement its expansion plan prudently in the Asian market based on the prevailing situation.

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 (the "**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
18 April 2019

Management Discussion And Analysis

OVERVIEW

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

Business Review

(i) Container shipping and logistics business

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

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

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

(ii) Dry bulk and others business

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

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

Market Review

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

Financial Overview

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

Revenue

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

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

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

Administrative Expenses

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

Share of Profits and Losses of Joint Ventures

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

Share of Profits and Losses of Associates

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

Other Expenses and Losses

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

Finance Costs

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

Bank Interest Income and Other Investment Income

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

Profit before Tax

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

Income Tax Expenses

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

Profit for the Year

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

CONTAINER SHIPPING AND LOGISTICS

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

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

Segment results

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

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

Revenue

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

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

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

Administrative Expenses

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

Other Expenses and Losses

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

Share of Profits and Losses of Joint Ventures

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

Share of Profits and Losses of Associates

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

Segment Results

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

Dry Bulk and Others

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

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

Revenue

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

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

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

Cost of Sales

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

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

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

Gross Profit and Gross Profit Margin

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

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

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

Administrative Expenses

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

Share of Profits and Losses of Joint Ventures

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

Segment Results

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

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

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

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

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

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

CONTINGENT LIABILITIES

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

CHARGE ON ASSETS

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

EMPLOYEE AND REMUNERATION POLICIES

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

SIGNIFICANT INVESTMENTS

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

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

FINAL DIVIDEND

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

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

OTHER INFORMATION

Annual General Meeting

The Annual General Meeting will be held on 23 May 2019 (Thursday). A notice convening the Annual General Meeting will be published and despatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in due course.

Closure of Register of Members

For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 20 May 2019 (Monday) to 23 May 2019 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 17 May 2019 (Friday).

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 29 May 2019 (Wednesday) to 31 May 2019 (Friday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 28 May 2019 (Tuesday).

Purchase, Sale and Redemption of Shares

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

Corporate Governance

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

Model Code for Securities Transactions by Directors

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules (the "**Appendix 10**") and devised its own code of conduct regarding directors' dealings in the Company's securities (the "**Code of Conduct**") on terms no less exacting than the Model Code as set out in Appendix 10. Having made specific enquiries with all Directors, they have confirmed that they complied with the required standards set out in the Model Code and the Code of Conduct throughout the year ended 31 December 2018.

Audit and Risk Management Committee

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

Auditor

The Company appointed Ernst & Young as its auditor for the year ended 31 December 2018. The Company will submit a resolution in the coming Annual General Meeting to re-appoint Ernst & Young as the auditor of the Company.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Yang Shaopeng (楊紹鵬), aged 62, 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 the Company. Mr. Yang has been the Chairman of the Company since April 2006 and has been actively and extensively involved in the management and strategic development of the Company, and oversees the overall development of the 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. Mr. Yang has over 41 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) ("**Shandong 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 the Company.

Mr. Yang Xianxiang (楊現祥), aged 52, is the Vice-Chairman of the Board, Chief Executive Officer, an Executive Director, the chairman of the disclosure committee ("**Disclosure Committee**") and sustainable development committee ("**Sustainable Development Committee**") as well as a member of the Nomination Committee and the Remuneration Committee of the Company. Mr. Yang has been a Director and chief executive officer of the Company since January 2008. He is actively involved in the management and the decision-making process of the Company. Mr. Yang graduated from Asia International Open University (Macau) with a master's degree in Business Administration in 2000 and completed a CEO 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 32 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 Shandong 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 the Company.

Mr. Liu Kecheng (劉克誠), aged 45, is an Executive Director, chief financial officer, authorized representative and a member of the Disclosure Committee and Sustainable Development Committee of the Company and the general manager of the finance center and investment center of the Group. Mr. Liu has been a Director of the Company since December 2006. From September 2010 to May 2013, he served as joint company secretary of the 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 the Company, responsible for finance accounting and cash management in the Company. Since July 2017, Mr. Liu has been appointed as the general manager of the finance center and investment center of the Group. 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 25 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 the Company.

Mr. Xue Peng (薛鵬), aged 48, is an Executive Director, joint company secretary, authorized representative, a member of the Disclosure Committee and Sustainable Development Committee of the Company and the general manager of the operations management center of the Group. Mr. Xue has been a Director of the Company since January 2008. From January 2008 to May 2013, he served as a chief financial officer of the Company. Mr. Xue has been appointed as the general manager of the operations management center of the Group since July 2017. Mr. Xue graduated from Shandong Province Foreign Trade and Economic University in 1991 majoring in financial accounting, and graduated from Shandong 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 26 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 as an Executive Director and joint company secretary on 9 April 2010 and 3 May 2013, respectively. Mr. Xue was appointed as the Non-Executive Director of China Beststudy Education Group (HKSE Stock code: 3978) on 3 December 2018. Save as disclosed above, Mr. Xue is not related to any other Directors or senior management or substantial shareholder of the Company.

Mr. Xue Mingyuan (薛明元), aged 45, an Executive Director, a member of the Sustainable Development Committee and Disclosure Committee of the 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. He received a master degree in business administration from China Europe International Business School in September 2012. Mr. Xue has over 22 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 the Company.

Mr. Lai Zhiyong (賴智勇), aged 46, an Executive Director, a member of the Sustainable Development Committee and Disclosure Committee of the 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, and received a master degree in business administration from China Europe International Business School in 2017. Mr. Lai has over 24 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 the Company.

Independent Non-executive Directors

Mr. Tsui Yung Kwok (徐容國), aged 50, an Independent Non-executive Director, the chairman of the Audit and Risk Management committee ("**Audit and Risk Management Committee**") and a member of the Remuneration Committee of the Company. Mr. Tsui was appointed as an 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 over 20 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(the Stock Exchange, Stock Code: 2366) from 2003 to 2004. Since 2004, Mr. Tsui has been the chief financial officer and the company secretary of Ju Teng International Holdings Limited (the Stock Exchange, Stock Code: 3336). He later became an executive director of Ju Teng International Holdings Limited in June 2005 and resigned as its company secretary in March 2017. Mr. Tsui has also served as an independent non-executive director of Shenguan Holdings (Group) Limited (the Stock Exchange, Stock Code: 829), 361 Degrees International Limited (the Stock Exchange, Stock Code: 1361), Cabbeen Fashion Limited (the Stock Exchange, Stock Code: 2030) and Intron Technology Holdings Limited (the Stock Exchange, Stock Code: 1760) since September 2009, September 2012, February 2013 and June 2018 respectively. Mr. Tsui is a member of Chartered Accountants Australia and New Zealand, 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 58, an Independent Non-executive Director, the chairman of the Remuneration Committee and a member of the Nomination Committee of the Company. Mr. Yeung was appointed as an Independent Non-executive Director in September 2010. He is a Visiting Professor of 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 also the Senior Management Advisor of Tencent Group. Mr. Yeung is an expert in organizational capabilities, human resources strategy, and leadership development. He is an independent non-executive director of Country Garden Holdings Company Limited (the Stock Exchange, Stock Code: 2007) and non-executive director of Saurer Intelligent Group (Shanghai Stock Exchange, Stock Code: 600545). He was an independent non-executive director of Kingdee International Software Group Company Limited (the Stock Exchange, Stock Code: 268) from 2003 to 2014 and Trina Solar Limited (formerly listed, on the New York Stock Exchange, Stock Code: TSL) from 2010 to 2017. Mr. Yeung also advises chief executive officers of several leading Chinese firms.

Dr. Lo Wing Yan, William (盧永仁), aged 58, was appointed as an Independent Non-executive Director and a member of the Audit and Risk Management Committee and Nomination Committee of the Company. Dr. Lo was appointed as an Independent Non-executive Director 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 Chairman of Captcha Media Ltd, OtoO Academy Limited, Strategenes Limited and the Founding 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 2003-2016, 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 a director of Junior Achievement Hong Kong. Dr. Lo is currently an independent non-executive director of Jingrui Holdings Limited (the Stock Exchange, Stock Code: 1862), CSI Properties Limited (the Stock Exchange, Stock Code: 497), Television Broadcasts Limited (the Stock Exchange, Stock Code: 511) and Ronshine China Holdings Limited (the Stock Exchange, Stock Code: 3301), Hsin Chong Group Holdings Limited (SEHK: 0404). He is also an independent non-executive director of Nam Tai Property Inc. (New York Stock Exchange, Stock Code: NTP). He was appointed as a non-executive director of South China Assets Holdings Limited (Formerly "South China Land Limited") (GEM of the Stock Exchange, Stock Code: 8155) from September 2011 to March 2014. He was also appointed as an independent non-executive director of International Housewares Retail Company Limited (the Stock Exchange, Stock Code: 1373) from September 2013 to September 2015, Astaka Holdings Limited (Formerly "E2-Capital Holdings Limited") (Singapore Stock Exchange, Stock Code: 42S) from June 2009 to November 2015 and BOE Varitronix Limited (Formerly: Varitronix International Limited) (the Stock Exchange, Stock Code: 710) from July 2004 to June 2016. He was appointed as an executive director of Kidsland International Holdings Limited (the Stock Exchange, Stock Code: 2122) from April 2017 to December 2018.

Dr. Ngai Wai Fung (魏偉峰), aged 57, an Independent Non-executive Director as well as a member of the Audit and Risk Management Committee, Remuneration Committee and Nomination Committee of the Company. Dr. Ngai was appointed as an Independent Non-executive Director in September 2010. Dr. Ngai is the chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited, formerly known as SW Corporate Services Group Limited, a specialty company secretarial, corporate governance 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 including acting as the executive director, chief financial officer and company secretary, 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. Mr. Ngai had led or participated in a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities. He is a member of the General Committee of the Chamber of Hong Kong Listed Companies and has been appointed as a Finance Expert Consultant by the Ministry of Finance of the

PRC since 2016. He was the President of Hong Kong Institute of Chartered Secretaries (2014-2015), and was appointed by the Chief Executive of the Hong Kong Special Administrative Region as an unofficial member of the Working Group on Professional Services under the Economic Development Commission from 2013 to 2018 and was a member of the Qualification and Examinations Board of the Hong Kong Institute of Certified Public Accountants from 2013 to 2018. Mr. Ngai is currently an independent non-executive director of Bosideng International Holdings Limited, Powerlong Real Estate Holdings Limited, BaWang International (Group) Holding Limited, Health and Happiness (H&H) International Holdings Limited, Beijing Capital Grand Limited, Yangtze Optical Fibre and Cable Joint Stock Limited Company, BBMG Corporation, TravelSky Technology Limited and China Communications Construction Company Limited, also the independent director of LDK Solar Co., Ltd. and SPI Energy Co. Ltd.. Apart from LDK Solar Co., Ltd. and SPI Energy Co. Ltd., which are now listed on the OTC Pink Limited Information and Nasdaq respectively, all of which are companies listed on the Hong Kong Stock Exchange and/or the Shanghai Stock Exchange. Mr. 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 Chartered Secretaries, a fellow of Hong Kong Institute of Directors and a member of Hong Kong Securities and Investment Institute. Mr. Ngai received a doctoral degree in Finance from Shanghai University of Finance and Economics, a master's degree in Corporate Finance from the Hong Kong Polytechnic University, a bachelor honor degree in Laws from University of Wolverhampton in the United Kingdom and a master's degree in Business Administration from Andrews University of Michigan in the United States.

Dr. Ngai was an independent non-executive director of Sany Heavy Equipment International Holdings Company Limited (the Stock Exchange, Stock Code: 631) from November 2009 to December 2015, China Coal Energy Company Limited (the Stock Exchange, Stock Code: 1898 and the Shanghai Stock Exchange, Stock Code: 601898) from December 2010 to June 2017 and China Railway Group Limited (the Stock Exchange, Stock Code: 390 and the Shanghai Stock Exchange, Stock Code: 601390) from June 2014 to June 2017.

JOINT COMPANY SECRETARIES

Mr. Xue Peng (薛鵬), is a joint company secretary of the Company. 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 the Company on 3 May 2013.

Ms. Chan Wai Ling (陳蕙玲), FCIS, FCS (PE), was appointed as a joint company secretary of the Company on 9 March 2015. She is a director of Corporate Services of Tricor Services Limited. She is a Chartered Secretary and Fellow of both The Hong Kong Institute of Chartered Secretaries ("**HKICS**") and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Chan is a holder of the Practitioner's Endorsement from HKICS. Ms. Chan is currently the joint company secretary of IMAX China Holding, Inc. (the Stock Exchange, Stock Code: 1970) and Razer Inc. (the Stock Exchange, Stock Code: 1337) as well as the company secretary of China Polymetallic Mining Limited (the Stock Exchange, Stock Code: 2133) and Sun Art Retail Group Limited (the Stock Exchange, Stock Code: 6808). Ms. Chan was also a former company secretary of TCC International Holdings Limited (the Stock Exchange, Stock Code: 1136, delisted on 20 November 2017) and China Maple Leaf Educational Systems Limited (the Stock Exchange, Stock Code: 1317).

Save as otherwise, there is no relationship (including financial/business/family or other material/relevant relationship) between any members of the Board.

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 2018.

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.

A review of the business of the Group during the year under review and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the year ended 31 December 2018 are provided in the section headed "Chairman's Statement" on pages 10 to 11, the section headed "Management Discussion and Analysis" on pages 12 to 23 and the paragraph headed "Risks and Uncertainties" of this section of this annual report.

An analysis of the Group's performance during the year ended 31 December 2018 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 12 to 23 of this annual report.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2018 are set out in the Consolidated Statement of Profit and Loss and Other Comprehensive Income. The financial position as of 31 December 2018 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 2018 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 2018 are set out in Note 31 to the Financial Statements.

FINAL DIVIDEND

At the Board meeting held on 22 March 2019 (Friday), it was proposed that a final dividend of HK$26 cents (equivalent to US3.32 cents) per ordinary share would be paid on 12 June 2019 (Wednesday) to the shareholders of the Company whose names appear on the Company's register of members at the close of business at 4:30 p.m. on 28 May 2019 (Tuesday). The proposed final dividend is subject to approval by the shareholders at the annual general meeting of the Company to be held on 23 May 2019 (Thursday) (the "**Annual General Meeting**").

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

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 20 May 2019 (Monday) to 23 May 2019 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, 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, located at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 17 May 2019 (Friday).

For determining the entitlement to the proposed final dividend (subject to approval by the Shareholder at the Annual General Meeting), the register of members of the Company will be closed from 29 May 2019 (Wednesday) to 31 May 2019 (Friday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, 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, located at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 28 May 2019 (Tuesday).

RESERVE

Details of the changes in reserve of the Group during the year ended 31 December 2018 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 purpose. As at 31 December 2018, the Company had distributable reserves of approximately US$491.4 million.

PROPERTY, PLANT AND EQUIPMENTS

The changes in property, plant and equipment during the year ended 31 December 2018 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 and the percentage of turnover attributable to the Group's five largest customers accounted for less than 30% of the Group's total turnover.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands that employees are valuable assets. The Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group's business is built on a customer-oriented culture, and are focused on establishing relationships with blue-chip companies globally. The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfil its immediate and long-term goals. To maintain its market competitiveness within the industry, the Group aims at delivering constantly high standards of quality in the service to its customers. During the year under review, there was no material and significant dispute between the Group and its suppliers and/or customers.

DONATION

During the year, the charitable contributions and other donations amounted to approximately HK$4.6 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 annual report.

Pursuant to the terms of the Articles of Association of the Company and the Corporate Governance Code, Mr. Xue Mingyuan, Mr. Lai Zhiyong, 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 Director 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 within one year without compensation payment (other than the statutory compensation).

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

With effect from 1 March 2019, the Director's fees were changed. The revised Director's fees are set out below pursuant to Rule 13.51B(1) of the Listing Rules:–

Name of Director	**Revised Director's fee** (per annum)
Mr. Xue Ming yuan	HK$1,836,000

DIRECTORS' INTERESTS IN CONTRACTS

Other than those transactions disclosed in Note 38 to the Financial Statements and in the section headed "Related Party Disclosures" 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

The Chairman of the Company, Mr. YANG Shaopeng, through Better Master Limited ("**Better Master**") and Resourceful Link Management Limited ("**Resourceful Link**") and by virtue of his direct interest, owns approximately 51.55% of the issued share capital in the Company as at the date of this annual 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 43.05% in SITC Maritime Group Company Limited (青島海豐國際航運集團有限公司) ("**Qingdao SITC Shipping**"), which is involved in various business which had been excluded from the deed of non-competition provided by the controlling shareholders and as supplemented by a supplemental deed of non-competition entered into between the Company and Qingdao SITC Shipping (hereinafter, the "**Deed of Non-Competition**"). Pursuant to the Deed of Non- Competition, the following businesses have been excluded from the 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 Hai Feng Lian Xing. 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 Container Lines Co., Ltd., a subsidiary of the Company.

The Company has 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 Deed of Non-Competition entered into by and among the Company, the controlling shareholders of the Company, Mr. YANG Shaopeng, Better Master and Resourceful Link.

The independent non-executive Directors have reviewed the Deed of Non-Competition and whether the controlling shareholders have abided by the Deed of Non-Competition. The independent non-executive Directors confirmed that they had determined that the controlling shareholders have not been in breach of the Deed of Non-Competition during the year ended 31 December 2018.

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 2018.

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 following are details of the options granted pursuant to the Post-IPO Share Option Scheme but not yet exercised during the year ended 31 December 2018:

Grantee and position	Date of grant of options	Number of options outstanding as at 1 January 2018	Number of Options granted during the period	Number of Options exercised/ cancelled/ lapsed during the period	Number of options not yet exercised on 31 December 2018	Approximate percentage of shareholding of options held upon the exercise of the options
Executive Director						
XUE Peng	25 October 2011	300,000	—	300,000	—	—
	10 March 2015	400,000	—	400,000	—	—
LAI Zhiyong	25 October 2011	100,000	—	100,000	—	—
	10 March 2015	600,000	—	300,000	300,000	0.01%
XUE Mingyuan	25 October 2011	500,000	—	—	500,000	0.02%
	10 March 2015	600,000	—	600,000	—	—
Independent non-executive Director						
LO Wing Yan, William	10 March 2015	400,000	—	300,000	100,000	0.01%
Other employees						
Other employees	25 October 2011	1,439,000	—	150,000	1,289,000	0.05%
	10 March 2015	4,511,000	—	295,000	4,216,000	0.16%
Total		8,850,000	—	2,445,000	6,405,000	0.24%

On 25 October 2011, the Company granted a total of 11,600,000 share options pursuant to the Post-IPO Share Option Scheme with an exercise price of HK$1.968 per share and shall be exercisable from 25 October 2012 to 25 October 2021. The closing price of the Shares immediately before the date of grant of such share options was HK$1.960. On 10 March 2015, the Company granted a total of 13,800,000 share options pursuant to the Post-IPO Share Option Scheme with an exercise price of HK$4.378 per share and shall be exercisable from 10 March 2016 to 10 March 2025. The closing price of the Shares immediately before the date of grant of such share options was HK$4.35.

As at 31 December 2018, the Company had 6,405,000 share options outstanding under the Post-IPO Scheme, which represented approximately 0.24% of the Shares of the Company in issue as at the date of this annual report.

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 followings are details of the options granted under the Pre-IPO Share Option Scheme which remain outstanding as at ended 31 December 2018:

Grantee and position	Date of grant of options	Number of options granted outstanding as at 1 January 2018	Number of options exercised/ cancelled/ lapsed during the period	Number of options not yet exercised on 31 December 2018	Approximate percentage of shareholding upon the exercise of the options
Executive Directors					
LAI Zhiyong	10 September 2010	200,000	200,000	—	—
Others					
Other employees	10 September 2010	14,736,000	5,384,000	9,352,000	0.35%
Total		14,936,000	5,584,000	9,352,000	0.35%

As at 31 December 2018, the Company had 9,352,000 share options outstanding under the Pre-IPO Scheme, which represented approximately 0.35% of the Shares of the Company in issue as at the date of this annual report. 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.

SHARE AWARD SCHEME

A share award scheme was adopted by the Board on 13 September 2017 (the "**Share Award Scheme**") to:

1. recognise and motivate the contributions by certain Eligible Participants and to give incentives thereto in order to retain them for the continual operation and development of the Group;

2. attract suitable personnel for further development of the Group; and

3. provide certain Eligible Participants with a direct economic interest in attaining a long- term relationship between the Group and certain Eligible Participants.

The Share Award Scheme shall be valid and effective for a term of ten years commencing on the date of adoption, unless otherwise early terminated by the Board.

Pursuant to the Share Award Scheme, shares will be purchased and/or subscribed by the independent trustee at the cost of the Company and be held in trust for selected employees until the end of each vesting period. Vested shares will be transferred to the selected employees at no cost. At no point in time shall the independent trustee be holding more than 5% of the total number of shares of the Company in issue under the Share Award Scheme.

Details of the rules of the Share Award Scheme are set out in the announcement of the Company dated 13 September 2017.

On 29 March 2018, the Board resolved to grant an aggregate of 6,570,360 Awarded Shares to 542 Selected Participants pursuant to the rules under the Scheme Rules, of which 5,631,319 Awarded Shares were awarded to 533 independent Selected Participants and 939,041 Awarded Shares were grated to 9 Directors of the Company. Please refer to the announcement of the Company dated 29 March 2018 and the circular of the Company dated 23 April 2018 for details of the grant.

A summary of the Awarded Shares granted to Selected Participants are set forth below:

Name of Awardees	No. of Awarded Shares granted on 29 March 2018	Total Awarded Shares granted in 2018	Vesting Date	Vesting Conditions
Yang Xianxiang	180,381	180,381	The third anniversary of the date of grant, i.e. 29 March 2021 or an earlier date as approved by the Board.	Subject to the terms of the Scheme Rules and the fulfillment of such additional performance requirements as specified by the Board.
Liu Kecheng	180,381	180,381		
Xue Peng	127,328	127,328		
Xue Mingyuan	291,794	291,794		
Lai Zhiyong	84,885	84,885		
Tsui Yung Kwok	18,568	18,568		
Yeung Kwok On	18,568	18,568		
Lo Wing Yan, William	18,568	18,568		
Ngai Wai Fung	18,568	18,568		
Other employees	5,631,319	5,631,319		
Total		6,570,360		

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 2018, 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	1,375,390,231(L)	51.55%
	Beneficial Owner	10,619,000(L)	0.40%
YANG Xianxiang	Beneficial Owner	8,506,604(L)	0.32%
LIU Kecheng	Beneficial Owner	1,286,604(L)	0.05%
XUE Peng(3)	Beneficial Owner	14,564,319(L)	0.55%
LAI Zhiyong(4)	Beneficiary of the Go Thrive Trust	3,037,847(L)	0.11%
	Beneficial Owner	122,996(L)	0.05%
XUE Mingyuan(4)	Beneficiary of the Go Thrive Trust	1,906,100(L)	0.07%
	Beneficial Owner	2,368,833(L)	0.09%
TSUI Yung Kwok	Beneficial Owner	829,190(L)	0.03%
YEUNG Kwok On	Beneficial Owner	130,190(L)	0.01%
Lo Wing Yan, William	Beneficial Owner	129,190(L)	0.01%
NGAI Wai Fung	Beneficial Owner	829,190(L)	0.03%

Notes:

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

(2) 1,375,390,231 Shares are held by Resourceful Link. The issued share capital of Resourceful Link is owned as to 79.82% by Better Master. Better Master is owned as to 100% by UBS Nominees Limited. UBS Trustees (B.V.I.) Limited, as the trustee, holds 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 British Virgin 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 100% by Add Investments Company Limited, which was owned as to 100% by Mr. XUE Peng.

(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	Number of Shares in the Company subject to vesting under the Share Award Scheme	Approximate percentage of shareholding attributable to the options under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and the shares subject to vesting under the Share Award Scheme (Note)
YANG Xianxiang	Beneficial owner	—	—	286,604	0.01%
LIU Kecheng	Beneficial owner	—	—	286,604	0.01%
XUE Peng	Beneficial owner	—	—	198,143	0.01%
LAI Zhiyong	Beneficial owner	—	300,000	137,996	0.02%
XUE Mingyuan	Beneficial owner	—	500,000	468,833	0.04%
TSUI Yung Kwok	Beneficial owner	—	—	29,190	0.001%
YEUNG Kwok On	Beneficial owner	—	—	29,190	0.001%
LO Wing Yan, William	Beneficial owner	—	100,000	29,190	0.001%
NGAI Wai Fung	Beneficial owner	—	—	29,190	0.001%

Note: Assuming full exercise of the options under both the Pre-IPO Share Option, the Post-IPO Share Option Scheme and full vesting of the shares under the Share Award 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	79.82%
YANG Xianxiang(2)	Resourceful Link	11,776	17.00%
LIU Kecheng(3)	Resourceful Link	2,205	3.18%

Notes:

(1) Resourceful Link is interested in approximately 51.55% of the issued share capital of the Company. Resourceful Link is owned as to 79.82% by Better Master, which is owned as to 100% by UBS Nominees Limited. UBS Trustees (B.V.I.) Limited, as the trustee, holds 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 British Virgin Islands. Mr. YANG Shaopeng is the settlor and a beneficiary of the Pengli Trust.

(2) Resourceful Link is interested in approximately 51.55% of the issued share capital of the Company. Jixiang Limited is interested in 17.00% of the issued share capital of Resourceful Link. Jixiang Limited is in turn owned as to 100% by UBS Nominees Limited. UBS Trustees (B.V.I.) Limited, as the trustee, holds 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 British Virgin Islands. Mr. YANG Xianxiang is the settlor and a beneficiary of the Jixiang Trust. YANG Xianxiang is the settlor and a beneficiary of the Jixiang Trust.

(3) Resourceful Link is interested in approximately 51.55% of the issued share capital of the Company. Yicheng Group Limited is interested in 3.18% of the issued share capital of Resourceful Link. Yicheng Group Limited is in turn owned as to 100% by UBS Nominees Limited. UBS Trustees (B.V.I.) Limited, as the trustee, holds 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 British Virgin 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 2018, 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
LIU Rongli[2]	Beneficiary of the Pengli Trust	1,375,390,231(L)	51.55%
	Beneficial owner	10,619,000(L)	0.40%
Resourceful Link[3]	Beneficial owner	1,375,390,231(L)	51.55%
Better Master[3]	Interest in controlled corporation	1,375,390,231(L)	51.55%
UBS Trustees (B.V.I.) Limited[3]	Trustee	1,375,390,231(L)	51.55%
FMR LLC	Interest in controlled corporation	135,314,922(L)	5.07%

Notes:

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

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

(3) Resourceful Link is owned as to 79.82%, 17.00% and 3.18% by Better Master, Jixiang Limited and Yicheng Group Limited. Better Master is owned as to 100% by UBS Nominees Limited. UBS Trustees (B.V.I) Limited, as the trustee, holds such interests for the beneficiaries of the Pengli Trust. Jixiang Limited is owned as to 100% by UBS Nominees Limited. UBS Trustees (B.V.I) Limited, as the trustee, holds such interests for the beneficiaries of the Jixiang Trust. Yicheng Group Limited is owned as to 100% by UBS Nominees Limited. UBS Trustees (B.V.I) Limited, as the trustee, holds 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 British Virgin Islands by certain of the Directors to hold their family interests in the Company.

SUBSIDIARIES

Details of the major subsidiaries of the Company as of 31 December 2018 are set out in Note 1 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.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2018, the following continuing connected transactions were entered into with its connected persons and/or subsisted during the year under review. 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

1. Master Charter Agreement

On 2 August 2017, the Company entered into a master charter agreement (the "Master Charter Agreement") with SITC Maritime Group Company Limited (青島海豐國際航運集團有限公司) ("Qingdao SITC"), pursuant to which it is agreed that Qingdao SITC will provide vessel chartering services to the Group for a term from the date of the Master Charter Agreement and ending on 31 December 2019.

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

	For the year ended 31 December 2017 (US$)	For the year ended 31 December 2018 (US$)	For the year ending 31 December 2019 (US$)
Provision of vessel chartering services	7,100,000	7,100,000	7,100,000

During the year under review, the total actual amount of service fees paid by the Company pursuant to the Master Charter Agreement was US$4,077,004.

Qingdao SITC is owned as to 43.03% by Ms. Liu Rongli, the spouse of by Mr. Yang Shaopeng, an executive Director and the controlling shareholder of the Company. Accordingly, Qingdao SITC is a connected person of the Company and the entering into of the Master Charter Agreement and the transactions contemplated thereunder constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rule.

Details of the Master Charter Agreement are set out in the announcement of the Company dated 2 August 2017.

2. Master Agency Agreement

On 21 December 2015, the Company entered into a renewed master agency agreement (the "**2015 Master Agency Agreement**") with Qingdao SITC, in relation to the agency services to be provided by Qingdao SITC to the Company and the container shipping services to be provided by the Company's subsidiaries to the shipping agency companies of Qingdao SITC for a term of two years from 1 January 2016 and ended on 31 December 2017. As the 2015 Master Agency Agreement with Qingdao SITC expired on 31 December 2017, on 22 December 2017, the Company and Qingdao SITC entered into the renewed agreement (the "**2018 Master Agency Agreement**") to renew the terms of the 2015 Master Agency Agreement for a further period of three years commenced from 1 January 2018 and ending on 31 December 2020.

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$)	Service fees paid by the Company (US$)
2018	29,000,000	4,500,000
2019	33,000,000	4,500,000
2020	38,000,000	4,500,000

During the year under review, the total actual amount of service fees received by the Company and paid by the Company pursuant to the 2015 Master Agency Agreement was US$24,570,440 and US$2,786,429, respectively.

Qingdao SITC is a company owned as to 43.03% by Ms. Liu Rongli, the spouse of Mr. Yang Shaopeng, one of the controlling shareholders of the Company, chairman and an executive Director. Accordingly, Qingdao SITC is a connected person of the Company and the 2015 Master Agency Agreement, the 2018 Master Agency Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Details of the 2015 Master Agency Agreement are set out in the announcement of the Company dated 22 December 2017 and 9 January 2018.

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. under normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

3. in accordance with the agreements related to the above continuing connected transactions, the terms of which 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 2018, and there has been no derivation from the code provisions for the year ended 31 December 2018.

INDEMNITY AND INSURANCE PROVISIONS

The Articles of Association of the Company provides that every Director shall be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses as a result of any act or failure to act in carrying out his/her functions. The Company has arranged appropriate directors' and officers' liability insurance in respect of legal action against Directors.

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 2018.

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 196 of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision regarding pre-emptive rights in the Articles of Association of the Company or the ordinance 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.

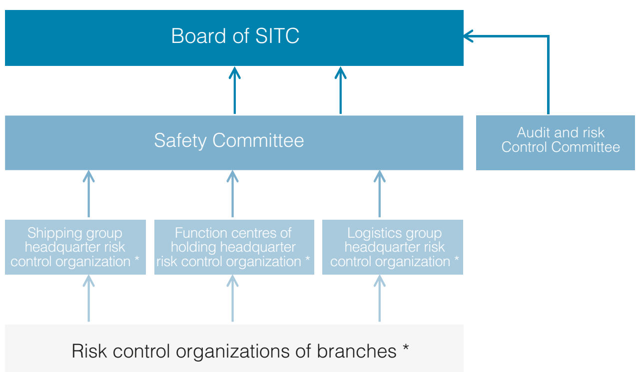
SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 December 2018.

RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The followings are the Group's risk management organization structure and the key risks and uncertainties identified. There may be other risks and uncertainties which are not known to the Group or which may not be material now but could turn out to be material in the future.

In terms of organizational development, the establishment of an integrated risk control management organization up from the board of directors and down to the branches.



* Risk control organizations at all levels include risk management organizations and crisis management public relations teams

In terms of corporate strategies, the Group's business is subject to the ever-changing market conditions. Facing the risks arising from the ever-changing market conditions, the Board has been able to lead the Company to make timely responses to the changes in the market. Risks arising from market fluctuations have been avoided through unique business model of developing frequent and sophisticated sea-land integrated logistics services and effective cost control. Also, the Company has set up a mechanism for holding regular strategic risk seminar at the board level.

In terms of operational risk, the Company has publicly released its requirements for declaration and handling of, and the inspection and supervision of dangerous goods to be made and carried out in strict compliance with relevant safety management systems and procedures, in order to reduce risks relating to the transportation of dangerous goods and documentation and operation procedures. Regarding the risks of framed box transportation, the Group had to tie them properly before loading and manage them well during shipping. In respect of the risks related to overdue in delivery of imported goods and bad debts regarding payment on delivery, the Group enhanced the qualification inspection on consignors and built its negative list, rejected to take order or received deposits in advance. In face of operational risks relating to vessel owners and container leasing companies, the Company has included relevant contract clauses during negotiation, prudently select and ensure the diversity of its suppliers, cooperate with vessel owners and container leasing companies with good reputation and strong financial condition, and increase the charterers' liability insurance. Besides, the Group's operating results are mainly affected by the risk arising from its major costs component, such as fluctuations in fuel price and quality. Through its creditworthy and long-term suppliers, monitoring of fuel price fluctuations and cargo fuel surcharges which reduced the impacts of fuel price fluctuations, the Company has been able to maintain its operating results despite the volatile fuel price fluctuations.

In terms of employees, the Company has developed a regular rotation system and an audit system which should be carried out before rotation or suspension for particular roles including the senior management and the financial officers to avoid the risks arising from changes of employees' positions. Conditions for avoiding conflict of interest and non-compete clauses have also been included in the relevant employment contracts. The Company has also established an optimized safety production management system, enhanced training courses, formulated plans for crisis management and organized regular drills, installed safety monitoring equipment such as probes on vessels and purchased insurance to reduce the risk of casualties.

In terms of asset risks, the Company held insurance policies and added protection clauses in the procurement contracts and investigated the background of sellers to mitigate risks in relation to the vessels and container assets. In terms of currency risks, the Group maintained a reasonable currencies mix and settled payments in time according to the guiding exchange rates. As for risks relating to accounts receivable, the Company conducted an overall qualification check on the existing credit sales customers, strictly examined and approved new customers on credit terms, and shortened the credit period.

In terms of internal control and systemic risks, as for risks relating to the absence of system, the Company conducted annual comprehensive review according to the actual operation and management practices, and updated the compilation of management system and made amendments from time to time. In terms of internal control risks, the Company focused on internal control risks in routine and special audits, updated and improved system specifications, and compiled cases. In respect of malpractice and corruption risks, the Company enhanced its efforts in internal audit, built up our internal audit team, increased whistleblowing channels for external complaints, conducted case study trainings on risk evaluation for staff members and trainings on self-awareness of risks. In terms of legal and compliance risks, we increased communication with relevant regulatory agencies, received updates on laws and regulations in time, and operated in compliance with such laws and regulations. For the risks relating to transaction contracts, our lawyers participated in the formulation of standardized contract templates, and the Company reviewed each contract before the execution. The Company also assessed contracts annually, including the credit, settlement methods and service quality of its counterparties. As for information system risks, the Company improved the disaster recovery system, purchased and installed antivirus software, strengthened the internal and external system security at both group and subsidiary levels, to minimize risks of emergencies and hacker attacks. The Company also enhanced safety awareness of our employees, to prevent information leakage. For IT equipment risks, the Company has have stipulated rules on the useful life of IT equipment.

In terms of public relations risks, the Company proactively paid close attention to industry public opinions, established a variety of channels for regularly releasing information to the public, maintained communication with the public, and promptly refuted rumors through communication channels.

In terms of force majeure risks, the Company established risk alerting mechanism and information feedback mechanism, and maintained flexibility with operating leverage. The Company performed its safe keeping and insurance obligation for the containers under respective container leasing agreement. The Company was timely adopted prevention measures (e.g., avoid entering war zones, etc.) according to relevant alerts issued by insurance companies. The Company also stipulated relevant risks, related trade and war provisions in the ship charter agreement. In addition, the Company was a regular internal rotation and provide data and system security for remote offices.

ENVIRONMENTAL PROTECTION

As a responsible enterprise, the Group has endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental technologies to ensure that the conducting of the Group's business meets the applicable local standards and ethics in respect of environmental protection. The Group puts great emphasis in environmental protection and sustainable development. Through the establishment of an ever-improving management system, enhancement on procedure monitoring, energy conservation and environment protection were strongly promoted, leading to the remarkable achievement of environmental management.

Several measures have been implemented in order to mitigate environmental pollution, such as reducing fuel consumption; enhancing machines and equipment; carrying out maintenance for optimal operation condition; proactively developing new vessels; and developing an Owner's Account ("OA") paperless office system to minimise office wastage.

Further, the Group has actively promoted material-saving and environmentally friendly working environment so as to protect the environment and improve air quality within the community.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Audit Committee is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

As far as the Company is aware of, the Group complies with all relevant rules and regulations promulgated by the relevant regulatory bodies to which the Group operates its business in and holds relevant required licences for provision of its services. The Group's management must ensure that the conduct of business is in conformity with the applicable laws and regulations.

To protect the Group's intellectual property rights, the Group has registered its domain name and various trademarks have been applied for or registered in various classes in over 20 countries and regions including mainland China and Hong Kong. "SITC" has been used in all principal operation regions of the Group. The Group has established a trademark management system for strict management of the registration, renewal, transfer and use of trademarks. There has been no incident or dispute in relation to the infringement or counterfeiting of trademarks since its listing. As a listed company, the Company has been in strict compliance with the requirements of the Listing Rules and has promptly responded to the amendments of the Listing Rules. In respect of the safety of vessels, the Group has complied with SOLARS Convention, STCW Convention and MLC2006 Convention in line with the characteristics of the industry. In respect of sea transportation service, the Group has complied with the relevant laws and regulations such as the Maritime Code (《海商法》) and the Contract Law (《合同法》), and formulated corresponding procedures and complementary systems within the Company.

WORKPLACE QUALITY

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics. The Group has employee handbooks outlining terms and conditions of employment, expectations for employees' conduct and behaviour, employees' rights and benefits. The Group establishes and implements policies that promote a harmony and respectful workplace.

The Group believes that employees are the valuable assets of an enterprise and regards human resources as its corporate wealth. It will continue to provide on-the-job training and development opportunities to enhance our employees' career progression. Through different training, staff's professional knowledge in corporate operations, occupational and management skills are enhanced. The Group also organised charitable and staff-friendly activities for employees, such as outings, outward bound training and rope skipping competitions to provide communication opportunities among staff, which are vital to promote staff relationship and physical fitness.

HEALTH AND SAFETY

The Group prides itself on providing a safe, effective and congenial work environment. Adequate arrangements, training and guidelines are implemented to ensure the working environment is healthy and safe. The Group provided health and safety communications for employees to present the relevant information and raise awareness of occupational health and safety issues.

The Group values the health and well-being of staff. In order to provide employees with health coverage, staff are entitled to medical insurance benefits as well as other health awareness programs.

TRAINING AND DEVELOPMENT

The Group is committed to the professional and personal development and growth of all employees and considers training and development a continual process. Many on- and off-the-job training courses and programs are provided to help employees develop and maintain consistency, proficiency and professionalism. Structured training programmes including courses, seminars and workshops are offered to staff at all levels with the objective of grooming and unleashing their full potential, supporting, organizational development and facilitating team synergies. Employees are encouraged to take advantage of these programmes in order to equip themselves with the skills and knowledge for expanded career opportunities within the Group.

AUDITOR

The Company appointed Ernst & Young as the Auditor of the Company for the year ended 31 December 2018. The Company will submit a resolution in the coming Annual General Meeting to re- appoint Ernst & Young as the Auditor of the Company.

For and on behalf of the Board
YANG Shaopeng
Chairman
18 April 2019

Corporate Governance Report

The board ("**Board**") of directors ("**Directors**") of the Company is pleased to present this Corporate Governance Report in the Annual Report of the Group for the year ended 31 December 2018.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to maintaining high corporate governance standards.

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

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

The Board is of the view that throughout the year ended 31 December 2018, 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 for Securities Transactions by Directors of Listed Issuers (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 2018.

The Company has also established written guidelines (the "**Employees Written Guidelines**") no less exacting than the Model Code 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

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

As at the date of this Annual Report, the Board currently comprises ten Directors, 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 24 to 28 of this Annual Report.

None of the members of the Board is related to one another.

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 2018, 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.

Appointment and Re-election of Directors

The Independent Non-executive Directors of the Company are appointed for a specific term of one year, subject to renewal after the expiry of the then current term.

The Company's Articles of Association provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment.

Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three of a multiple of three, the number nearest to but no less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Independent Non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

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 coordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

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 2018, the Company organized a training session conducted by the lawyer for all Directors. Such training session covers a wide range of relevant topics including directors' duties and responsibilities/update on Listing Rule amendments etc.

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 2018 is as follows:

	Type of Continuous Professional Development	
Name of Directors	**Training coordinated by the Company**	**Attending seminars/ briefings/conferences**
Executive Directors		
Mr. YANG Shaopeng	✓	✓
Mr. YANG Xianxiang	✓	✓
Mr. LIU Kecheng	✓	✓
Mr. XUE Peng	✓	✓
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	✓	✓

BOARD COMMITTEES

The Board has established five committees, namely, the Audit and Risk Management Committee, Remuneration Committee, Nomination Committee, Disclosure Committee and Sustainable Development Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of each of the Audit and Risk Management Committee, Remuneration Committee, Nomination Committee and Sustainable Development Committee are posted on the websites of the Company and the Stock Exchange, and the terms of reference of the Disclosure Committee are posted on the website of the Company, and each of such terms of reference is also available to shareholders upon request.

Except for the Disclosure Committee and Sustainable Development 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 and Risk Management Committee

The Audit and Risk Management Committee consist of three Independent Non-executive Directors, namely Mr. TSUI Yung Kwok, Mr. LO Wing Yan, William and Mr. NGAI Wai Fung. Mr. TSUI Yung Kwok is the chairman of the Audit and Risk Management Committee.

The terms of reference of the Audit and Risk Management Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit and Risk Management Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of 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 2018, the Audit and Risk Management Committee held five meetings to review the annual and interim financial results and reports for the year ended 31 December 2017 and for the six months ended 30 June 2018 and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and relevant scope of works, and connected transactions and arrangements for employees to raise concerns about possible improprieties.

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

Remuneration Committee

The Remuneration Committee consists of five members, namely Mr. YANG Shaopeng and Mr. YANG Xianxiang, being the Executive Directors, Mr. TSUI Yung Kwok, Mr. YEUNG Kwok On and Mr. NGAI Wai Fung, being the Independent Non-executive Directors. Mr. YEUNG Kwok On is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. 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 associates will participate in deciding his own remuneration.

During the year ended 31 December 2018, the Remuneration Committee held one meeting 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.

Nomination Committee

The Nomination Committee consists of five members, namely Mr. YANG Shaopeng and Mr. YANG Xianxiang, being the Executive Directors, Mr. YEUNG Kwok On, Mr. LO Wing Yan, William and Mr. NGAI Wai Fung, being the Independent Non-executive Directors. Mr. YANG Shaopeng is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. 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 as well as factors concerning the Board diversity as set out in the Company's Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience, etc. 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 2018, the Nomination Committee held one meeting 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. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

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 the Group, and actively investigating and obtaining the required information for making decision, and considering other businesses, as defined by the Board.

Sustainable Development Committee

The principal duties of the Sustainable Development Committee include (a) considering and submitting proposals for the Company's (i) long term development planning and sustainable development policy, (ii) sustainable development areas including but not limited to policies in relation to health and safety, community relations, environment, human rights and anti-corruption, ensuring the Company's position and performance on global sustainable development issues are in line with the current standards, (iii) reputation of the parties related to the key interests of the Company, (b) supervising and continuously optimizing the culture, management framework, affairs, risk management, capacity building and other matters in the fields of environment, social responsibility and sustainable development of the Company, (c) deliberating and reviewing the policies, management framework and daily operations in the fields of the environment, social responsibility and sustainable development of the Company half yearly and submitting opinions and proposals to the Board on the relevant matters, (d) advising on the corrective and preventive measures for material internal control incidents, (e) reviewing the Company's annual Environmental, Social and Governance Report before the deliberation and approval by the Board and the publication of such report, (f) reviewing, supervising and responding to emerging issues in the areas of environment, social responsibility and sustainable development and, where appropriate, submit proposals to the Board for the Company to make continuous progresses in such areas, (g) supervising the relevant Company's risk management, external engagement related to sustainable development matters and their fulfillment, all matters related to corporate governance and the formulation of relevant policies, (h) and supervising the implementation of such policies by the management of the Company, including deliberating the reports on policy implementation submitted by the management.

Summary of the Board Diversity Policy

The 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 and does 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 2018, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the 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.

Nomination Policy

The Company has adopted a Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 31 December 2018, there was no change in the composition of the Board.

The Nomination Committee will review the Nomination Policy, as appropriate, to ensure its effectiveness.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board, Nomination Committee, Remuneration Committee and Audit and Risk Management Committee meetings and the general meeting of the Company held during the year ended 31 December 2018 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Nomination Committee	Remuneration Committee	Audit and Risk Management Committee	Annual General Meeting
YANG Shaopeng	6/6	1/1	1/1	N/A	1/1
YANG Xianxiang	6/6	1/1	1/1	N/A	1/1
LIU Kecheng	6/6	N/A	N/A	N/A	1/1
XUE Peng	6/6	N/A	N/A	N/A	1/1
XUE Mingyuan	6/6	N/A	N/A	N/A	1/1
LAI Zhiyong	6/6	N/A	N/A	N/A	1/1
TSUI Yung Kwok	6/6	N/A	1/1	5/5	1/1
YEUNG Kwon On	6/6	1/1	1/1	N/A	1/1
LO Wing Yan, William	6/6	1/1	N/A	5/5	1/1
NGAI Wai Fung	6/6	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.

DIRECTORS' RESPONSIBILITY 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 2018.

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 Auditor's Report on pages 82 to 86.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2018 is set out as below:

Annual remuneration by band	Number of individuals
HK$5,000,000 to HK$6,000,000	1
HK$3,000,000 to HK$4,000,000	1
HK$1,000,000 to HK$2,000,000	2
HK$500,000 to HK$1,000,000	2
HK$0 to HK$500,000	4

Details of the remuneration of the Directors for the year ended 31 December 2018 are set out in note 9 to the financial statements.

AUDITOR'S REMUNERATION

An analysis of the remuneration paid to the external auditor of the Company, Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2018 is set out below:

Service Category	Fees Paid/Payable (HK$'000)
Audit Services	3,430
Non-audit Services	
– Tax advisory services	82
– Others	1,301
	1,383
Total:	4,813

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledge its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit and Risk Management Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Board, through the Audit and Risk Management Committee, has reviewed the effectiveness of the risk management and internal control systems of the Company and its subsidiaries for the year ended 31 December 2018, including the adequacy of resources, staff qualification and experience, training programmes and budget of the Company's accounting and reporting function.

The management of the Company monitors the assessment of the risk management and internal controls and has reported to the Board and the Audit and Risk Management Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2018.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

All divisions/departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit and Risk Management Committee and the Board on all findings and the effectiveness of the systems.

The internal audit department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit and Risk Management Committee.

The Board, as supported by the Audit and Risk Management Committee, assessed the effectiveness of the risk management and internal control systems by reviewing the management report and the internal audit findings and considered that, for the year ended 31 December 2018, the risk management and internal control systems of the Company are effective and adequate.

JOINT COMPANY SECRETARIES

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 of Tricor Services Limited, external service provider, has been engaged by the Company as its joint company secretary on 9 March 2015. 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 Operations and Management Centre, of the Company.

Mr. XUE and Ms. CHAN undertook not less than 15 hours of relevant professional training during the year ended 31 December 2018.

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 ("EGM") AND PUTTING FORWARD PROPOSALS AT EGM

Pursuant to article 58 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM.

Anyone or more members 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 (2) months after the deposit of such requisition. If within twenty-one (21) 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.

The requisition must state clearly the name of the requisitionists, their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted in the EGM and signed by the requisitionists.

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:	21/F., World Trade Centre, 280 Gloucester Road, Causeway Bay, 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

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 and Risk Management Committee, Remuneration Committee, Nomination Committee, Disclosure Committee and Sustainable Development 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 websites of the Company and the Stock Exchange.

Dividend Policy

The Company has adopted a policy on payment of dividends on 26 October 2018. The board may determine to pay dividends at its own discretion in the future after considering the profits, cash flows, working capital requirements, general financial condition, regulatory limitations on the PRC and other subsidiaries of the Company, ability to distribute dividends to the shareholders and any other factors that the Board considers relevant.

The rate of dividend payout of the Company is not more than 100% of the annual distributable profit attributable to the Company's shareholders.

Environmental, Social and Governance Report

1. About This Report

In the principles of objectivity, standardization, transparency and comprehensiveness, this report is prepared to disclose the environmental, social and governance information of SITC to honestly communicate with stakeholders about corporate sustainable development concepts, actions and performance, and make a systematic response to sustainable development issues concerned by stakeholders.

Scope of This Report

This report covers the period from January 1, 2018 to December 31, 2018. To enhance the systematicness, this report is partially retrospective to previous years.

Unless otherwise specified, all cases and data in this report are from the wholly-owned branch companies and subsidiaries of SITC.

Basis for Preparation

This report is prepared in compliance with the principles of materiality, quantitative, balance and consistency as set out in the *Environmental, Social and Governance Reporting Guide of Rules Governing in Appendix 27 of the Listing of Securities* on The Stock Exchange of Hong Long Limited.

All financial data in this report is extracted from the financial reports of SITC. Unless otherwise specified, all amounts stated in this report are denominated in USD.

Commitment of This Report

The Board of Directors undertakes that the report approved by the Board of Directors is free of any false records or misleading statements.

Explanations on Abbreviated Names

For the convenience of expression and reading, "SITC International Holdings Company Limited" is referred to as "SITC" or "The Company" in this report.

Access to This Report

This report is released in both Chinese and English versions. Please access this report through the following websites: www.sitc.com, www.cninfo.com.cn or www.hkexnews.hk.

2. Corporate Governance

ESG Management Philosophies

In face with the deteriorating environment today, green and low-carbon has become a global trend. Green development is not only a social responsibility to be fulfilled by listed companies, but also an internal requirement for cost reduction and efficiency improvement. It's of vital significance to the survival and sustainable development for SITC. As an integrated logistics service provider in Asia, the Company has upheld the business principle of being a responsible enterprise and the tenet of balancing business development with corporate social responsibilities. Striving to incorporate the sustainable development idea in the day-to-day operation and major commercial decision making, the Company have been committed to creating a long-term value for shareholders, customers, employees, supply chain partners and the public and bringing a positive impact.

The Company is committed to fulfilling the international safety management rules and identifies with the objectives of the rules "To ensure safety at sea, to prevent human injury or loss of life, to avoid damage to the environment (especially to the environment at sea) and to the loss of property". The Company have accordingly established the safety and environmental protection policy of "Ensure safety, protect the environmental, protect health" and the efficiency policy of "Energy conservation and emission reduction, high efficiency and low consumption".

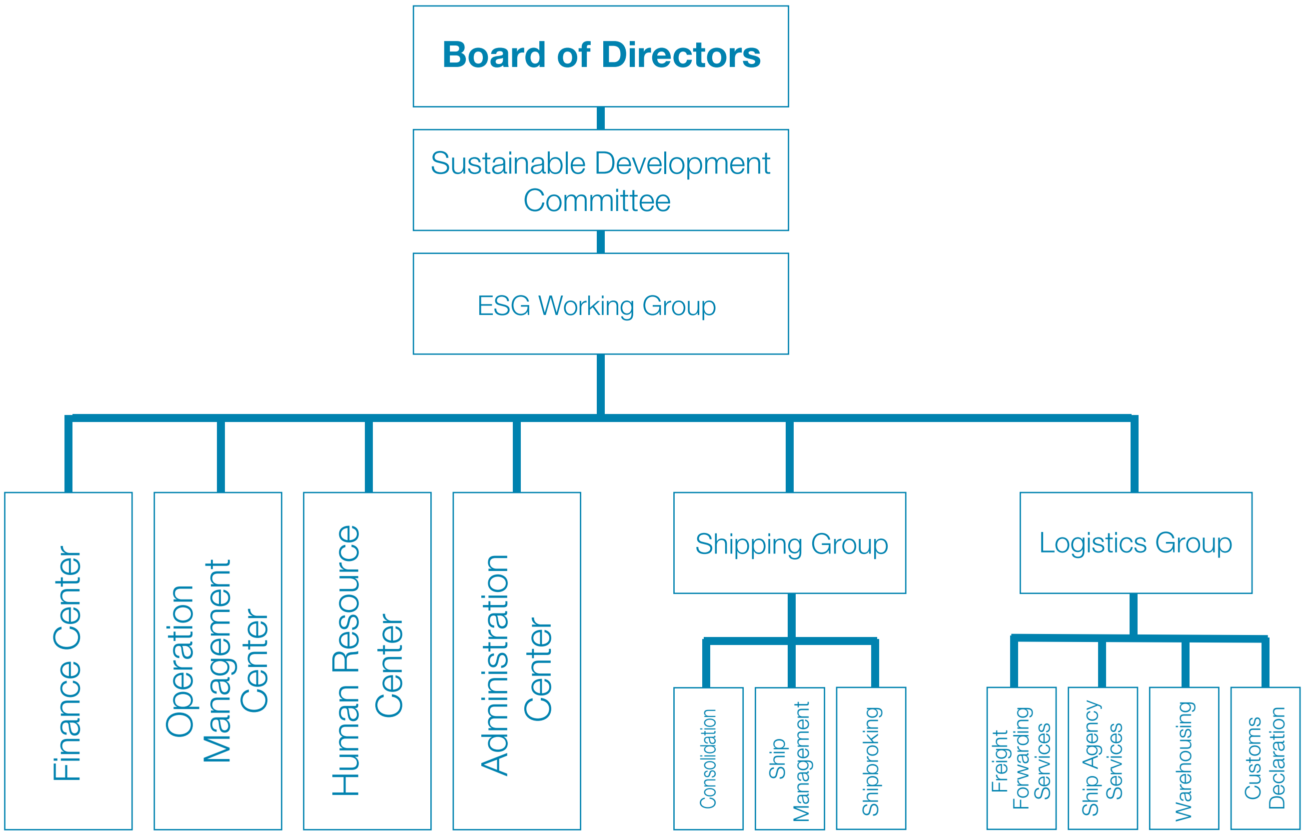
Upholding "P-S-V-D" as its core value, the Company has continuously improved the employee selection, training, development and incentive system, and taken the initiative to share corporate development and growth with employees to enhance their cohesion. Working with high-performance suppliers, the Company have flexibly and rapidly met the increasingly individualized logistics needs of customers to ensure they respond to changes in supply chain efficiently and jointly resolve the supply chain problems in underdeveloped countries and regions.

The Company is committed to creating greater values for stakeholders to help achieve its sustainable development goals. In light of the director diversification policy, the Company has given play to the role of independent directors, and respected their professional advice and independent opinions. Furthermore, the Sustainable Development Committee has been established under the Board of Directors, with a third-party organization being appointed to help improve its sustainable development structure, set up KPI sand improve internal management system, and further consolidate corporate governance.

ESG Management Structure

Upholding high-level corporate governance, SITC has established well-defined, highly transparent corporate governance procedures and systems to consolidate a long-term corporate development and safeguard the interests of shareholders.

The Board of Directors is responsible for the ESG strategies, performance management and reporting. The Sustainable Development Committee has been established under the Board of Directors, which is composed of five executive directors. The CEO of the Company serves as the President and corporate secretary serves as Secretary of the Committee. The Committee may convene meetings as required, and shall at least hold two meetings every year. It's expected to put forward suggestions regarding long-term development plan, sustainable development policies, and stakeholder communication. The Committee reviews the policies, management framework and day-to-day operation in respect of environmental and social responsibilities and sustainable development every half a year. Apart from this, the Committee also puts forward suggestions to the Board of Directors to ensure that the sustainable development risks are promptly and effectively identified and properly managed.

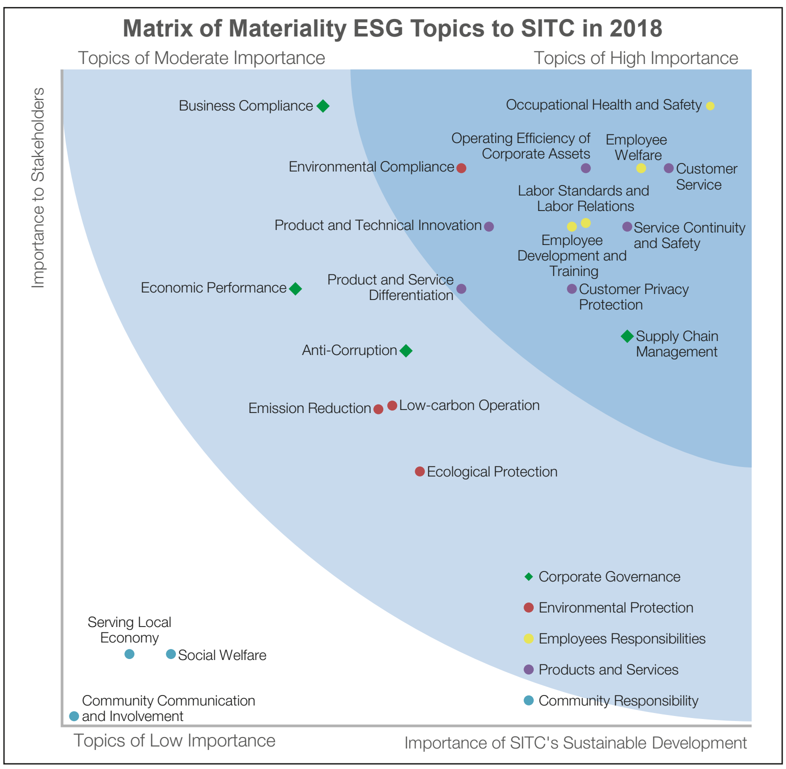


3. Materiality Analysis

The sustainable development of a company is closely related to its stakeholders. Effective stakeholder engagement during business operation can help the Company accurately evaluate the impact of its own decisions, promptly adjust the actions and ultimately realize the sustainable development of SITC itself and its stakeholders. Attaching great importance to stakeholder communication, the Company has been opened to opinions from different perspectives and taken them as an important basis for ESG improvement. Through a thorough review on the type of stakeholders and issues arising from corporate operations, the Company have identified the important stakeholders and the way they are engaged during the corporate operations.

Staff	• Questionnaire survey • Staff training • Annual meeting
Customers	• Satisfaction questionnaire survey • New product launch • Regular visits
Suppliers	• Training • Participation in bidding
Shareholders and investors	• Annual general meeting • Performance Conference • Investment meeting • Announcement
Intermediaries and other organizations	• Symposium • Training • Daily e-mail and telephone communication

In 2018, the Company invited all the employees, important customers, suppliers, intermediaries, shareholders and other interested parties to assess the importance of topics concerning SITC through an online questionnaire-based survey. The following key matrix of materiality issues were concluded from the valid questionnaires returned:



4. Responsible Operation

As one of the leading shipping and logistics groups in Asia, SITC has focused on providing integrated transportation and logistics solutions. Upholding the philosophy and culture of promoting synergetic development of the economy, society and environment, the Company has organized and conducted its business activities in a socially and environmentally responsible manner for common and sustainable development of the society and environment.

4.1 Economic Performance

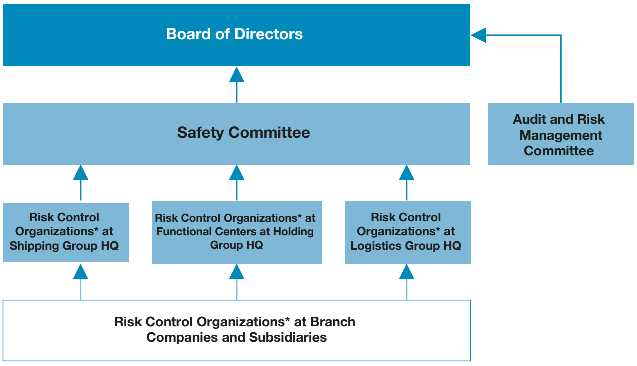
While creating economic benefits, the Company has been actively undertaking social responsibility to ensure sustainable corporate development, and striving to give back to the stakeholders.

In terms of operation, the Company has been focusing on Asia during its development, and has been committed to providing efficient and quality logistics services to customers and becoming their first-choice provider. Based on the operating models of self-operated and light assets, the Company have established ocean and land integrated logistics channels and facilities to offer customized logistics services. In face with the unstable economy and trade and intensifying competition in 2018, the Company optimized its transport capacity to meet personalized customer demands, and continuously enhanced operating efficiency to achieve favorable economic results. With the successive delivery of new ship orders in the second half of the year, the Company took advantage of industrial transfer in Asia to continuously implement the low-cost development strategy and gradually expand its market share.

In respect of shareholder return, the Company has insisted on paying dividends to shareholders since its listing. A scientific, continuous and stable dividend mechanism has been established to ensure that investors have steady investment return expectations and their legitimate rights and interests are protected. In 2018, the earning per share of the Company was 7.44 US cents, marking an increase of 4% from 2017, and approximately USD139,339,000 of dividends were paid, increasing by 2.75% from 2017. The Company has always maintained a high dividend payout ratio, which was 71.2%, 71.9% and 70.5% in 2016, 2017 and 2018 respectively.

4.2 Integrity and Compliance

In view of the high-standard integrity and business ethics as the operating principle, the Company has detailed all risk points in business activities and internal measures and control processes for these risk points, and further established a scientific and systematic internal control system. Every year, SITC conducts risk control assessments and questionnaire-based surveys, formulates risk control measures against incremental risks, gives lectures on hot topics, and adjusts and supplements related systems and organizations. Through the questionnaire-based survey on major risk control in 2018, twenty major risks in nine categories were identified and associated control measures were formulated. The Company has made innovations in risk control organization building and ultimately established an integrated risk management organization.



Remarks:

* Risk control organizations include risk management teams and crisis PR teams.

Meanwhile, also attaching great importance to clean management, the Company is determined to put an end to corrupt practices of any form. On the basis of related laws and regulations and combining the Company's extra conditions, The Regulations of SITC have been formulated. In the Anti-fraud Reports and Complaints section, the anti-fraud principles and requirements are elaborated to employees, and a well-designed transparent anti-fraud reporting and complaint mechanism has been established. A report hotline and e-mail address have been further provided to receive real-time or anonymous reports from employees or third-parties. Internal and external audits will also be organized on a regular basis, and the rotation system has been implemented to effectively prevent corruptions. There was one anti-corruption related lawsuit in the Company within the reporting period. Upon noticing that certain employees were suspected of embezzlement in certain business operation during a routine audit, the management of SITC Nanjing immediately unfolded the investigation with the involvement of judiciary authorities. Through the judicial procedure, responsible persons returned about USD35,000 of economic benefits embezzled from the Company, and were brought to justice for embezzlement by position. The case was published and used for anti-fraud compliance training for employees. A questionnaire-based survey was further initiated in the Company to strengthen the internal audit team, enhance the audit on business authenticity, further improve supplier qualification review, and prohibit bogus transactions. The Company's active resort to law for fraud investigation has indicated its determination in clean business building and anti-fraud endeavor, and further strengthened the anti-corruption and self-discipline awareness of all employees. Improvements in regulations and processes have also been made for the purpose of reducing the possibility of fraudulence practices.

4.3 Customer Service

"Customer always comes first" is one of the core values upheld by SITC, and a key strategy for SITC to develop and maintain competitive strengths. Through such diversified channels as regular meetings, business visits and seminars every year, the Company has been reaching out customers for opinions and suggestions, making adjustments and innovations in line with dynamic market demands to continuously improve and enhance its customer service level. Through WeChat Official Account and public mailbox, the Company has been providing customers with real-time port closure and typhoon information, new policy interpretation and new services for promotion to further improve customer experiences. With such services as feeder port service, container Round Use and new ICD, the Company has successfully increased its customer loyalty. Among the key customers, over 80% of them are stable customers with a partnership more than 10 years.

In strict compliance with laws and regulations regarding chemical and hazardous substance transportation and storage as well as *SOLAS Convention*, the Company has been providing customers with safe and reliable logistics services. Within the reporting period, the Company has not been subject to fines or non-economic penalties arising from violation of product and service laws and regulations.

Moreover, the Company has established a complete customer complaint and dispute resolution mechanism, and set up customer complaint departments in the business companies and Headquarters to efficiently and properly handle complaints and disputes. The Company has further purchased protection and indemnity insurance or tenant liability insurance for all cargo it carries to ensure proper indemnity for the cargo owners in case of damages to cargos. Timely and effective settlement of customer claims have minimized the losses of customers and enhanced their satisfaction. In 2018, the Company handled an average of 21 claims monthly and only made a compensation of USD325,000 for damage of cargos for the whole year.

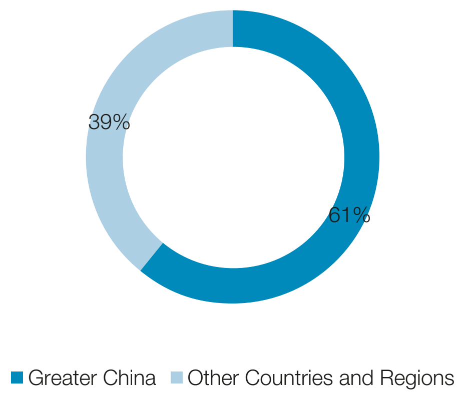
Under the principle of being responsible to customers, the Company has been committed to protecting the safety and privacy of customer information. In strict compliance with related laws and regulations, the Company has improved information safety management mechanism, strictly protected and rationally used customer information. Highly valuing the development of employees' information safety awareness, the Company has stipulated in the corporate regulations and *Employee Manual* that without prior consent, no one shall disclose any customer information to any unrelated company, department or person in any form on any occasion. Within the reporting period, the Company has found no case occurred in relation to customer information leakage.

4.4 Supplier Management

With the gradual expansion of corporate business, the Company's supply chain network has extended to different areas. Adhering to the principle of equality and mutual benefit, the Company has been committed to establishing stable and close partnerships with suppliers through highly transparent and responsible procurement process and supplier management, so as to effectively boost sustainable growth of economic, environmental and social benefits of the whole supply chain.

As of the end of 2018, the Company had 9,890 suppliers from 49 countries and regions, including Korea, Japan, Hong Kong, Singapore and Malaysia.

Procurement from Supplier Distribution by Country or Region



In terms of supplier selection, the Company has strictly followed the Supplier Employment Management Method. Under the principles of fairness, openness and justice, service level, safety awareness, ethical standards, industry qualifications and other comprehensive indicators of suppliers have been comprehensively assessed through the contract review system. Quantity and quality have been attached with equal importance, and price has not been taken as a priority. Furthermore, the conditions of SITC's suppliers are subject to annual evaluation. In case of nonconformities, the Company will suspend the cooperation and order them to be rectified.

The selection of asset suppliers, such like shipyards and container plants, follows a more comprehensive and rigorous evaluation process. Evaluation will be unfolded from two aspects: commercial conditions and technical conditions. Commercially, the Company evaluates suppliers on their experience, contractual capacity, management level, credit status, capital status, time of delivery, payment terms, organizational structure, talent team and pricing; technically, the Company will take into consideration of peer reviews, hardware facilities, asset operation index and customer feedback, production and design capacity, continuous optimization capacity, qualified Maker List evaluation and past business performance. Thus far, the Company has maintained a partnership with main asset suppliers over 10 years. The long-term stable partnership has guaranteed the quality and maintenance of its operating assets, and effectively reduced risks.

Devoted to the improvement of supply chain management efficiency, the Company has further established close relationships with suppliers and enhanced cooperation quality through such communication channels as negotiation, training, visit and symposium in order to strengthen core competitiveness and driving industry development. The Company has also been active in expanding broader and more profound cooperation models with excellent and industry-represented suppliers, and establishing long-term partnerships for mutual benefits and common developments with upstream and downstream supply chain partners to promote industrial co-prosperity. The high-frequency and high-density maritime logistics operating model of SITC is dependent on the active support of terminal operators. To realize win-win cooperation, the Company has entered into strategic cooperation agreements with Shanghai Port, Qingdao Port and Dalian Port corporations, laying a foundation for provision of safe, timely and fast quality logistics service. Moreover, the Company have maintained long-term stable partnerships with major suppliers like ship owners, container leasers and fuel suppliers. Over 50% of its suppliers have partnered with the Company for over 10 years. In strict compliance with contractual terms, the Company has settled the payments with suppliers in a timely manner, generating an average settlement period of 40 days approximately.

In 2019, the Company will continue to uphold the tenet of balancing business development with corporate social responsibility. On the basis of compliant operation, the Company will strengthen the management and maintenance of customer and supplier relations, and thus develop a multi-win cooperation mode featuring steady corporate operation, customer satisfaction and supplier trust. Specifically, the Company will improve our annual customer dissatisfaction survey and implement the customer blacklist system to further enhance customer experience; supply chain management will be further strengthened to reduce the violation risk; AI applications such as precision marketing and AI customer service system will be tried out to boost network development and business expansion; active efforts will be made to test block chain in international trade, logistics and supply chain finance.

5. Energy Conservation and Environmental Protection

The Company has always been upholding the environmental policy of Safety Guarantee, Environmental Protection and Health Assurance in its business operations. A well-designed environmental management system has been rolled out to properly dispose various pollutants and continuously advanced energy conservation and emission reduction. Reduction in resource consumption and pollutant emission has always been incorporated into the Company's day-to-day business operations. In ship operation activities, the Company attaches great importance to the protection of biodiversity, actively promotes the industry to fulfill social responsibilities, and drives the harmonious co-existence of man and nature.

5.1 Emission Reduction

The Company has established a sound environmental management system which provides effective measures for different types of pollutants and ensures pollutant emission is in compliance with international and local laws and regulations and environmental pollution incidents are eradicated. The Company has used low-sulfur fuel oils to reduce emissions of gaseous pollutants, enhance shipping energy efficiency and reduce the use of fuel oils, which can ultimately lower emissions of gaseous pollutants and greenhouse gases from the source. In respect of waste water generated during shipping, the Company has taken measures and monitored data to prevent damage to marine organisms. The onshore and offshore nonhazardous wastes have been recycled and reused as much as possible to reduce wastes; hazardous wastes and nonhazardous wastes that is no longer usable have been properly disposed by municipal companies or third-party organizations. In 2018, there were no penalties occurred for environmental pollution or emission violations during the operation.

Environmental Management System

Continuous efforts have been made to improve the environmental management system. Taking reference of the *Maritime Environmental Protection Law of the People's Republic of China, Regulations on the Administration of Preventing and Controlling Maritime Environment Pollution from Ships, and IMO International Convention for the Prevention of Pollution from Ships (MARPOL)*, the Company has formulated internal regulations such as *Garbage Management Plan and Oil Pollution Emergency Plan*. Management methods for various pollutants, greenhouse gas control measures and incident emergency response have been specified to practically guarantee the strict compliance with international and local laws and regulations in pollutant prevention so as to reduce the damage caused to the environment. Certified by *ISO14001 Environmental Management System*, the Company is capable of identifying and controlling negative environmental factors in an accurate way.

Management of Gaseous Pollutants

Gaseous pollutants generated by the Company primarily consists of nitrogen oxides, sulfur dioxide and particles generated in fuel oil burning during container shipping. The Company has managed and controlled gaseous pollutants in strict compliance with international conventions and local requirements of respective ports. All operative ships have been equipped with pollution prevention devices required by international conventions, and awarded with ISPP and IOPP certificates. Furthermore, the pollutant disposal devices and emission management measures have been continuously improved in line with the latest IMO requirements and local laws and regulations.

Emission of Container Ships in Operation

Type of Emission	Quantity of Emission (Ton) 2016*	2017*	2018
Nitrogen Oxides	34,096	35,034	35,510
Nitrogen Oxides/Ship	473.56	473.44	467.24
Sulfur Dioxide	23,677	24,299	24,298
Sulfur Dioxide/Ship	328.85	328.37	319.71

Emission of Self-owned Land Vehicles

Type of Emission	Quantity of Emission (Ton)* 2016	2017	2018
Nitrogen Oxides	10.967	9.317	9.837
Sulfur Dioxide	0.025	0.025	0.029
Particle	1.047	0.882	0.925

Remarks

1. Maritime ship emissions are largely from the combustion of fossil fuels such as heavy fuel oils and light fuel oils;
2. Self-owned land vehicles include yard forklifts and office vehicles;
3. The emission factor for the calculation of emissions from self-owned land vehicles is extracted from the *Reporting Guidance on Environmental KPI* released by the Hong Kong Stock Exchange;
4. *Restated. In reference to files as *Engine Technical File* and *MARPOL ANNEX VI*, the Company further revised and improved the calculation methods of ship emission data, and accordingly updated the disclosed data in 2016 and 2017; to enhance the readability and comparability of this Report, the Company unified the statistical unit of the emission data of self-owned land vehicles in 2018 by changing "gram" to "ton", and accordingly updated the disclosed data in 2016 and 2017.

By reducing fuel oil consumption and using low-sulfur fuel oils, the Company has strived to decrease the emissions of gaseous pollutants, and comply with the latest requirements of international conventions.

Reducing Fuel Oil Consumption

- Monitor fuel oil use through the *Ship Energy Efficiency Management Plan*, and improve shipping energy efficiency;
- Upgrade ships' fuel oil equipment, phase out old ships and ensure sufficient and rational fuel oil use.

Using Low-sulfur Fuel Oils

- Strictly follow the stipulation that the sulfur content of marine fuels shall not exceed 0.5% m/m since 2020 as set forth in the *IMO MARPOL Appendix*. In 2018, the Company has upgraded fuel oil devices such as main engine and oil pipeline of all old ships.
- Strictly comply with the stipulation that the ships in China's marine air pollutant emission control areas shall use marine fuels with a sulfur content no greater than 0.5% m/m since 2019.

Wastewater Treatment

The wastewater that needs to be disposed of and discharged during SITC's business operation mainly comes from crew's domestic sewage, oily wastewater and ballast water of ships. The domestic sewage can be generated in a short period of time and thus poses a great pressure on discharge and treatment; the oily wastewater of ships can easily form an oil film on the water surface and thus hinder the growth of aquatic plants and animals; the ballast water of ships contains various types of microorganisms, animals and plants, easily resulting in risk of alien invasion after discharge into the ocean. To prevent damage to the marine environment caused by ship wastewater, the Company has attached great importance to the treatment and discharge of various types of wastewater, and resolutely ensures compliant discharge. All ships have been installed with wastewater treatment devices and discharge indicators have been specified in the system documents to show its continuous commitment to the protection of marine ecological environment. In 2018, the domestic wastewater of seamen and other wastewaters generated by the Company amounted to 6,684 tons and 35,616 tons respectively.

Domestic Sewage of Seamen	Oily Wastewater of Ships	Ballast Water of Ships
• The domestic sewage is unformly collected in the collection tanks, and sterilized with UV-rays after dephosphorization with chemical reagents. • Continuous monitoring devices are installed at the wastewater discharge outlets to ensure compliance of COD and ammonia-nitrogen, total phosphorus and suspended solids in the water body prior to discharge.	• Oil-water separators are installed and continuous monitoring devices installed at the wastewater discharge outlets to ensure an oil content lower than 15ppm as required by IMO. • The wastewater tanks are upgraded by extending the wastewater treatment cycle by 1.5 to 2 times of selected ships to reduce wastewater quantity to some extent.	• The Regulations on Ballast Water Management have been formulated in strict compliance with the IMO Ballast Water Management Convention, which specifies that the ballast water replacement areas shall at least have a distance of 200 sea miles from the nearest land and a its water depth shall be of at least 200 meters. • Ballast water treatment devices shall be provided. The 44 ships procured since 2012 have all been installed with ballast water treatment devices. The ballast water system will be installed on used ships in the first IOPP certificate renewal inspection.

Waste Disposal

The Company has actively promoted recycling and reusing of various wastes, and has adopted corresponding management measures based on the various types of onshore and offshore wastes to reduce the production of wastes and continuously advance waste minimization, hazard-free disposal and resource treatment.

Total Hazardous and Non-hazardous Wastes Generated

Onshore Wastes Generated (Ton)	
Office paper consumption	56.35
Recycled waste batteries	0.0088
Offshore Wastes Generated (Ton)	
Domestic waste	155
Kitchen waste	295
Waste oil, oil residue and oily wastewater	45,000
Other hazardous wastes	1.35
Total Hazardous and Non-hazardous Wastes (Ton)	
Total hazardous wastes	45,001.36
Density of hazardous wastes/USD10,000	0.31
Total non-hazardous wastes	506.35
Density of non-hazardous wastes/USD10,000	0.0035

Given the type of business operation, the Company does not produce a large amount of onshore wastes. The wastes generated are primarily domestic waste, office waste and kitchen waste. In the daily work and life of employees, the Company requires maximum recycling, emission reduction, waste sorting and proper recycling. The Company has been promoting the concept of green office, implemented the OA and videoconferencing system to reduce office paper consumption; waste battery recycling devices have been placed on each floor of the office building to properly dispose of waste batteries which contain heavy metals; classified recycling bins have been set up in subsidiaries with a canteen to separate kitchen waste from other domestic waste for uniform disposal at the treatment facilities. During transporting garbage, airtight waste transportation has been adopted.

The Company imposes rigorous control on the discharge of offshore wastes, bans arbitrary dumping of offshore wastes and over-standard discharges. Each ship is furnished with classified waste recycling devices, and training on correct waste classification methods has been provided to seamen. The classified offshore wastes will be uniformly unloaded by agents or port authorities after approaching the shore and disposed of onshore. To reduce the impact of oil spill incidents to the environment as much as possible, the Company has formulated the *Oil Spill Incident Emergency Measures*, in which the job responsibilities of respective seamen have been specified in case of an oil spill incident and targeted measures and rescue implementation plans have been provided to prevent fires and explosions to promptly prevent further spreading of adverse impact.

As for hazardous wastes like waste oil, oil residue and oily wastewater, the Company has enacted the *Management Measures for Oily Wastewater from Ships*. The oil residue, waste oil and oily wastewater should be collected and stored in sludge tanks, waste oil tanks and engine-room wastewater tanks; other hazardous wastes like waste batteries and medical wastes should be stored in specialized storage tanks. The various hazardous wastes shall be uniformly handed over to qualified third-party units after the ship approaches the shore to ensure proper disposal of ship generated hazardous wastes.

5.2 Resource Use Optimization

Guided by the philosophy of "Energy conservation and Environmental protection, Building a green enterprise", the Company has practiced high efficiency and low consumption while ensuring compliance of pollutant emission to continuously enhance comprehensive utilization efficiency of resources. *The Ship Energy Efficiency Management Plan* has been further formulated for energy-consuming ship operation to advance energy conservation and emission reduction. To save water resources and reduce ships' external purchase of fresh water, desalinated sea water has been used as the main source of fresh water during offshore operation, and rainwater has been collected to clean ships.

Conservation of Energy Resources

Always attaching importance to energy conservation and emission reduction, the Company has been committed to low-carbon economy and green operation to build a resource-saving enterprise. Onshore energy used is mainly gasoline consumption by administrative vehicles, and diesel consumption by terminal forklifts. Through strengthening management of administrative vehicles and promotion of videoconferencing, the gasoline consumption has been reduced by 3.5%.

Energy Consumption in 2018*

Year	2016	2017	2018
Direct Energy Consumption (Ton)			
Gasoline	237	197	190
Gasoline consumption density/USD10,000	0.0019	0.0015	0.0013
Fuel oils	431,839	443,951	Heavy fuel oils 435,657 Light fuel oils 15,610
Fuel oil consumption density/USD10,000	3.55	3.29	3.11
Diesel (onshore)	1,062	1,093	1,290
Diesel consumption density/USD10,000	0.0087	0.0081	0.0089
Indirect Energy Consumption (kWh)			
Purchased electricity (office operations)	2,479,038	2,526,608	2,937,129
Purchased electricity (terminals)	–	–	1,603,027
Indirect energy consumption density/USD10,000	20.39	18.74	31.33
Greenhouse Gas Emissions (tCO_2e)			
Direct greenhouse gas emissions (Scope I)	1,390,281	1,390,396	1,410,627
Indirect greenhouse gas emissions (Scope II)	1,958	1,996	3,582
Total greenhouse gases	1,392,239	1,392,392	1,414,209
Total greenhouse gas emission density/USD10,000	11.46	10.33	9.76

Remarks

1. The emission data is from the vehicles and container ships owned by the Company and its affiliated companies. The direct greenhouse gas emission data in 2016 and 2017 is exclusive of greenhouse gases emitted from offshore diesel combustion; the direct greenhouse gas emission data in 2018 is inclusive of gases emitted from offshore diesel combustion.

2. The emission factor for the calculation of emissions from gasoline, diesel and electricity is extracted from the *Reporting Guidance on Environmental KPI* released by the Hong Kong Stock Exchange; the emission factors of heavy fuel oil and light fuel oil emissions consumed by container ships are in reference to the emission coefficients released by *IMO MEPC.1/Cir 684*;

3. The purchased electricity in 2016 and 2017 only included the office electricity consumption of affiliated companies. To further expand the collection scope of electricity consumption data and improve data collection system, the Company extended the statistical scope of purchased electricity in 2018 by adding the electricity consumption data of terminals, resulting in a huge increase in the purchased electricity and energy consumption density in 2018 compared with that in 2016 and 2017. Since the electricity consumption of certain companies is included in the property management costs, the power usage can't be counted separately.

4. * Restated. To enhance the readability and comparability of this Report, the Company unified the statistical unit of the disclosed data regarding energy use and energy consumption density of gasoline and onshore diesel in 2018 by changing "liter" to "ton" and "L/USD10,000" to "T/USD10,000", and accordingly updated the disclosed data in 2016 and 2017.

The use of primary offshore energy resources are heavy fuel oils and light fuel oils. The Company has been advancing the energy conservation and emission reduction of ships from management measures, technical measures and operating measures to achieve maximal energy utilization efficiency.

Measures for Efficiency Improvement of International Shipping

Management Measures	• Assess the oil consumption per 10,000 sea miles of ships: The oil consumption per 10,000 sea miles of ships is compared on a regular basis, looking for and analyzing causes for high oil consumption, and eliminating old ships with high oil consumption. • Implement oil consumption reduction incentive mechanism: Fuel oil use incentives and disincentives are formulated to offer incentives for fleets with low unit oil consumption. • Adopt energy efficiency management: Each ship is provided with a *Ship Energy Efficiency Management Plan* as per load capacity and navigation route to monitor carbon dioxide emission and ship navigation at any time.
Operating Measures	• Select the optimized navigation route: Establish scientific and rational fleet combination, formulate optimize transportation plan and shorten the empty load voyage. • Select the best navigation speed: The fuel oil co-movement real-time monitoring device has been installed on ships in operation to select a rational navigation speed as per berths on the terminal, so as to reduce rotational speed of main engine and effectively save ship fuel oil use. • Efficient loading of cargo: The captain and chief officer develop reasonable and efficient cargo loading to reduce fuel consumption.
Technical Measures	• Adopt such technologies as sword bow design, rudder ball, rudder fin, fair water fin and propeller optimization for newly-built ships to enhance their propulsion performance and lower their fuel oil consumption. • All newly-built ships are compliant with IMO's phased emission requirements. • Cylinder oil upgrade for the operative ships. Cylinder oil E-upgrade has been completed in 10 ships, saving about 260,000 liters of cylinder oil and reducing about USD500,000 of lubricating oil costs.

Water Resource Conservation

As an advocate of multiple use and recycling of water, the Company has actively enhanced the water resource utilization and reduced water waste. In consideration that onshore water use is mainly from domestic and office water use of employees, the Company have reduced water use through promotion of water conservation culture and adoption of water conservation measures. Sea water desalination technology has been used to obtain main offshore water source, and excessive desalinated sea water has been stored in specialized water tanks to increase fresh water reserve. The Company obtained 203,300 cubic meters of fresh water by sea water desalination in 2018. Furthermore, rainwater has been collected to wash the dust off cabins and cabin mats and clean the oil stains on the cabin mats, effectively reducing the use of water resources.

Water Resource Consumption (m^3)

Year	2016	2017	2018
Total water consumption	154,888	172,600	123,259
Water consumption density/USD10,000	1.27	1.28	0.85

Remarks: The offshore water use in 2016 and 2017 include purchased fresh water of self-owned ships and rented ships; to further specify and standardize the statistical scope of water consumption, the Company derived the offshore water use in 2018 from purchased fresh water of self-owned ships only. Unless otherwise specified, the subsequent disclosure is subject to this standard.

Green Office Promotion

As a promoter of green office and green life, the Company has determined to enhance the employees' energy conservation and consumption reduction awareness. Hence, employees have been encouraged to save water, electricity and paper, engage in low-carbon and eco-friendly behaviors, collect waste batteries to prevent hazardous pollution to the environment.

Water Conservation

- Immediately make a report to the property management office upon water leakage.
- Turn off the water faucet to prevent further leakage.

Electricity Conservation

- Designate a person in charge of power equipment in the public areas to turn off unnecessary power supply in a timely manner.
- Actively advance the use of cross-functionary tablet PC videoconferencing system in replacement of traditional projection equipment.

Paper Conservation

- Continuously advance information system development and mobile Internet application to fundamentally reduce consumption of paper and other resources; promote secondary use of paper and double-sided printing in unavoidable printed documents.
- Classify and recycle newspapers, magazines and documents, ship them to the paper mill for destruction on a regular basis or store them in the Company's old containers for natural weathering.

Waste Batteries

- Prioritize the recycling of waste batteries.
- Place waste battery recycling devices on each floor of the office building.

5.3 Environmental and Biodiversity Protection

Marine vessels have the potential of directly or indirectly introducing toxic and hazardous substances to the ocean during their building, operation, maintenance and dismantling, which may cause severe damage to the marine ecological environment. Therefore, the Company has attached great importance to the impact of each shipping link to the marine environment, and adopted active response measures to reduce the impact of shipping industry on the marine environment. In 2018, the Company is not aware of any event that indicated the Company has exerted a significant impact on the creatures and natural resources.

Biodiversity Protection Measures

Hull and Container Coatings

- Large legally compliant suppliers with classification society approval have been selected to source hull and container coatings.

- The Company has insisted on the use of nontoxic coatings free of hazardous substances like organic tine to prevent distortion of marine organisms from toxicity and protect their survival environment.

Hazardous Substances from Ships

- The Company requires that all newly-built ships should be furnished with the Inventory of Hazardous Materials (IHM), hazardous and potentially hazardous substances on the ships should be identified to ensure the compliance with related requirements of the content of hazardous substances. Thus far, the 29 ships in operation of the Company have all been furnished with the IHM.

- The Company has formulated the *Regulations on the Ban of Use of Asbestos-containing Materials on the Ships*, which specify parts easily using asbestos-containing materials, designate personnel to ensure the compliance purchased materials with corporate regulations, and require related suppliers to issue an Asbestos-free Statement.

Ballast Water Management

- The ballast water discharge strictly follows the IMO 2004 *International Convention for the Control and Management of Ships' Ballast Water* and *Sediments* and local laws and regulations to reduce the risks to the marine environment brought by sediments and pests in the ballast water.

- The Company has specified the management and operating requirements for the drawing, replacement and inspection of ships' ballast water to maximally reduce the harm brought by ballast water discharge.

In 2019, the Company will follow the shipping related rules closely as usual, and formulate energy conservation and emission reduction related policies and regulations as well as emergency plans to prevent extreme weather like typhoons and heavy frog in active response to national initiatives and international conventions in relation to climate change adaptation.

6. Harmonious Development

Based on the "People-oriented" concept, the Company has practically protected the rights and interests of employees, created a safe and harmonious working environment. Stable development and promotion paths have been provided for employees for common development and progress. Aspiring to be a responsible corporate citizen, the Company has been contributing to the economic development of places of operation, creating job opportunities and actively involving in community welfare programs to give back to the community and build a harmonious community.

6.1 Labor and Employment

In strict compliance with all labor and employment laws and regulations of the places of operation, the Company has signed the Labor Contract with employees as per the *laws and regulations of the places of operation*, and formulated internal policies in light of labor laws and regulations in respective of country or region. Comprehensively fulfilling the Global Compact and corporate social responsibility and strongly upholding *Universal Declaration of Human Rights*, the Company has strictly abided by international conventions and rights in respect of human rights, and prohibited the use of child labor, discrimination against employees and forced labor.

In terms of employment, remuneration, promotion, dismissal and retirement, the Company has insisted on equal treatment regardless of citizenship, nationality, race, gender, religious belief and cultural background. In strict implementation of China's minority nationality policies, the Company pursues freedom of religious belief, and respects the habits of minority employees.

In respect of labor employment, child labor is strictly prohibited in accordance with the national laws and regulations in the Company. The Human Resources Department has established detailed employee recruitment policies and review procedures to prevent the employment of child labor under the age of 16 due to faults in recruitment work. The Company holds large-scale campus recruitments and social recruitments on a regular basis every year. In addition, the Company worked with the Shanghai Maritime University to offer directional training courses. Suitable talents selected from interviews will be able to take Public Administration courses and SITC International internal training courses. Recruiting qualified talents from colleges and universities has effectively avoided us from hiring underage applicants incidentally.

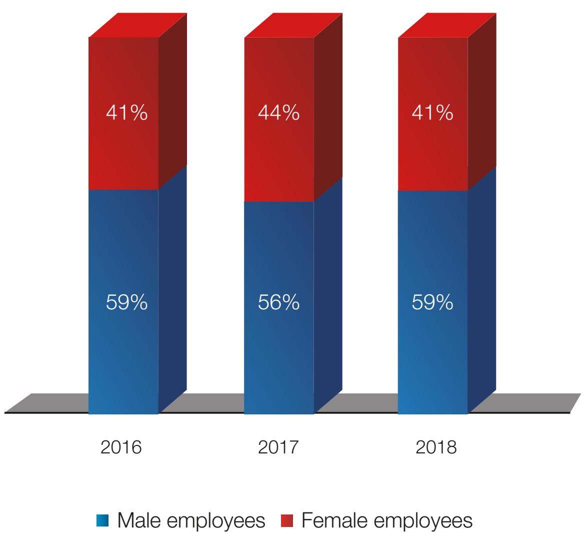
In strict accordance with the *laws and regulations of the places of operation*, the Company fully respects employees' rights of freedom on career. The Company resolutely prohibits forced labor of any cause, and will not restrict the personal freedom of employees in any way. Onboarding training on labor rules and regulations is provided to employees to allow them to fully understand their rights and obligations of work. Valuing the rights and interests of offshore employees, the Company has further entered into the Employment Agreement and Supplementary Employment Agreement with seamen employed, and safeguarded their rights and interests in accordance with the *Declaration of Maritime Labour Compliance* (DMLC).

Employees are the core force of corporate development. Hence, respecting human rights of employees is the precondition for sound corporate development. As a responsible enterprise, SITC strictly follows international conventions and recruitment regulations and upholds the principle of non-discrimination. Respecting each employee, the Company resolutely prohibits child labor and forced labor, and independently safeguard and protect the human rights of employees. Within the reporting period, the Company had no violation of employment and labor related laws and regulations.

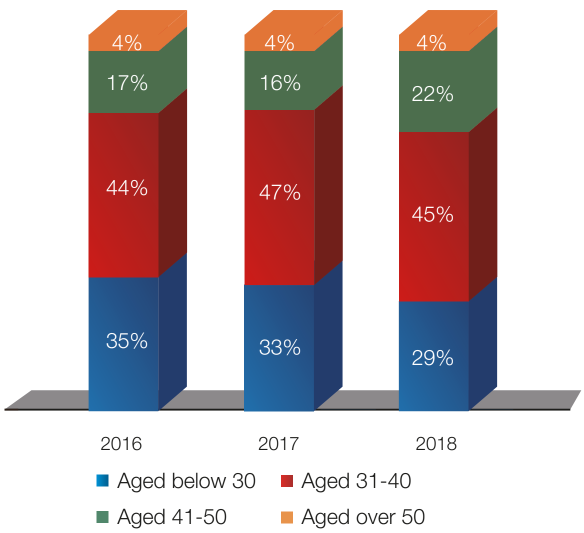
Striving to safeguard equal and diversified job opportunities, the Company has been fully attracting, gathering, incentivizing and utilizing international high-caliber talents, and actively promoting regional and global operation and development. In strict accordance with the internal recruitment regulations and procedures of SITC, the Company complied with the principle of open and equal recruitment. In 2018, the total number of employees of the Company is 1,468[1]. Gender-wise, there were 867 male employees and 601 female employees; in terms of age, there were 417 employees aged 30 or below, 662 employees aged 31 to 40, 321 employees aged 41 to 50 and 68 employees over the age of 50; geographically, 1,106 employees were from Greater China, and 362 employees from Southeast Asia, Japan and Korea. A total of 214 employees left the Company in 2018. Fully respecting the personal choice of employees, the Company handled the resignation procedures for these employees according to law.

[1] Including full-time employees of the Company and its subsidiaries (excluding crew members).

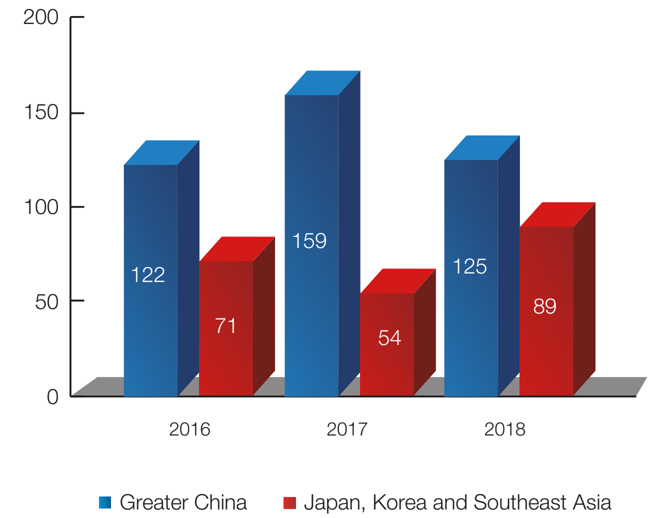
Employee distribution by gender



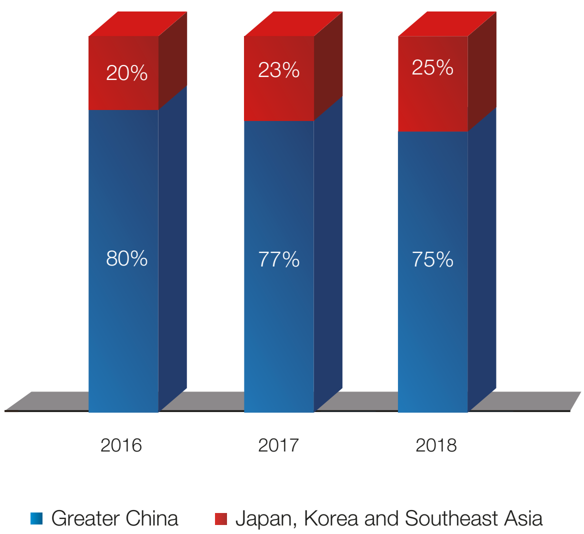
Employee distribution by age



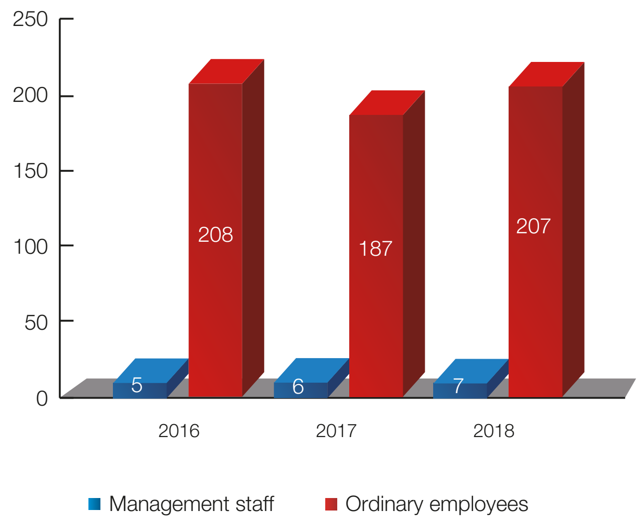
Number of lost employees by geographical area



Employee distribution by geographical area



Number of lost employees by employment category



6.2 Development and Training

As the Company continues to grow, employees' personal development has become a core issue for the purpose of sustainable development. Valuing employees' development and growth, the Company has enhanced employees' comprehensive skills and overall productivity through training. Talents have been actively trained to adapt to the future market demand and continuously inject vital force for future corporate development.

In addition to a well-designed training system, the Company has set up the "SITC International Training System Establishment Committee" which defines the training courses of employees at each level. All employees are required to take all courses and pass the online examination of the target level and target post before regularization, job rotation and promotion. The "SITC International Talent Echelon Building Administrative Committee" has been further established to take charge of reserve talent building, and provide reserve management personnel through training, job rotation and promotion.

Offshore Employees

In 2018, the Company has provided 15,616 hours of training for seamen with a total investment over RMB700,000.

KPI Table

Percentage of Employees Trained by Position Level	Management Level 80% Operation Level 20%
Training Hours Per Seaman by Position Level	Management Level 50 Hours Operation Level 30 Hours

Onshore Employees

The Company has worked out training plans for the Headquarters and branch companies based on job requirements. Through such diversified vocational training forms such as field from time to time training, online tutorial and professional technical workshops, the Company helped employee to master essential professional knowledge and application skills to meet their personal development demands. In 2018, the Company has provided 13,504 hours of training for 4,828 employees.

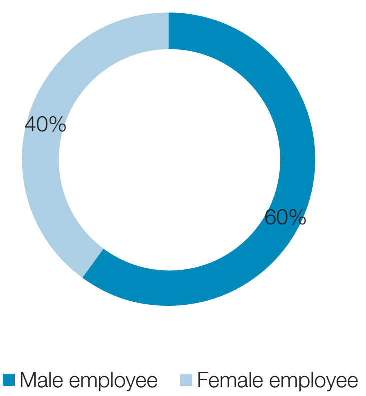
Onboarding Training

SITC organizes new employee onboarding training on a regular basis every year to introduce its corporate information, regulations and rules to the newly recruited. Respective departments provide new employees with training about department functions and job requirements for them to acquire necessary knowledge about the Company.

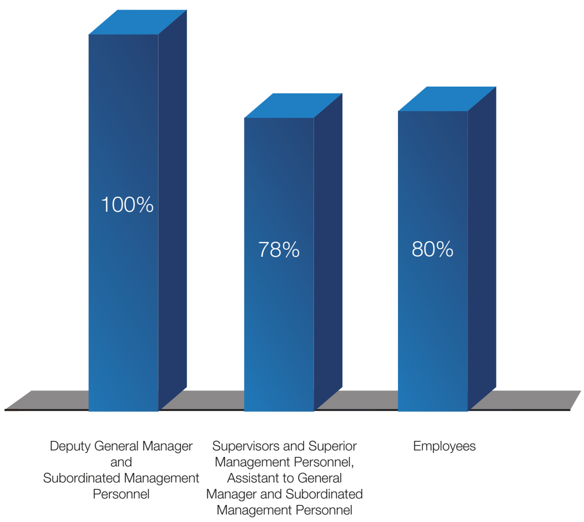
Professional Knowledge and Skill Training

The professional knowledge and skill training of SITC is concerned with business operation training, business knowledge update, and training on the latest management theories, policies and regulations for employees to master the skills required by their post. The training offered within the reporting period covered themes like safe operation, business etiquette, leadership, business marketing and information safety.

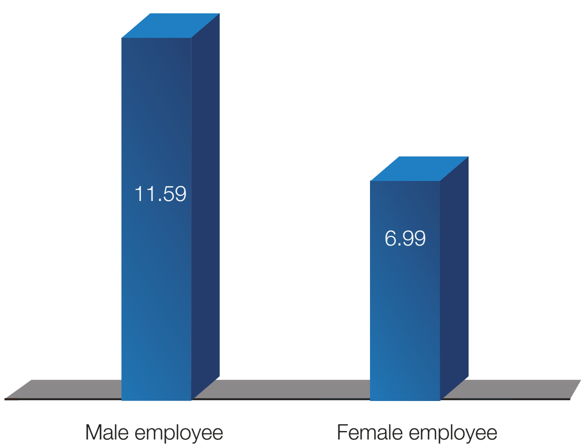
Ratio of employees trained by gender



Ratio of employees trained by position level



Average Training Hours per Employee by Gender



6.3 Health and Safety

With safety being of top of its priority, the Company has upheld the safety and environmental protection policy of "Safety Guarantee, Environmental Protection and Health Assurance". To further enhance the seamen's risk prevention awareness, risk response and hazard response capacity, popularize safety knowledge and spread safety culture, the Company has formulated the SMS as well as strictly executed the requirements of *SOLAS, STCW* and *MLC 2006 conventions*. For onshore and offshore execution, the SMS has detailed *SOPs* and safety response measures.

In 2018, there was 1 job-related death in the Group. After the incident, the Company immediately took action and helped the family members of the deceased settle claims with the social insurance authority, business insurance company and equipment manufacturer. Furthermore, the Company launched a specialized safety inspection on all storage yards, improved the operating procedures and regulations, strengthened terminal monitoring and installed safety equipment to ensure the safety of terminal operators.

Offshore Employees

The Company has prepared the *Occupational Health and Safety Operation Control Procedure (Control Procedure)* to specify the operation control processes and methods in relation to occupational health and safety risks on the ships. According to the *Control Procedure*, the Ship Safety Committee should be established and composed of the captain, chief engineer, first mate, boatswain and master mechanic. The Ship Safety Committee is mainly to prevent occupational accidents, injuries and diseases on the ships, and ensure that all seamen are provided with occupational health protection. Through identification of sources of danger, control measures and management plans, the *Control Procedure* has helped keep the risks under control or lower the risks, and achieve the occupational health and safety policies and goals of the Company.

As for more specific ship safety operations, the Company has provided operating instructions for mechanical maintenance, maritime management, emergency response and seamen to ensure safe and orderly operation of each link.

Safety Operating Instructions

Operating Instructions for Mechanical Maintenance	Regulations on the *Ban of Using Asbestos-containing Materials on the Ships, Lubricating Oil Management, Filling Notes and Fuel Oil Quality Control on the Ships, Notes for Preparation of Oil Transfer Plan on the Ships*
Operating Instructions for Maritime Management	*Vessel Fire Safety Regulations", "Anti-typhoon Safety Regulations on the Ships, Operating Instructions for Ship Handling in Heavy Weather, Provisions on the Administration of Container Transport, Heavy Cargo Shipping Notes*
Operating Instructions for Emergency Response	*Emergency Measures for Fires (Explosions) on the Ships, Oil Spill Incident Emergency Measures, and Cargo Incident Emergency Measures*
Operating Instructions for Seamen	*Personal Safety Precautions for Seamen*

In strict accordance with the *ISPS Code*, the Company has formulated the *SSP*, installed CCTV monitoring devices on the ships and worked out various anti-terrorism measures. For ships navigating on the pirates-active waters, the Company have further established the Naval Escort Plan and arranged armed security forces to ensure the safety of seamen and ships.

Onshore Employees

Within the reporting period, the Company continuously implemented the established Onshore Work Safety Plan, strengthened the employee safety awareness, and organized safety practices and training sessions on a regular basis. The Company provided all its employees in the PRC with free annual physical examination, and the five social insurances and one housing fund—endowment insurance, medical insurance, unemployment insurance, employment injury insurance and maternity insurance and housing fund. Fire drills have been conducted on a regular basis. Professional firefighters from the Fire Control Center have been invited to give site instructions, develop employees' response ability in face of fires at the initial stages in the terminals and other workplaces, and help them master knowledge about types of fire extinguishers and how to use fire extinguishers. Valuing vehicle use safety, the Company has specified the safety rules in the *Drivers' Job Responsibilities*, and provided safety training on all drivers on a regular basis. The *Safety Regulations on Incoming and Outgoing Vehicles*, and *Regulations on the Safety Management of Separation of Pedestrians and Vehicles* formulated by the Logistics Group have standardized vehicle and personnel safety measures.

In 2018, the Company unfolded various occupational safety and health training activities to help employees familiarize themselves with our safety regulations and work procedures, master the latest safety measures and technologies, enhance their work health and safety awareness, and advance safety and health philosophy development.

6.4 Employee Welfare

Putting people first, the Company has taken employees as valuable corporate assets, and thus provided them with a safe and comfortable working environment. A well-designed vacation and insurance system has been established in respective place of operation, and professionals have been hired to offer emotional counseling on a regular basis. To promote work-life balance and enhance team bounding, the Company has arranged a wide range of entertainment activities and encouraged active involvement of the employees to promote harmony and unity among the employees.

The Company has established a well-designed employee remuneration system. In addition to basic salary, there are monthly performance, equity, year-end bonus and subsidy. Employees are entitled to such benefits as transportation subsidy, special subsidy, perfect attendance reward, dispatching subsidy and children's educational subsidy. Furthermore, the equity incentive system of the Company has been established to motivate employees who recognize its corporate culture, abide by its corporate regulations and have made contributions to the Company through important posts on a long-term basis, enhance their sense of belonging and realize common sustainable development between the Company and employees. The Company plans to grant shares awards with a vesting period of 3-years after the grant day whose restrictions to a certain number of backbone employees every year. Within the reporting period, the Company granted a total of 6.57 million shares awards to employees based on their performance and stock price, increasing by 68.9% from 2017; a total of 541 employees received stock ownership incentive, marking an increase of 16 employees from 2017, and accounting for 36.9% of total employees.

The Company has adopted flexible vacation system for employees as per the place of operation. Working hours, statutory holidays and paid leaves are based on the laws and regulations of different countries or regions. These efforts are intended to relieve the pressure from intense work, promote harmonious family ties, enhance the unity of employees and cohesiveness of the enterprise.

Valuing employees' practical benefits and well-being, the Company has further developed an efficient employee communication mechanism. Such approaches as corporate policy Q&A on the official website and OA questionnaire-based survey have been adopted to hear from the employees and resolve their problems.

Moreover, the Company organizes various employee events to enrich their lives. In 2018, the Company organized the first SITC Gobi Hiking, "SITC in My Eyes" Painting Competition, Healthy Running, Family Day and many other events. Employees and their family members were encouraged to join these events, so as to enhance its cohesion and employees' sense of belonging.

Case: SITC in My Eyes Painting Competition

In 2018, SITC launched the major team building event—"SITC in My Eyes" Painting Competition. Through diversified self-organized activities, 41 branches under SITC joined the event. The employees and their family members and children depicted "SITC in My Eyes" through different scenes, and expressed their love for the Company and expectation for corporate vision. Thirty six paintings were entered as finalist works after corporate appraisal, and then voted through the OA system. Finally, 22 winning works were selected.

First Prize Work *Brave the Wind and the Waves*—
Zhou Cheng from Container Transportation Shanghai

First Prize Work *Win-Win SITC* —
Wang Song from Container Transportation Qingdao

First Prize Work *Better SITC*—
Marketing Department from Container Transportation Yantai

Case: First SITC Gobi Hiking

To develop employees' team spirit and enhance their leadership, SITC held the first SITC Gobi Hiking 2018. After undergoing a rigorous physical examination, 93 applicants were selected for the qualification tryouts and 40 participants were picked after 10km, 18km and 23km qualification tryouts since mid-June. After one month and a half group-based intensified training, the first batch of SITC Gobi challengers in 4 groups set out for the Gobi Desert in October 2018. The 88km non-stop hiking challenge, known as the Journey of Xuanzang, lasted 3 days and 2 nights.

In face of trials of scorching sun, bitter cold, dust storm, night walk and high altitude, the team members broke through themselves, enhanced their AQ, appreciated the power of friendship in distress, and realized the importance of a team to deal with difficulties. Finally, all team members completed the 88km extreme challenge and showcased the spirit of SITC members.

6.5 Community Support

Actively involving in and making contributions to the local community, the Company has joined welfare programs to realize sustainable development between the Company and the community of the place of operation. In 2018, The Company invested RMB3 million and IDR 50 million in welfare programs in relation to poverty alleviation, education, medical care, disaster relief and environmental protection.

Case: SITC Made Donations for Earthquake and Tsunami Attacked Paru, Indonesia

On September 28, 2018, Paru in the middle of Sulawesi, Indonesia was seriously hit by an earthquake, which led to a tsunami and severe losses. Through PELINDO4 PEDULI, Dwi Indriyani, head of Makassar Office of SITC Indonesia, donated IDR 50 million to Paru on behalf of SITC for living arrangement and post-disaster home reconstruction of the disaster-stricken people.

After the disaster, employees in Jakarta and Semarang have actively participated in disaster relief donations, relief supplies transportation support activities to express their concern for the disaster-stricken people.

Case: SITC Continuously Made Donations for Jinan Children's Care Center

In 2014, SITC worked with Ai You Foundation and Jinan Children Welfare Institution to set up Jinan Orphaned and Disabled Children's Care Center. It's a special care, medical assistance and rehabilitation center for orphaned and disabled infants and young children. In 2018, SITC made a donation of RMB3 million to the Center, leading to an aggregate donation amount of RMB15 million over the years.

In 2018, 83 ill orphans were admitted to the Center, driving the total number of cared orphans to 100. Since the launch of the program, SITC recruited volunteers from its branch companies, and gathered them in Jinan Children Welfare Institution to assist health care aids in care for the ill children and bring them warmth.

In 2019, the Company will continue to uphold the philosophy of people first and harmonious development, constantly improve the employee incentive and evaluation mechanism, and give a full play to remuneration in protecting employees' rights and motivating their initiatives; an employee position-based learning platform will be established, course and lecturer resources will be enriched to meet the personalized training demands of employees; a talent development program will be initiated to support the future strategic improvement and business development of the Company; through the SITC Gobi Hiking Phase II and other recreational and sports activities, The Company will be actively engaged in team building and cultural development to enhance corporate cohesiveness.

Outlook for 2019

SITC is a seabird soaring over the ocean.

In 2019, internally, the Company will further advance the integration of sustainable development into corporate strategy and corporate culture, and continuously improve ESG management and reporting system; an information-based platform for ESG data collection will be gradually established to realize inter-departmental and cross-regional data management. Externally, the Company will continue to fulfill its social responsibility for stakeholders, unfold effective communication with them, identify and incorporate their reasonable expectations and demands into day-to-day operation; The Company will further explore the integrated reporting and business model, effectively combine its economic value with its social value, and better present how the enterprise creates value in the short, medium and long term.

At the same time, the Company will insist on steady operation and create value for shareholders through scientific and effective management; the Company will further advance its energy conservation and ecological protection efforts, keep the risks of environmental accidents under rigorous control, strengthen safe production assurance and actively adapt to changes of customer demands. Furthermore, the Company will improve its long-term mechanism in employee training and care, share its corporate development results with employees. On the basis of good communication with the community, the Company will actively expand the scope and influence of public benefit programs to benefit the community and maximize social value!

Independent Auditor's Report

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To the shareholders of SITC International Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of SITC International Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 87 to 195, which comprise the consolidated statement of financial position as at 31 December 2018, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of vessels	
The carrying amount of the vessels of the Group as at 31 December 2018 was US$817,228,000, which represented 88% of the then carrying amount of the Group's property, plant and equipment and 53% of the Group's total assets. Management is required to perform impairment assessment on an asset if there is an indicator that the recoverable amount of the asset may be lower than its carrying amount. The Group performed an impairment assessment of its vessels in accordance with Hong Kong Accounting Standard ("HKAS") 36 *Impairment of Assets* issued by the HKICPA and concluded that (i) there was no impairment indicator on the container vessels as the container shipping is profitable in recent years; and (ii) the Group's dry bulk vessels may be impaired, given the relevant market indexes that affect operating performance are volatile. Accordingly, the Group estimated the recoverable amounts of its dry bulk vessels, using a value in use calculation based on the discounted cash flow method. Such assessment requires, inter alia, management's estimation on the expected future cash flows from the assets and a suitable discount rate in order to calculate the present value of those cash flows. Given the complexity and judgmental nature of the impairment assessment, we considered this a key audit matter. Related disclosures are included in notes 3 and 14 to the financial statements.	We evaluated the assumption and data used by the Group in the forecast, and with the assistance of our internal valuation specialists, the methodology adopted for the impairment assessment and the discount rates used in the recoverable amount calculation of the Group's vessels prepared by the management. We also assessed the adequacy of the related disclosures in the notes to the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is CHENG Man.

Ernst & Young
Certified Public Accountants
Hong Kong
22 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2018

	Notes	2018 US$'000	2017 US$'000
REVENUE	5	**1,449,088**	1,348,385
Cost of sales		**(1,196,489)**	(1,096,679)
Gross profit		**252,599**	251,706
Other income and gains, net	6	**31,210**	18,658
Administrative expenses		**(76,449)**	(74,333)
Other expenses, net		**(428)**	(946)
Finance costs	7	**(9,368)**	(8,640)
Share of profits and losses of:			
Joint ventures	19(b)	**9,961**	11,093
Associates	20(b)	**171**	481
PROFIT BEFORE TAX	8	**207,696**	198,019
Income tax	11	**(8,599)**	(7,907)
PROFIT FOR THE YEAR		**199,097**	190,112
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Changes in fair value of available-for-sale investments		**–**	1,326
Debt investments at fair value through other comprehensive income:			
Changes in fair value		**(1,701)**	–
Reclassification adjustments for losses on disposal included in profit or loss		**41**	–
		(1,660)	–
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year		**(3,064)**	(7,681)
Reclassification adjustments for losses/(gains) included in profit or loss		**(658)**	561
		(3,722)	(7,120)
Exchange differences on translation of foreign operations		**(4,893)**	5,718
Share of other comprehensive income/(loss) of joint ventures	19(b)	**(1,665)**	1,452
Share of other comprehensive income/(loss) of associates	20(b)	**(539)**	652
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**(12,479)**	2,028
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX		**(12,479)**	2,028
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**186,618**	192,140

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2018

	Note	2018 US$'000	2017 US$'000
Profit for the year attributable to:			
Shareholders of the Company		**197,514**	188,613
Non-controlling interests		**1,583**	1,499
		199,097	190,112
Total comprehensive income for the year attributable to:			
Shareholders of the Company		**185,481**	190,124
Non-controlling interests		**1,137**	2,016
		186,618	192,140
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	13		
Basic (US cents per share)		**7.44**	7.15
Diluted (US cents per share)		**7.39**	7.12

Consolidated Statement of Financial Position

31 December 2018

	Notes	2018 US$'000	2017 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**927,514**	891,787
Prepaid land lease payments	15	**17,196**	18,656
Advance payments for the acquisition of vessels and trademarks	16	**46,376**	13,172
Goodwill	17	**1,029**	1,088
Other intangible assets	18	**1,579**	–
Investments in joint ventures	19	**35,777**	32,743
Investments in associates	20	**9,431**	9,800
Debt investments at fair value through other comprehensive income	21	**9,430**	–
Available-for-sale investments	21	**–**	26,808
Derivative financial instruments	22	**155**	175
Total non-current assets		**1,048,487**	994,229
CURRENT ASSETS			
Prepaid land lease payments	15	**468**	495
Bunkers		**22,962**	17,723
Trade receivables	23	**65,877**	64,065
Prepayments, deposits and other receivables	24	**16,625**	14,144
Derivative financial instruments	22	**105**	1,136
Principal-protected investment deposits at fair value through profit or loss	25	**16,665**	10,887
Cash and bank balances	26	**380,702**	505,684
Total current assets		**503,404**	614,134
CURRENT LIABILITIES			
Trade payables	27	**138,767**	131,812
Other payables and accruals	28	**52,471**	53,719
Derivative financial instruments	22	**18**	709
Bank borrowings	29	**77,718**	117,407
Dividend payables		**–**	33,964
Income tax payables		**1,271**	1,298
Total current liabilities		**270,245**	338,909
NET CURRENT ASSETS		**233,159**	275,225
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,281,646**	1,269,454

Consolidated Statement of Financial Position

31 December 2018

	Notes	2018 US$'000	2017 US$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,281,646**	1,269,454
NON-CURRENT LIABILITIES			
Bank borrowings	29	**235,947**	298,016
Net assets		**1,045,699**	971,438
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	31	**34,393**	34,213
Reserves	33(a)	**1,002,639**	929,305
		1,037,032	963,518
Non-controlling interests		**8,667**	7,920
Total equity		**1,045,699**	971,438

YANG Shaopeng
Director

YANG Xianxiang
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

		Attributable to shareholders of the Company												
	Notes	Issued capital US$'000	Share premium account US$'000	Shares held under share award scheme account US$'000	Share-based compensation reserve US$'000	Capital and other reserves US$'000 (note 33(b))	Hedging reserve US$'000	Available for-sale investment revaluation reserve US$'000	Exchange fluctuation reserve US$'000	Reserve funds US$'000 (note 33(c))	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2017		33,713	362,787	–	8,368	(7,623)	2,788	275	(5,140)	4,543	480,286	879,997	7,243	887,240
Profit for the year		–	–	–	–	–	–	–	–	–	188,613	188,613	1,499	190,112
Other comprehensive income/(loss) for the year:														
Changes in fair value of available-for-sale investments, net of income tax		–	–	–	–	–	–	1,326	–	–	–	1,326	–	1,326
Cash flow hedges, net of income tax		–	–	–	–	–	(7,120)	–	–	–	–	(7,120)	–	(7,120)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	5,201	–	–	5,201	517	5,718
Share of other comprehensive income of:														
Joint ventures		–	–	–	–	–	–	–	1,452	–	–	1,452	–	1,452
Associates		–	–	–	–	–	–	–	652	–	–	652	–	652
Total comprehensive income/(loss) for the year		–	–	–	–	–	(7,120)	1,326	7,305	–	188,613	190,124	2,016	192,140
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	95	95
Issue of shares upon exercise of share options under the pre-IPO share option scheme	31(a)	385	15,026	–	(781)	–	–	–	–	–	–	14,630	–	14,630
Issue of shares upon exercise of share options under the post-IPO share option scheme	31(b)	115	5,700	–	(1,339)	–	–	–	–	–	–	4,476	–	4,476
Repurchase of shares	32	–	–	(3,659)	–	–	–	–	–	–	–	(3,659)	–	(3,659)
Utilisation of reserve funds for prior year tax adjustment		–	–	–	–	–	–	–	–	(185)	–	(185)	–	(185)
Share award expense	32	–	–	–	31	–	–	–	–	–	–	31	–	31
Equity-settled share option expense	32	–	–	–	104	–	–	–	–	–	–	104	–	104
Transfer of share-based compensation reserve upon forfeiture or expiry of share options		–	–	–	(18)	–	–	–	–	–	18	–	–	–
Transfer to reserve funds		–	–	–	–	–	–	–	–	421	(421)	–	–	–
Dividends declared to non-controlling equity holders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(1,434)	(1,434)
Final 2016 dividend paid	12	–	–	–	–	–	–	–	–	–	(54,171)	(54,171)	–	(54,171)
Interim 2017 dividend declared	12	–	–	–	–	–	–	–	–	–	(33,865)	(33,865)	–	(33,865)
Special 2017 dividend declared	12	–	–	–	–	–	–	–	–	–	(33,964)	(33,964)	–	(33,964)
At 31 December 2017		34,213	383,513*	(3,659)*	6,365*	(7,623)*	(4,332)*	1,601*	2,165*	4,779*	546,496*	963,518	7,920	971,438

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

		Attributable to shareholders of the Company												
	Notes	Issued capital US$'000	Share premium account US$'000	Shares held under share award scheme account US$'000	Share-based compensation reserve US$'000	Capital and other reserves US$'000 (note 33(b))	Hedging reserve US$'000	Available-for-sale investment revaluation reserve/ Fair value reserve US$'000	Exchange fluctuation reserve US$'000	Reserve funds US$'000 (note 33(c))	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 31 December 2017		34,213	383,513	(3,659)	6,365	(7,623)	(4,332)	1,601	2,165	4,779	546,496	963,518	7,920	971,438
Effect of adoption of HKFRS 9	2.2	–	–	–	–	–	–	(1,078)	–	–	1,022	(56)	–	(56)
At 1 January 2018 (restated)		34,213	383,513	(3,659)	6,365	(7,623)	(4,332)	523	2,165	4,779	547,518	963,462	7,920	971,382
Profit for the year		–	–	–	–	–	–	–	–	–	197,514	197,514	1,583	199,097
Other comprehensive loss for the year:														
Changes in fair value of debt investments at fair value through other comprehensive income, net of income tax		–	–	–	–	–	–	(1,660)	–	–	–	(1,660)	–	(1,660)
Cash flow hedges, net of income tax		–	–	–	–	–	(3,722)	–	–	–	–	(3,722)	–	(3,722)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(4,447)	–	–	(4,447)	(446)	(4,893)
Share of other comprehensive loss of:														
Joint ventures		–	–	–	–	–	–	–	(1,665)	–	–	(1,665)	–	(1,665)
Associates		–	–	–	–	–	–	–	(539)	–	–	(539)	–	(539)
Total comprehensive income/(loss) for the year		–	–	–	–	–	(3,722)	(1,660)	(6,651)	–	197,514	185,481	1,137	186,618
Capital contribution from a non-controlling equity holder of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	195	195
Acquisition of a subsidiary	34	–	–	–	–	–	–	–	–	–	–	–	161	161
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	813	813
Issue of shares upon exercise of share options under the pre-IPO share option scheme	31(a)	65	2,550	–	(132)	–	–	–	–	–	–	2,483	–	2,483
Issue of shares upon exercise of share options under the post-IPO share option scheme	31(b)	31	1,535	–	(368)	–	–	–	–	–	–	1,198	–	1,198
Issue of shares under share award scheme	32	84	6,529	(6,613)	–	–	–	–	–	–	–	–	–	–
Share award expense	32	–	–	–	3,249	–	–	–	–	–	–	3,249	–	3,249
Transfer of share-based compensation reserve upon forfeiture or expiry of share options		–	–	–	(13)	–	–	–	–	–	13	–	–	–
Transfer to reserve funds		–	–	–	–	–	–	–	–	428	(428)	–	–	–
Dividends declared to non-controlling equity holders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(1,559)	(1,559)
Final 2017 dividend paid	12	–	–	–	–	–	–	–	–	–	(67,876)	(67,876)	–	(67,876)
Interim 2018 dividend declared	12	–	–	–	–	–	–	–	–	–	(50,965)	(50,965)	–	(50,965)
At 31 December 2018		34,393	394,127*	(10,272)*	9,101*	(7,623)*	(8,054)*	(1,137)*	(4,486)*	5,207*	625,776*	1,037,032	8,667	1,045,699

* These reserve accounts comprise the consolidated reserves of US$1,002,639,000 (2017: US$929,305,000) in the consolidated statement of financial position as at 31 December 2018.

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 US$'000	2017 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**207,696**	198,019
Adjustments for:			
Finance costs	7	**9,368**	8,640
Share of profits of joint ventures		**(9,961)**	(11,093)
Share of profits of associates		**(171)**	(481)
Interest income	6	**(12,101)**	(8,376)
Investment income of principal-protected investment deposits at fair value through profit or loss	6	**(231)**	–
Gain on disposal of investment in an associate	6	**–**	(40)
Gain on disposal of items of property, plant and equipment, net	6	**(4,388)**	(3,687)
Fair value losses/(gains), net:			
Derivative instruments – transactions not qualifying as hedges	6	**(65)**	(3,906)
Cash flow hedges (transfer from equity)	6,8	**(658)**	(561)
Equity investments at fair value through profit or loss	6	**(517)**	–
Debt investments at fair value through other comprehensive income (transfer from equity on disposal)	8	**41**	–
Depreciation	8	**59,855**	56,088
Amortisation of prepaid land lease payments	8	**475**	463
Reversal of impairment of items of property, plant and equipment	6	**(5,864)**	–
Impairment of trade receivables, net	8	**224**	345
Share award expense	32	**3,249**	31
Equity-settled share option expense	32	**–**	104
		246,952	235,546
Increase in bunkers		**(5,183)**	(3,974)
Increase in trade receivables		**(2,920)**	(3,150)
Decrease in prepayments, deposits and other receivables		**1,139**	2,479
Decrease in derivative financial assets		**1,116**	3,679
Increase in trade payables		**6,778**	11,318
Increase/(decrease) in other payables and accruals		**(2,620)**	12,383
Increase/(decrease) in derivative financial liabilities		**(443)**	708
Effect of foreign exchange rate changes, net		**(109)**	(2,582)
Cash generated from operations		**244,710**	256,407

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 US$'000	2017 US$'000
Interest income received		**11,261**	7,531
Interest paid		**(9,368)**	(9,040)
Hong Kong profits tax paid		**(150)**	(306)
Overseas income tax paid		**(7,976)**	(6,786)
Net cash flows from operating activities		**238,477**	247,806
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	4	**(23,517)**	(19,322)
Proceeds from disposal of items of property, plant and equipment		**5,492**	4,324
Advance payments for the acquisition of vessels	4	**(100,811)**	(12,113)
Investments in joint ventures		**(1,144)**	–
Purchases of available-for-sale investments		**–**	(10,696)
Proceeds from disposal of available-for-sale investments		**–**	3,172
Proceeds from disposal of debt investments at fair value through other comprehensive income		**11,309**	–
Proceeds from disposal of equity investments at fair value through profit or loss		**4,070**	–
Net disposal/(additions) of principal-protected investment deposits at fair value through profit or loss		**(5,778)**	485
Proceeds from investment income of principal-protected investment deposit at fair value through profit or loss		**231**	–
Increase in non-pledged time deposits with original maturity of over three months		**(402,882)**	(16,049)
Decrease in non-pledged time deposits with original maturity of over three months		**511,247**	–
Dividends received from joint ventures		**6,170**	10,889
Withholding tax paid on dividends received		**(523)**	(523)
Proceeds from disposal of interest in an associate		**–**	1,984
Acquisition of a subsidiary	34	**(151)**	–
Net cash flows from/(used in) investing activities		**3,713**	(37,849)

	Notes	2018 US$'000	2017 US$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	31(a),(b)	**3,681**	19,106
Repurchase of shares	31	**–**	(3,659)
Acquisition of non-controlling interests		**–**	95
Capital contribution from a non-controlling equity holder of a subsidiary		**195**	–
New bank borrowings		**48,669**	143,678
Repayment of bank borrowings		**(154,127)**	(145,669)
Dividends paid		**(152,805)**	(88,036)
Dividends paid to non-controlling equity holders of subsidiaries		**(1,559)**	(1,434)
Net cash flows used in financing activities		**(255,946)**	(75,919)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(13,756)**	134,038
Cash and cash equivalents at beginning of year		**293,653**	156,975
Effect of foreign exchange rate changes, net		**(2,861)**	2,640
CASH AND CASH EQUIVALENTS AT END OF YEAR		**277,036**	293,653
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances other than time deposits		**40,301**	88,711
Time deposits		**340,401**	416,973
Cash and cash equivalents as stated in the consolidated statement of financial position		**380,702**	505,684
Less: Non-pledged time deposits with original maturity of over three months when acquired		**(103,666)**	(212,031)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**277,036**	293,653

1. CORPORATE AND GROUP INFORMATION

SITC International Holdings Company Limited (the "Company") is a limited liability company incorporated in the Cayman Islands and shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the Company's principal place of business in Hong Kong is located at 21/F, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the the following businesses:

- the provision of integrated logistics services, including provision of container transport, freight forwarding, shipping agency, depot and warehousing services; and
- the provision of dry bulk vessel leasing, air-freight forwarding, land leasing and other services.

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

Information about principal subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations	Nominal value of registered/paid-up capital	Percentage of equity attributable to the Company	Principal activities
Qingdao Smart Cargo Logistics Company Limited ^ #	Peoples's Republic of China ("PRC")/ Mainland China	US$30,000,000	60	Provision of warehousing and depot services
SITC Busan Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services
SITC Container Lines (Cambodia) Co., Ltd. #	Cambodia	US$200,000	100	Provision of shipping agency services
SITC Container Lines Company Limited	Hong Kong	HK$1,000,000	100	Provision of container marine transportation services
SITC Container Lines (Indonesia) Co., Ltd. #	Indonesia	IDR6,000,000,000	67	Provision of shipping agency services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about principal subsidiaries (continued)

Company name	Place of incorporation/ registration and operations	Nominal value of registered/paid-up capital	Percentage of equity attributable to the Company	Principal activities
SITC Container Lines (Japan) Co., Ltd. #	Japan	JPY10,000,000	100	Provision of shipping agency services
SITC Container Lines (Korea) Co., Ltd. #	Korea	KRW600,000,000	80	Provision of shipping agency services
SITC Container Lines (SARAWAK) SDN BDH #	Malaysia	MYR500,000	70	Provision of shipping agency services
SITC Container Lines (Shanghai) Co., Ltd. * #	PRC/ Mainland China	US$16,000,000	100	Provision of shipping agency services
SITC Fangcheng Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services
SITC Fujian Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services
SITC Group Company Limited ∝	BVI/Hong Kong	US$10,000	100	Investment holding
SITC Guangdong Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services
SITC Guangxi Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services
SITC Hainan Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services
SITC Hanshin Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services
SITC Hebei Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services
SITC Hengshan Shipping Company Limited	Hong Kong	RMB100	100	Vessel holding and chartering services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about principal subsidiaries (continued)

Company name	Place of incorporation/ registration and operations	Nominal value of registered/paid-up capital	Percentage of equity attributable to the Company	Principal activities
SITC Hochiminh Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services
SITC Huangshan Shipping Company Limited	Hong Kong	HK$1	100	Vessel holding and chartering services
SITC Huashan Shipping Company Limited	Hong Kong	HK$1	100	Vessel holding and chartering services
SITC Jiangsu Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services
SITC Kanto Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services
SITC Keelung Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services
SITC Kwangyang Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services
SITC Lianyungang Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services
SITC Liaoning Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services
SITC Logi Korea Co., Ltd. #	Korea	KRW300,000,000	100	Provision of freight forwarding services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about principal subsidiaries (continued)

Company name	Place of incorporation/ registration and operations	Nominal value of registered/paid-up capital	Percentage of equity attributable to the Company	Principal activities
SITC Logistics Co., Ltd. * #	PRC/ Mainland China	RMB134,000,000	100	Provision of freight forwarding services
SITC Logistics (Japan) Co., Ltd.	Japan	JPY10,000,000	100	Provision of freight forwarding services
SITC Lushan Shipping Company Limited	Hong Kong	HK$1	100	Vessel holding and chartering services
SITC Macao Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services
SITC Moji Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services
SITC Osaka Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services
SITC Qingdao Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services
SITC Semarang Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services
SITC Sendai Shipping Company Limited	Hong Kong	US$1	100	Vessel holding and chartering services
SITC Shandong Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services
SITC Shanghai Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about principal subsidiaries (continued)

Company name	Place of incorporation/ registration and operations	Nominal value of registered/paid-up capital	Percentage of equity attributable to the Company	Principal activities
SITC Shenzhen Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services
SITC Shimizu Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services
SITC Shipping Agency (HK) Company Limited	Hong Kong	HK$5,000,000	100	Provision of shipping agency and freight forwarding services
SITC Shipping Agency (Taicang) Co., Ltd. ^ #	PRC/ Mainland China	RMB1,500,000	100	Provision of shipping agency and freight forwarding services
SITC Shipowning Group Company Limited	BVI/Hong Kong	US$1	100	Investment holding
SITC Taishan Shipping Company Limited	Hong Kong	HK$1	100	Vessel holding and chartering services
SITC Technologies (Shanghai) Co., Ltd. * #	PRC/ Mainland China	RMB10,000,000	100	Provision of technologies support service
SITC Tokuyama Shipping Company Limited	Hong Kong	US$1	100	Vessel holding and chartering services
SITC Toyohashi Shipping Company Limited	Hong Kong	US$1	100	Vessel holding and chartering services
SITC Yantai Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about principal subsidiaries (continued)

Company name	Place of incorporation/ registration and operations	Nominal value of registered/paid-up capital	Percentage of equity attributable to the Company	Principal activities
SITC Yokkaichi Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services
SITC Zhejiang Shipping Company Limited	Hong Kong	US$100	100	Vessel holding and chartering services
SITC Zhoushan Shipping Company Limited	Hong Kong	HK$1	100	Vessel holding and chartering services
Tailian Container Enterprises Inc.	Panama/ Hong Kong	US$10,000	100	Container holding and chartering services

∝ Except for this entity which is directly held by the Company, all other subsidiaries are indirectly held by the Company.

^ Registered as limited liability companies under PRC law.

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

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, 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.

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 (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, debt and equity investments, which have been measured at fair value. These financial statements are presented in the United States dollar (the "US$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Except for the amendments to HKFRS 4, amendments to HKAS 40 and *Annual Improvements to HKFRSs 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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

Classification and measurement

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

Classification and measurement (continued)

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

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

2 AFS: Available-for-sale investments

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

4 L&R: Loans and receivables

5 AC: Financial assets or financial liabilities at amortised cost

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

Impairment

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

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

Further details are disclosed in note 23 to the financial statements.

Hedge accounting

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

Impact on reserves

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and they apply, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 3 and 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after 1 January 2021

4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

(a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(b) 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 previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

(c) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019.

The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets and lease liabilities of approximately US$102 million each will be recognised at 1 January 2019.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

(e) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

(f) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations under common control

Business combinations under common control are accounted for using the merger method of accounting. Under the merger method of accounting, the net assets of the combining entities or businesses 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

Other business combinations are accounted for using the acquisition method of accounting. 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.

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 is measured at fair value with changes in fair value recognised in profit or loss. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Other business combinations (continued)

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 (or 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 value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments, debt and equity 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 holding company of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(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 holding company, 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);

(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 holding company of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to a holding company of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment 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. 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.

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 dry-docking 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Trademarks and golf club membership

Trademarks and golf club membership have indefinite useful lives and are stated at cost less any impairment losses.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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 (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) (continued)

Subsequent measurement

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

(a) Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(b) Financial assets at fair value through other comprehensive income (debt investments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

(c) Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) (continued)

Subsequent measurement (continued)

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

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. 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.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) (continued)

Subsequent measurement

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

(a) 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 (applicable before 1 January 2018)” below.

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.

(b) 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.

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) (continued)

Subsequent measurement (continued)

(c) 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.

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 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 (applicable before 1 January 2018)" 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

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.

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 (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) (continued)

General approach (continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) (continued)

Financial assets carried at amortised cost (continued)

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 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 in profit or loss.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) (continued)

Available-for-sale financial investments (continued)

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 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.

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, 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 and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, derivative financial instruments and bank borrowings.

Subsequent measurement

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

(a) Financial liabilities at fair value through profit or loss (policies under HKFRS 9 applicable from 1 January 2018)

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 incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. 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 initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) (continued)

Subsequent measurement (continued)

(b) Financial liabilities at fair value through profit or loss (policies under HKAS 39 applicable before 1 January 2018)

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.

(c) Loans and borrowings

After initial recognition, 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.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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 (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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.

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.

Before 1 January 2018, the documentation included identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group assessed 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 were expected to be highly effective in achieving offsetting changes in fair value or cash flows and were assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Starting from 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.

- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) (continued)

Fair value hedges

The change in the fair value of hedging instrument 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 cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedge item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) (continued)

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.

Shares held under a share award scheme

Own equity instruments which are issued by way of issue of new shares and/or reacquired from the market and held by the Company or the Group (treasury shares) under the share award scheme of the Company are recognised directly in equity at cost, which are measured at the grant date fair value of the new shares and cost for the repurchase of the shares, respectively. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Upon vesting, the related costs of the vested awarded shares issued by the Company or repurchased from the market and shares acquired from reinvesting dividends received on the awarded shares are credited to the shares held under share award scheme account, with a corresponding decrease in the share-based compensation reserve for awarded shares.

For vesting of forfeited or unallocated shares regranted, the related costs of the forfeited or unallocated shares regranted are credited to the shares held under share award scheme account, and the related fair value of the shares regranted are debited to the share-based compensation reserve. The difference between the cost and the fair value of the shares regranted is credited to the share premium account if the fair value is higher than the cost or debited against retained profits if the fair value is less than the cost.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, joint ventures and associates, 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, joint ventures and associates, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

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 non-monetary 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 (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (applicable from 1 January 2018) (continued)

Revenue from contracts with customers (continued)

For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Revenue from container shipping activities is recognised over time as the performance obligation is satisfied, including a share of revenue from incomplete voyages as at the end of the reporting period. Detention and demurrage fees are recognised over time up until the time of the customer´s late return or pick-up of containers.

(b) Revenue from shipping agency, freight forwarding and logistics management activities are recognised at point in time upon the services have been rendered.

(c) Revenue from a time charter is recognised on the straight-line basis over the period of the charter.

Other revenue

(a) Interest income is recognised 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.

(b) Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(c) Rental income is recognised on a time proportion basis over the lease terms.

Revenue recognition (applicable before 1 January 2018)

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) time charter income and rental income, on a time proportion basis over the hire period or the lease term;

(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

Share option schemes

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. 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.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised, where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether 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.

Share award scheme

The Group operates a share award scheme for the purpose of providing incentive for employees to achieve performance goals and aligning the interests of employees directly to the shareholders of the Company through ownership of shares of the Company.

The amount to be expensed as share-based compensation expenses is determined by reference to the fair value of the awarded shares granted, taking into account all non-vesting conditions associated with the grants. The total expense is recognised over the relevant vesting periods (or on the grant date if the shares vest immediately), with a corresponding credit to the share-based compensation reserve under equity.

For those awarded shares which are amortised over the vesting periods, the Group revises its estimates of the number of awarded shares that are expected to ultimately vest based on the vesting conditions at the end of each reporting period. Any resulting adjustment to the cumulative fair value recognised in prior years is recognised in profit or loss in the current year, with a corresponding adjustment to the share-based compensation reserve.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Certain subsidiaries outside Hong Kong and Mainland China are required to contribute a certain percentage of their payroll costs to pension schemes operated by the respective governments. The only obligation of the Group with respect to the pension schemes is to pay the required ongoing contributions. Contributions under the schemes are charged to profit or loss as they become payable in accordance with the rules of the pension schemes.

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 a liability when they have been approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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 US dollars 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.

The key judgements, estimates and assumptions 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 2018 was US$1,029,000 (2017: US$1,088,000), further details are given in note 17 to the financial statements.

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.

Estimated useful lives and residual values of shipping vessels

Shipping vessels are depreciated on the straight-line basis over their estimated remaining useful lives after allowance for their estimated residual values. Significant judgement and estimate are required in determining the useful life and residual value of a shipping vessel.

In determining the useful lives of its shipping vessels, the Group considers its business model and assets management policy, the industry practice, and factors like expected usage of each shipping vessel, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the shipping vessel market. In respect of capitalised drydocking costs included in the cost of a shipping vessel, the Group estimates the useful life of these costs by reference to regulatory requirements, the average periods between drydocking cycles of shipping vessels of similar age and the expected usage of a shipping vessel until its next drydocking.

In determining the residual value of a shipping vessel, the Group considers net proceeds that would be obtained from the disposal of the shipping vessel in the resale or scrap markets, by reference to the lightweight tonnage of the shipping vessel provided by the shipyard and fluctuations in scrap steel prices.

The Group will review the useful life and residual value of each of its shipping vessels at the end of each reporting period based on the conditions of the shipping vessels, the market condition and other regulatory requirements. The depreciation expense in future periods will change where the estimated useful life or residual value of a shipping vessel are different from the previous estimate. The carrying amount of the Group's shipping vessels carried as assets in the consolidated statement of financial position as at 31 December 2018 was US$811,364,000 (2017: US$787,896,000) in aggregate, further details of which are set out in note 14 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables, by applying ECL rates to different ageing groups of customers. The ECL rate of each ageing group is determined by the Group based on the average of historical incurred credit loss experience on each ageing group in the past years and, where material, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group's historical credit loss experience and forecast of economic conditions may not be representative of customer's actual default in the future and significant management estimates are required in the estimates. When the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying amounts of trade receivables and the amount of ECLs provided or reversed in the periods in which such estimates have been changed. The information about the ECLs on the Group's trade receivables is disclosed in note 23 to the financial statements.

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 amounts of derivative financial assets and financial liabilities at 31 December 2018 were US$260,000 (2017: US$1,311,000) and US$18,000 (2017: US$709,000), respectively.

Hedge accounting

At 31 December 2018, certain bank borrowings of the Group denominated in JPY with a then total carrying amount of US$132,355,000 (2017: US$176,884,000) were designated as hedging instruments to manage the Group's foreign currency risk in relation to forecast sales denominated in JPY (i.e., the hedged items). These bank loan balances vary with the levels of expected JPY denominated sales and changes in JPY-US$ forward rate. The cash flow hedges relating to the expected future sales transactions denominated in JPY were assessed by the Group to be highly effective and hence the Group applies hedge accounting for this cash flow hedge relationship.

The cash flow hedge accounting is dependent on the effectiveness of the hedge relationship, as such, this inherent complexity of hedge accounting involved a significant degree of management judgement and was considered significant to our audit. Further details are given in note 29(c) to the financial statements.

Recognition of a deferred tax liability for withholding taxes

The new Corporate Income Tax Law of 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 5% or 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. Further details are given in note 30(b) to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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 2018 (2017: Nil).

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.

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

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

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

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

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2018

	Container shipping and logistics US$'000	Dry bulk and others US$'000	Total US$'000
Segment revenue (note 5)			
Sales to external customers	1,425,219	23,869	1,449,088
Segment results	188,146	14,841	202,987
Reconciliation:			
Bank interest income			12,101
Interest income of debt investments at fair value through other comprehensive income			1,197
Dividend income of equity investments at fair value through profit or loss			31
Investment income of principal-protected investment deposits at fair value through profit or loss			231
Fair value gains of equity investments at fair value through profit or loss			517
Finance costs			(9,368)
Profit before tax			207,696
At 31 December 2018			
Segment assets	977,788	153,224	1,131,012
Reconciliation:			
Corporate and other unallocated assets			420,879
Total assets			1,551,891
Segment liabilities	176,491	4,005	180,496
Reconciliation:			
Corporate and other unallocated liabilities			325,696
Total liabilities			506,192

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2018 (continued)

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

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

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2017

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

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2017 (continued)

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

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

Geographical information

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

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

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

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

4. OPERATING SEGMENT INFORMATION (continued)

Major customer information disclosure

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

5. REVENUE

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

	2018 US$'000	2017 US$'000
Container shipping and supporting logistic income	**1,306,225**	1,223,134
Other container logistic income*	**118,994**	108,698
Time charter income	**22,352**	15,244
Other rental income	**1,517**	1,309
	1,449,088	1,348,385

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

Notes:

(a) *Disaggregated revenue information*

Year ended 31 December 2018

Segments	**Container shipping and logistics US$'000**	**Dry bulk and others US$'000**	**Total US$'000**
Type of services			
Container shipping and supporting logistic income	**1,306,225**	**–**	**1,306,225**
Other container logistic income*	**118,994**	**–**	**118,994**
Total revenue from contracts with customers	**1,425,219**	**–**	**1,425,219**
Revenue from other sources	**–**	**23,869**	**23,869**
Total revenue	**1,425,219**	**23,869**	**1,449,088**
Geographical markets			
Greater China#	**556,055**	**–**	**556,055**
Japan	**378,283**	**–**	**378,283**
Southeast Asia	**422,392**	**–**	**422,392**
Others	**68,489**	**–**	**68,489**
Total revenue from contracts with customers	**1,425,219**	**–**	**1,425,219**
Revenue from other sources	**–**	**23,869**	**23,869**
Total revenue	**1,425,219**	**23,869**	**1,449,088**

5. REVENUE (continued)

Notes: (continued)

(a) *Disaggregated revenue information* (continued)

Year ended 31 December 2018 (continued)

Segments	Container shipping and logistics US$'000	Dry bulk and others US$'000	Total US$'000
Timing of revenue recognition			
Total revenue from contracts with customers –			
Services transferred over time	1,425,219	–	1,425,219
Revenue from other sources	–	23,869	23,869
Total revenue	1,425,219	23,869	1,449,088

Greater China includes Mainland China, Hong Kong and Taiwan.

(b) *Performance obligations*

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

Container shipping and supporting logistic income

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

Other container logistic income

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

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

6. OTHER INCOME AND GAINS, NET

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

	2018 US$'000	2017 US$'000
Other income		
Bank interest income	**12,101**	8,376
Interest income of debt investments at fair value through other comprehensive income	**1,197**	–
Interest income of listed available-for-sale debt investments	**–**	741
Dividend income of equity investments at fair value through profit or loss	**31**	–
Dividend income of available-for-sale equity investments	**–**	91
Investment income of principal-protected investment deposits at fair value through profit or loss	**231**	135
Government subsidies*	**1,766**	747
Recovery of write-off of trade receivables	**886**	–
Others	**251**	87
	16,463	10,177
Gains, net		
Gain on disposal of items of property, plant and equipment, net	**4,388**	3,687
Reversal of impairment of items of property, plant and equipment	**5,864**	–
Gain on disposal of an associate	**–**	40
Fair value gains, net:		
Cash flow hedges (transfer from equity)	**658**	–
Derivative instruments – transactions not qualifying as hedges	**65**	3,906
Equity investments at fair value through profit or loss – designated as such upon initial recognition	**517**	–
Gain on disposal of an available-for-sale debt investment	**–**	166
Foreign exchange differences, net	**3,255**	682
	14,747	8,481
Other income and gains, net	**31,210**	18,658

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

7. FINANCE COSTS

Finance costs are interest on bank loans.

8. PROFIT BEFORE TAX

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

	Notes	2018 US$'000	2017 US$'000
Cost of services provided:			
Cost of bunkers consumed		**201,705**	150,559
Others		**994,784**	946,120
		1,196,489	1,096,679
Depreciation	14	**59,855**	56,088
Less: Included in cost of services provided		**(56,043)**	(52,282)
		3,812	3,806
Amortisation of prepaid land lease payments	15	**475**	463
Auditor's remuneration		**384**	395
Minimum lease payments under operating leases		**143,795**	121,491
Less: Included in cost of services provided		**(138,360)**	(116,230)
		5,435	5,261
Employee benefit expense (including directors' remuneration (note 9)):			
Wages and salaries		**76,635**	78,117
Equity-settled share option expense	32	**–**	104
Share award expense	32	**3,249**	31
Pension scheme contributions (defined contribution schemes)		**9,274**	8,419
		89,158	86,671
Less: Included in cost of services provided		**(43,858)**	(41,284)
		45,300	45,387
Impairment of trade receivables, net*	23(b)	**224**	345
Fair value losses/(gains), net			
Cash flow hedges (transfer from equity)		**(658)****	561*
Debt investments at fair value through other comprehensive income (transfer from equity on disposal)		**41***	–

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

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

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), section 383 (1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018 US$'000	2017 US$'000
Fees	**303**	286
Other emoluments:		
Salaries, allowances and benefits in kind	**1,964**	1,846
Performance-related bonuses	**3,228**	1,475
Equity-settled share option expense	**–**	32
Share award expense	**456**	5
Pension scheme contributions	**75**	70
	5,723	3,428
	6,026	3,714

Certain directors were granted share options and share awards in the current year and prior years, in respect of their services to the Group, under the share option schemes and the share award scheme of the Company, further details of which are set out in note 32 to the financial statements. The fair values of these options and share awards, which have been recognised in profit or loss over the vesting period, were determined as at the respective dates of grant and the amounts included in the financial statements for the current year are included in the above directors' remuneration disclosures.

9. DIRECTORS' REMUNERATION (continued)

An analysis of the directors' remuneration, on a named basis, is as follows:

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Performance-related bonuses US$'000	Equity-settled share option expense US$'000	Share award expense US$'000	Pension scheme contributions US$'000	Total remuneration US$'000
Year ended 31 December 2018							
Executive directors:							
Mr. Yang Shaopeng	28	764	1,204	–	–	5	2,001
Mr. Yang Xianxiang*	28	573	886	–	87	14	1,588
Mr. Liu Kecheng	28	146	296	–	87	14	571
Mr. Xue Peng	28	141	288	–	60	14	531
Mr. Xue Mingyuan	28	202	422	–	144	14	810
Mr. Lai Zhiyong	28	138	132	–	42	14	354
	168	1,964	3,228	–	420	75	5,855
Independent non-executive directors:							
Mr. Tsui Yung Kwok	33	–	–	–	9	–	42
Mr. Yeung Kwok On	33	–	–	–	9	–	42
Dr. Lo Wing Yan, William, J.P.	33	–	–	–	9	–	42
Dr. Ngai Wai Fung	36	–	–	–	9	–	45
	135	–	–	–	36	–	171
Total	303	1,964	3,228	–	456	75	6,026

9. DIRECTORS' REMUNERATION (continued)

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Performance-related bonuses US$'000	Equity-settled share option expenses US$'000	Share award expense US$'000	Pension scheme contributions US$'000	Total remuneration US$'000
Year ended 31 December 2017							
Executive directors:							
Mr. Yang Shaopeng	28	721	491	–	–	5	1,245
Mr. Yang Xianxiang*	28	540	361	–	1	13	943
Mr. Liu Kecheng	28	136	134	–	1	13	312
Mr. Xue Peng	28	132	119	6	1	13	299
Mr. Xue Mingyuan	28	183	225	10	1	13	460
Mr. Lai Zhiyong	28	134	145	10	–	13	330
	168	1,846	1,475	26	4	70	3,589
Independent non-executive directors:							
Mr. Tsui Yung Kwok	32	–	–	–	–	–	32
Mr. Yeung Kwok On	32	–	–	–	–	–	32
Dr. Lo Wing Yan, William, J.P.	32	–	–	6	1	–	39
Dr. Ngai Wai Fung	22	–	–	–	–	–	22
	118	–	–	6	1	–	125
Total	286	1,846	1,475	32	5	70	3,714

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2017: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year are five (2017: five) executive directors, details of whose remuneration are set out in note 9 above.

11. INCOME TAX

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

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

Notes:

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

11. INCOME TAX (continued)

Notes: (continued)

(b) A reconciliation of the tax expense applicable to profit before tax at the statutory rates of 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 tax rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Year ended 31 December 2018

	Mainland China		Hong Kong		Elsewhere		Total	
	US$'000	**%**	**US$'000**	**%**	**US$'000**	**%**	**US$'000**	**%**
Profit before tax	**13,192**		**136,159**		**58,347**		**207,689**	
Tax expense at the statutory tax rate	**3,298**	**25.0**	**22,466**	**16.5**	**6,182**	**10.6**	**31,946**	**15.4**
Lower tax rate(s) for specific provinces or enacted by local authority	**–**	**–**	**–**	**–**	**64**	**0.1**	**64**	**–**
Effect of withholding tax at 5% of the distributable profits of the Group's PRC joint ventures	**257**	**1.9**	**–**	**–**	**6**	**–**	**263**	**0.1**
Adjustments in respect of current tax of previous periods	**–**	**–**	**(250)**	**(0.1)**	**–**	**–**	**(250)**	**(0.1)**
Profits and losses attributable to joint ventures and associates	**(2,137)**	**(16.2)**	**30**	**–**	**(339)**	**(0.6)**	**(2,446)**	**(1.2)**
Income not subject to tax	**(297)**	**(2.2)**	**(38,628)**	**(28.4)**	**(21,374)**	**(36.6)**	**(60,299)**	**(29.0)**
Expenses not deductible for tax	**446**	**3.4**	**16,297**	**12.0**	**22,579**	**38.7**	**39,322**	**18.9**
Tax losses utilised from previous periods	**(202)**	**(1.5)**	**–**	**–**	**–**	**–**	**(202)**	**(0.1)**
Tax losses not recognised	**–**	**–**	**159**	**0.1**	**–**	**–**	**159**	**0.1**
Temporary difference not recognised	**28**	**0.2**	**14**	**–**	**–**	**–**	**42**	**–**
Tax expense at the Group's effective tax rate	**1,393**	**10.6**	**88**	**0.1**	**7,118**	**12.2**	**8,599**	**4.1**

Year ended 31 December 2017

	Mainland China		Hong Kong		Elsewhere		Total	
	US$'000	%	US$'000	%	US$'000	%	US$'000	%
Profit before tax	12,701		123,869		61,449		198,019	
Tax expense at the statutory tax rate	3,175	25.0	20,438	16.5	5,758	9.4	29,371	14.8
Lower tax rate(s) for specific provinces or enacted by local authority	(50)	(0.4)	–	–	(7)	–	(57)	(0.3)
Effect of withholding tax at 5% of the distributable profits of the Group's PRC joint ventures	472	3.7	–	–	51	0.1	523	0.3
Adjustments in respect of current tax of previous periods	(4)	–	(188)	(0.2)	–	–	(192)	(0.1)
Profits and losses attributable to joint ventures and associates	(2,294)	(18.1)	(51)	–	(347)	(0.6)	(2,692)	(1.4)
Income not subject to tax	(434)	(3.4)	(33,901)	(27.4)	(19,089)	(31.1)	(53,424)	(27.0)
Expenses not deductible for tax	859	6.8	13,964	11.3	19,522	31.8	34,345	17.3
Tax losses utilised from previous periods	(103)	(0.8)	–	–	–	–	(103)	(0.1)
Tax losses not recognised	10	0.1	126	0.1	–	–	136	0.1
Tax expense at the Group's effective tax rate	1,631	12.8	388	0.3	5,888	9.6	7,907	4.0

(c) The share of tax expense attributable to joint ventures and associates amounting to US$2,828,000 (2017: US$3,106,000) and US$212,000 (2017: US$16,000), respectively, is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss and other comprehensive income.

12. DIVIDENDS

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

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

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

13. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share is based on the profit for the year attributable to shareholders of the Company, and the weighted average number of ordinary shares in issue during the year less shares held under the share award scheme of the Company.

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

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings US$'000	Vessels US$'000 (notes (a), (b) and (c))	Containers US$'000 (note (b))	Computers, furniture and equipment US$'000	Motor vehicles US$'000	Total US$'000
31 December 2018						
At 1 January 2018:						
Cost	44,751	1,033,277	78,236	32,971	3,997	1,193,232
Accumulated depreciation and impairment	(9,237)	(245,381)	(22,360)	(21,835)	(2,632)	(301,445)
Net carrying amount	35,514	787,896	55,876	11,136	1,365	891,787
Net carrying amount:						
At 1 January 2018	35,514	787,896	55,876	11,136	1,365	891,787
Additions	451	73,212	16,505	2,193	108	92,469
Acquisition of a subsidiary (note 34)	154	–	1	325	122	602
Depreciation provided during the year	(1,833)	(49,656)	(4,640)	(3,327)	(399)	(59,855)
Disposals/write-off	(130)	(88)	(743)	(64)	(12)	(1,037)
Reversal of impairment	–	5,864	–	–	–	5,864
Exchange realignment	(1,851)	–	–	(413)	(52)	(2,316)
At 31 December 2018	32,305	817,228	66,999	9,850	1,132	927,514
At 31 December 2018:						
Cost	44,075	1,110,286	87,689	34,609	4,243	1,280,902
Accumulated depreciation	(11,770)	(293,058)	(20,690)	(24,759)	(3,111)	(353,388)
Net carrying amount	32,305	817,228	66,999	9,850	1,132	927,514

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings US$'000	Vessels US$'000 (notes (a), (b) and (c))	Containers US$'000 (note (b))	Computers, furniture and equipment US$'000	Motor vehicles US$'000	Total US$'000
31 December 2017						
At 1 January 2017:						
Cost	41,505	1,009,659	84,048	29,495	3,738	1,168,445
Accumulated depreciation and impairment	(6,956)	(192,190)	(23,472)	(17,794)	(2,284)	(242,696)
Net carrying amount	34,549	817,469	60,576	11,701	1,454	925,749
Net carrying amount:						
At 1 January 2017	34,549	817,469	60,576	11,701	1,454	925,749
Additions	432	17,016	–	2,051	257	19,756
Depreciation provided during the year	(1,744)	(46,589)	(4,077)	(3,244)	(434)	(56,088)
Disposals/write-off	–	–	(623)	(1)	(12)	(636)
Exchange realignment	2,277	–	–	629	100	3,006
At 31 December 2017	35,514	787,896	55,876	11,136	1,365	891,787
At 31 December 2017:						
Cost	44,751	1,033,277	78,236	32,971	3,997	1,193,232
Accumulated depreciation and impairment	(9,237)	(245,381)	(22,360)	(21,835)	(2,632)	(301,445)
Net carrying amount	35,514	787,896	55,876	11,136	1,365	891,787

Notes:

(a) An impairment loss of US$6,600,000 was recognised against dry bulk vessels in prior years. Based on the impairment assessment made by the Group during the year, the directors of the Company are of the opinion that the impairment loss provided against the dry bulk vessels in prior years should be reversed and hence a reversal of impairment loss of US$5,864,000 was recognised in profit or loss during the year to reinstate the carrying amount of these assets to an amount had no impairment loss been recognised for them in prior years.

(b) At 31 December 2018, certain of the Group's vessels and containers with aggregate net carrying amounts of approximately US$514,450,000 (2017: US$551,010,000) and US$50,619,000 (2017: US$54,721,000), respectively, were pledged to secure bank loans granted to the Group (note 29(b)).

(c) Included in the balance as at 31 December 2018 was a vessel of the Group with a then net carrying amount of approximately US$5,569,000 (2017: US$5,970,000) leased by the Group from its legal owner, which is a company controlled by Ms. Liu Rongli, the spouse of Mr. Yang Shaopeng (the "Controlling Shareholder", who is an executive director of the Company, the controlling shareholder of the Company, a connected person under the Listing Rules and a related person), for use over the remaining useful life of 10 years of the vessel pursuant to a bareboat charter agreement (the "Bareboat Charter Agreement") entered into between the Group and the legal owner in prior years. The lease was accounted for as a finance lease and the Group settled the total lease payments under the Bareboat Charter Agreement in full in prior years.

15. PREPAID LAND LEASE PAYMENTS

	2018 US$'000	2017 US$'000
Carrying amount at 1 January	**19,151**	18,392
Amortisation provided during the year	**(475)**	(463)
Exchange realignment	**(1,012)**	1,222
Carrying amount at 31 December	**17,664**	19,151
Portion classified as current assets	**(468)**	(495)
Non-current portion	**17,196**	18,656

16. ADVANCE PAYMENTS FOR THE ACQUISITION OF VESSELS AND TRADEMARKS

	Notes	2018 US$'000	2017 US$'000
Advances payments for the acquisition of:			
Vessels	(a)	**46,376**	12,113
Trademarks	(b)	**–**	1,059
		46,376	13,172

(a) The balance represented the advance payments for the purchase of container vessels. Further details of the capital commitments resulting from the purchase of container vessels are set out in note 37 to financial statements.

(b) The balance as at 31 December 2017 represented the advance payments for the acquisition of trademarks from a company controlled by the Controlling Shareholder. The titles of the trademarks were transferred to the Group during the year and the balance was transferred to other intangible assets, as detailed in note 18 to the financial statements.

17. GOODWILL

	2018 US$'000	2017 US$'000
Cost and net carrying amount at 1 January	**1,088**	1,019
Exchange realignment	**(59)**	69
Cost and net carrying amount at 31 December	**1,029**	1,088

Impairment testing of goodwill

Goodwill of the Group arose from the acquisition of Tianjin Xin Hua Xi Logistics Co., Ltd. ("Tianjin Xin Hua Xi") in 2014. Tianjin Xin Hua Xi is engaged in the provision 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% (2017: 13%). The growth rate used to extrapolate the cash flows of the business beyond the five-year period is 2% (2017: 2%). This growth rate represents the average growth rate of the industry in which the business operates.

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

Budgeted gross margin – The basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the years before the budget year.

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

18. OTHER INTANGIBLE ASSETS

	Golf club membership US$'000	Trademarks US$'000 (note)	Total US$'000
Cost and net carrying amount:			
At 1 January 2017, 31 December 2017 and 1 January 2018	–	–	–
Additions	558	–	558
Transfer from advance payments for the acquisition of trademarks	–	1,021	1,021
At 31 December 2018	558	1,021	1,579

Note: Trademarks of the Group as at 31 December 2018 represented legal and beneficial ownership of "SITC" trademarks, which were acquired in prior years, but titles of which were registered under the Group's name during the year. In the opinion of the directors of the Company, the trademarks have indefinite useful lives.

19. INVESTMENTS IN JOINT VENTURES

	2018 US$'000	2017 US$'000
Share of net assets	**35,777**	32,743

Notes:

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

Company name	Registered capital	Place of registration and operations and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Smart International 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
SITC-Dinhvu Logistics Co., Ltd	US$12,000,000	Vietnam	49%	50%	49%	Provision of depot and warehousing services

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

The above table lists the joint ventures 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 joint ventures would, in the opinion of the directors, result in particulars of excessive length.

(b) 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:

	2018 US$'000	2017 US$'000
Share of the joint ventures' profit for the year	**9,961**	11,093
Share of the joint ventures' other comprehensive income/(loss)	**(1,665)**	1,452
Share of the joint ventures' total comprehensive income	**8,296**	12,545
Aggregate carrying amount of the Group's investments in joint ventures	**35,777**	32,743

(c) The Group's trade receivable balances and trade payable balances with joint ventures are disclosed in notes 23(c) and 27(b) to the financial statements, respectively. Other non-trade balances with joint ventures are disclosed in notes 24 and 28 to the financial statements.

20. INVESTMENTS IN ASSOCIATES

	2018 US$'000	2017 US$'000
Share of net assets	**9,431**	9,800

Notes:

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

Company 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 PHP100 each	Philippines	40%	Provision of shipping agency and freight forwarding services
APL-SITC Terminal Holdings Pte. Ltd.	10 ordinary shares of US$1 each	Singapore	20%	Investment holding

* The Group has discontinued the recognition of its share of losses of SITC Container Lines Philippines, Inc. because the share of losses of this associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this associate for the current year and cumulatively were US$224,000 (2017: Nil) and US$224,000 (2017: Nil), respectively.

(b) 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:

	2018 US$'000	2017 US$'000
Share of the associates' profit for the year	**171**	481
Share of the associates' other comprehensive income/(loss)	**(539)**	652
Share of the associates' total comprehensive income/(loss)	**(368)**	1,133
Aggregate carrying amount of the Group's investments in associates	**9,431**	9,800

(c) The Group's trade receivable balances and trade payable balances with associates are disclosed in notes 23(c) and 27(b) to the financial statements, respectively.

21. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENTS

	2018 US$'000	2017 US$'000
Debt investments at fair value through other comprehensive income		
Listed debt investments, at fair value	**9,430**	–
Available-for-sale investments		
Listed equity investments, at fair value	**–**	3,553
Listed debt investments, at fair value	**–**	22,697
Unlisted club debentures, at fair value	**–**	558
	–	26,808

22. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	2018		2017	
		Assets **US$'000**	**Liabilities** **US$'000**	Assets US$'000	Liabilities US$'000
Forward currency contracts	(a)	**–**	**18**	1,071	709
Interest rate swaps	(b)	**260**	**–**	240	–
		260	**18**	1,311	709
Portion classified as non-current – Interest rate swaps		**(155)**	**–**	(175)	–
Current portion		**105**	**18**	1,136	709

Notes:

(a) 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 on fair value changes in non-hedging forward currency contracts amounting to US$45,000 (2017: gain of US$3,889,000) was recognised in profit or loss during the year.

(b) 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 gain on fair value changes in interest rate swaps amounting to US$20,000 (2017: gain of US$17,000) was recognised in profit or loss during the year.

(c) Derivative financial instruments of the Group were conducted with creditworthy banks.

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge under HKFRS 9 – Foreign currency risk

Bank borrowings of the Group denominated in JPY are designated as hedging instruments in cash flow hedges of forecast sales in JPY. These forecast sales transactions are highly probable and they comprise about 15% of the Group's expected sales in JPY. The bank borrowings balances vary with the level of expected foreign currency sales and changes in foreign exchange forward rates. At 31 December 2018, the Group had several bank borrowings denominated in JPY outstanding with an aggregate amount of US$132,355,000 (2017: US$176,884,000), as detailed in note 29(b) to the financial statements.

There is an economic relationship between the hedged items and the hedging instruments as the repayment of the bank borrowings denominated in JPY match with cash receipts of the expected highly probable forecast sales transactions denominated by JPY. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of bank borrowings denominated in JPY is identical to the hedged risk components (forecasted sales denominated in JPY). To measure the hedge effectiveness, the Group compares the change in the fair value of the hedging instruments against the changes in the fair value of the hedged items attributable to the hedged risk.

Hedge ineffectiveness can arise from:

- differences in the timing of the cash flows of the forecasted sales and the hedging instruments

- changes to the forecasted amounts of cash flows of hedged items and hedging instruments

The Group holds the bank borrowings denominated in JPY with the maturity as detailed below:

	At 31 December 2018	
	JPY'000	US$'000
Bank borrowings repayable within:		
Within one year	**2,763,320**	25,028
In the second year	**2,763,320**	24,863
In the third to fifth years, inclusive	**6,797,931**	61,153
After five years	**2,373,467**	21,311
	14,698,038	132,355

The impacts of the hedging instruments on the consolidated statement of financial position are as follows:

	Line item in the consolidated statement of financial position	Increase in fair value used for measuring hedge ineffectiveness for the year US$'000
At 31 December 2018		
Bank borrowings denominated in JPY	Bank borrowings	658

23. TRADE RECEIVABLES

	Notes	2018 US$'000	2017 US$'000
Trade receivables	(a)	**66,164**	64,414
Impairment	(b)	**(287)**	(349)
		65,877	64,065

Notes:

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

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

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

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018 US$'000	2017 US$'000
At beginning of year:		
As previously reported	**349**	21
Effect of adoption of HKFRS 9	**56**	–
As restated	**405**	21
Impairment loss, net	**244**	345
Amount written off as uncollectible	**(362)**	(17)
At end of year	**287**	349

23. TRADE RECEIVABLES

Notes: (continued)

(b) (continued)

Impairment under HKFRS 9 for the year ended 31 December 2018

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses rate of 0.108% is provided for the external customers with good credit. External customers with credit deterioration (i.e. overdue by more than 3 months) will be assessed on an individual basis for the provision of expected credit losses. Generally, trade receivables will be written off when past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables:

As at 31 December 2018

	Ageing			
	Within 3 months US$'000	3 months to 1 year US$'000	Over 1 year US$'000	Total US$'000
Category				
(i) External customers with good credit	56,891	13	378	57,282
(ii) External customers with credit deterioration	–	869	43	912
(iii) Related parties	7,970	–	–	7,970
Gross trade receivables	64,861	882	421	66,164
Less: Expected credit losses	(61)	(183)	(43)	(287)
Net trade receivables	64,800	699	378	65,877

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables as at 31 December 2017, which was measured based on incurred credit losses under HKAS 39, was a provision for individually impaired trade receivables of US$349,000 with a total carrying amount before provision of US$349,000.

The individually impaired trade receivables as at 31 December 2017 relate to customers that were in financial difficulties or were in default in principal payments and the full amount of the receivables was not expected to be recovered.

23. TRADE RECEIVABLES

Notes: (continued)

(b) (continued)

Impairment under HKAS 39 for the year ended 31 December 2017 (continued)

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 US$'000
Neither past due nor impaired	63,151
Less than one month past due	914
	64,065

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

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there has not been a significant change in credit quality and the balances were still considered fully recoverable.

(c) Included in the Group's trade receivables as at 31 December 2018 are amounts of US$7,740,000 (2017: US$6,971,000) and US$230,000 (2017: US$6,422,000) due from joint ventures and associates, respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**2018 US$'000**	2017 US$'000
Prepayments		**3,560**	2,813
Deposits and other receivables	(a)	**11,942**	10,205
Due from joint ventures	(b)	**1,123**	1,126
		16,625	14,144

Notes:

(a) None of these 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.

(b) The balances with joint ventures are unsecured, interest-free and repayable on demand.

25. PRINCIPAL-PROTECTED INVESTMENT DEPOSITS AT FAIR VALUE THROUGH PROFIT OR LOSS

These are unlisted investment deposits made with creditworthy banks in the PRC. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

26. CASH AND BANK BALANCES

	2018 **US$'000**	2017 US$'000
Cash and bank balances other than time deposits	**40,301**	88,711
Time deposits	**340,401**	416,973
Cash and bank balances	**380,702**	505,684

Notes:

(a) At the end of the reporting period, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US$42,241,000 (2017: US$83,142,000). 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.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods ranging between three days and 11 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.

27. TRADE PAYABLES

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

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

(b) Included in the Group's trade payables as at 31 December 2018 are amounts of US$591,000 (2017: Nil), US$7,185,000 (2017: US$7,131,000) and US$5,896,000 (2017: US$990,000) due to companies controlled by the Controlling Shareholder, joint ventures and associates, respectively, which are repayable within 30 days.

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

28. OTHER PAYABLES AND ACCRUALS

	Notes	2018 US$'000	2017 US$'000
Other payables	(a)	**5,086**	30,779
Accruals		**22,785**	22,776
Contract liabilities	(b)	**24,600**	–
Due to a joint venture	(c)	**–**	164
		52,471	53,719

Notes:

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

(b) Contract liabilities represented advance payments received from the customers for the container shipping service, which will be recognised as revenue as the performance obligation is satisfied.

(c) The balance with a joint venture as at 31 December 2017 was unsecured, interest-free and repayable in demand.

29. BANK BORROWINGS

	2018			2017		
	Effective interest rate (%)	**Maturity**	**US$'000**	Effective interest rate (%)	Maturity	US$'000
Current						
Bank loans – secured	**LIBOR+0.90 – LIBOR+1.10**	**2019**	**28,956**	LIBOR+0.80 – LIBOR+1.10	2018	62,828
Current portion of long term bank	**LIBOR+0.80 – LIBOR+1.95**	**2019**	**47,178**	LIBOR+0.80 – LIBOR+2.70	2018	52,995
loans – secured	**2.39**	**2019**	**792**	2.39	2018	792
	2.49	**2019**	**792**	2.49	2018	792
			77,718			117,407
Non-current						
Non-current portion of long term	**LIBOR+0.80 – LIBOR+2.70**	**2020-2028**	**231,393**	LIBOR+0.80 – LIBOR+2.70	2019-2028	291,928
bank loans – secured	**2.39**	**2020-2028**	**2,280**	2.39	2019-2028	3,048
	2.49	**2020-2028**	**2,274**	2.49	2019-2028	3,040
			235,947			298,016
Total bank borrowings			**313,665**			415,423
Analysed into bank loans repayable:						
Within one year or on demand			**77,718**			117,407
In the second year			**47,406**			52,473
In the third to fifth years, inclusive			**115,465**			145,456
After five years			**73,076**			100,087
			313,665			415,423

29. BANK BORROWINGS (continued)

Notes:

(a) The Group's bank loans were secured by mortgages over the Group's vessels and containers which had aggregate carrying amounts of approximately US$514,450,000 (2017: US$551,010,000) and US$50,619,000 (2017: US$54,721,000) as at 31 December 2018, respectively.

(b) An analysis of the carrying amounts of the bank borrowings by type and currency is as follows:

	2018 US$'000	2017 US$'000
JPY:		
Floating rate loans	**132,355**	176,884
US$:		
Fixed rate loans	**6,138**	7,672
Floating rate loans	**175,170**	230,867
	181,310	238,539
Total	**313,665**	415,423

(c) The Group's bank loans denominated in JPY with a total carrying amount of US$132,355,000 (2017: US$176,884,000) as at 31 December 2018 are designated as hedging instruments in respect of highly probable forecast sales transactions denominated in JPY.

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 JPY were assessed to be highly effective and a net loss of US$3,971,000 (2017: US$6,947,000) was included in the hedging reserve as follows:

	2018 US$'000	2017 US$'000
Total fair value losses on bank loans included in the hedging reserve	**(3,313)**	(7,508)
Reclassified from other comprehensive income/(loss) and recognised in profit or loss	**(658)**	561
Net loss recognised in the hedging reserve during the year on bank loans designated as cash flow hedges	**(3,971)**	(6,947)

30. DEFERRED TAX

(a) The Group did not have tax losses arising in Hong Kong during the year (2017: Nil).

At 31 December 2018, the Group had tax losses arising in Mainland China of US$1,640,000 (2017: US$455,000), 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.

(b) 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 and joint ventures established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2018, 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 and joint ventures established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and joint ventures will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures in Mainland China for which deferred tax liabilities have not been recognised totalled approximately US$2,057,000 (2017: US$1,959,000) and US$11,841,942 (2017: US$10,976,000), as at 31 December 2018, respectively.

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

31. SHARE CAPITAL

Shares

	2018		2017	
	HK$'000	**US$'000 equivalent**	HK$'000	US$'000 equivalent
Authorised:				
5,000,000,000 ordinary shares of HK$0.1 each	**500,000**		500,000	
Issued and fully paid:				
2,667,784,000 (2017: 2,653,685,000) ordinary shares of HK$0.1 each	**266,778**	**34,393**	265,369	34,213

31. SHARE CAPITAL (continued)

A summary of movements in the Company's issued share capital during the current and prior years is as follows:

	Notes	Number of issued and fully paid ordinary shares	Issued capital	Share premium account	Shares held under share award scheme	Total
			US$'000	US$'000	US$'000	US$'000
At 1 January 2017		2,614,769,000	33,713	422,199	–	455,912
Exercise of share options granted under pre-IPO share option scheme	(a)	29,996,000	385	15,026	–	15,411
Exercise of share options granted under post-IPO share option scheme	(b)	8,920,000	115	5,700	–	5,815
Repurchase of ordinary shares for share award scheme	32	–	–	–	(3,659)	(3,659)
At 31 December 2017 and 1 January 2018		2,653,685,000	34,213	442,925	(3,659)	473,479
Exercise of share options granted under pre-IPO share option scheme	(a)	5,084,000	65	2,550	–	2,615
Exercise of share options granted under post-IPO share option scheme	(b)	2,445,000	31	1,535	–	1,566
Issuance of ordinary shares for share award scheme	32	6,570,360	84	6,529	(6,613)	–
At 31 December 2018		2,667,784,360	34,393	453,539	(10,272)	477,660

Notes:

(a) During the year ended 31 December 2018, subscription rights attaching to 5,084,000 (2017: 29,996,000) share options granted under the pre-IPO share option scheme were exercised at the subscription price of HK$3.824 (2017: HK$3.824) per share (note 32), resulting in the issue of 5,084,000 (2017: 29,996,000) shares of HK$0.1 each for a total cash consideration, before expenses, of approximately HK$19,441,000 (2017: HK$114,705,000) (equivalent to approximately US$2,483,000 (2017: US$14,630,000)). An amount of HK$1,034,000 (2017: HK$6,128,000) (equivalent to approximately US$132,000 (2017: US$781,000)) 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 2018, subscription rights attaching to 550,000 (2017: 2,076,000) and 1,895,000 (2017: 6,844,000) share options granted under the post-IPO share option scheme were exercised at the subscription prices of HK$1.968 (2017: HK$1.968) and HK$4.378 (2017: HK$4.531) (per share (note 32) respectively, resulting in the issue of a total of 2,445,000 (2017: 8,920,000) shares of HK$0.1 each for a total cash consideration, before expenses, of approximately HK$9,379,000 (2017: HK$35,096,000) (equivalent to approximately US$1,198,000 (2017: US$4,476,000)). An amount of HK$2,882,000 (2017: HK$10,499,000) (equivalent to approximately US$368,000 (2017: US$1,339,000)) was transferred from the share option reserve to the share premium account upon the exercise of the share options.

Share options and share awards

Details of the Company's share option schemes, share award scheme, the share options granted under the share option schemes and the shares held under the share award scheme are included in note 32 to the financial statements.

32. SHARE OPTION AND SHARE AWARD 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. 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. The Pre-IPO Share Option Scheme was approved and adopted on 10 September 2010 and no further options will be offered under the Pre-IPO Share Option Scheme after the listing of the Company's Shares on the Hong Kong Stock Exchange in 2010.

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. 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.

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

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

	2018		2017	
	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**	**14,936**	3.824	44,996
Exercised during the year	**3.824**	**(5,084)**	3.824	(29,996)
Forfeited during the year	**3.824**	**(500)**	3.824	(64)
At 31 December	**3.824**	**9,352**	3.824	14,936

The weighted average share price at the date of exercise of share options during the year was HK$8.09 per share (2017: HK$6.09 per share).

32. SHARE OPTION AND SHARE AWARD SCHEMES

Pre-IPO Share Option Scheme (continued)

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

Number of options '000		Exercise price* HK$	
2018	2017	**per share**	**Exercise period**
9,352	14,936	3.824	30 September 2014 (fourth anniversary of the IPO date) to 31 March 2020

* 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. 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.

At 31 December 2018, the Company had 9,352,000 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 9,352,000 additional ordinary shares of the Company and additional share capital of HK$935,000 (equivalent to approximately US$119,000) and share premium of HK$34,827,000 (equivalent to approximately US$4,446,000), before any issue expenses and without taking into account any transfer of the share-based compensation reserve to the share premium account.

Subsequent to the end of the reporting period, 242,000 share options issued under the Pre-IPO Share Option Scheme were exercised.

32. SHARE OPTION AND SHARE AWARD 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.

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

	2018		2017	
	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	**3.854**	**8,850**	2.938	17,870
Exercised during the year	**3.836**	**(2,445)**	3.934	(8,920)
Forfeited during the year	**–**	**–**	4.531	(100)
At 31 December	**3.705**	**6,405**	3.854	8,850

The weighted average share price at the date of exercise of share options during the year was HK$7.76 per share (2017: HK$6.04 per share).

32. SHARE OPTION AND SHARE AWARD SCHEMES (continued)

Post-IPO Share Option Scheme (continued)

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

Number of options '000 2018	Number of options '000 2017	Exercise price* HK$ per share	Exercise period
1,789	2,339	1.968	25 October 2013 to 25 October 2021
4,616	6,511	4.378	10 March 2016 to 9 March 2025
6,405	8,850		

* 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.

Share option expense of US$104,000 was recognised in profit or loss during the year ended 31 December 2017 in respect of share options granted under the post-IPO Share Option Scheme.

At 31 December 2018, the Company had 6,405,000 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 6,405,000 additional ordinary shares of the Company and additional share capital of HK$641,000 (equivalent to approximately US$82,000) and share premium of HK$23,071,000 (equivalent to approximately US$2,945,000) before any issue expenses and without taking into account any transfer of the share-based compensation reserve to the share premium account.

Subsequent to the end of the reporting period, 80,000 share options issued under the Post-IPO Share Option Scheme were exercised.

32. SHARE OPTION AND SHARE AWARD SCHEMES (continued)

Share Award Scheme

The board of directors of the Company approved the adoption of a share award scheme (the "Share Award Scheme") with effect from 13 September 2017 (the "Adoption Date"). The purpose of the Share Award Scheme is to (i) recognise and motivate the contributions by certain eligible participants and to give incentives thereto in order to retain them for the continual operation and development of the Group; (ii) to attract suitable personnel for further development of the Group; and (iii) to provide certain eligible participants with a direct economic interest in attaining a long- term relationship between the Group and certain eligible participants. Unless otherwise early terminated by the resolution of the board, the Share Award Scheme is valid and effective for a period of 10 years from the Adoption Date.

The Share Award Scheme is operated through a trustee which is independent of the Group. The shares to be awarded under the Share Award Scheme will be (i) issued by way of new issue of shares; and/or (ii) acquired by the trustee from the open market after the notification and instruction by the Company. The trustee shall not hold more than 5% of the total number of issued shares of the Company.

During the year, on 29 March 2018, the Company granted an aggregate of 939,041 awarded shares (2017: 555,899) to nine directors, namely Messrs. Yang Xianxiang, Liu Kecheng, Xue Peng, Xue Mingyuan, Lai Zhiyoung, Tsui Yung Kowk, Yeung Kwok On, Lo Wing Yan and Dr. Ngai Wai Fung and 5,631,319 awarded shares (2017: 3,334,134) (collectively referred to as the "Awarded Shares") to other employees of the Group (collectively referred to as the "Selected Participants"). Subject to the acceptance of the Selected Participants and that the Selected Participants remain as employees of the Group on the vesting date of the Awarded Shares, the Awarded Shares shall vest in them on 29 March 2021 (2017: 22 December 2020), at which time, the Awarded Shares were transferred to the Selected Participants at nil consideration.

During the year, the Company issued 6,570,360 new shares and allotted them to the trustee of the Share Award Scheme (2017: purchased 3,890,300 shares of the Company through the trustee of the Share Award Scheme from the open market). The fair value of the new shares issued, based on the closing quoted market price of the Company's shares on the date of grant, was HK$51,897,000 (equivalent to approximately US$6,613,000) (2017: purchase cost of HK$28,580,000, equivalent to approximately US$3,659,000). The Awarded Shares that are not yet vested were recorded in shares held under share award scheme account of the Group. Also, the Group recognised a share award expense of HK$25,463,000 (equivalent to approximately US$3,249,000) (2017: HK$235,000, equivalent to approximately US$31,000) during the year ended 31 December 2018 in respect of the Awarded Shares granted in the current and prior years. As at 31 December 2018, there were 10,460,660 (2017: 3,890,300) shares held through the trustee of the Share Award Scheme.

32. SHARE OPTION AND SHARE AWARD SCHEMES (continued)

Share Award Scheme (continued)

Movements in the number of the Awarded Shares under the shares held under share award scheme and their related average fair value as follows:

	2018		2017	
	Weighted average fair value US$ per share	**Number of shares**	Weighted average fair value US$ per share	Number of shares
At 1 January	**0.94**	**3,890,300**	–	–
Granted during the year	**1.01**	**6,570,360**	0.94	3,890,300
At 31 December	**0.98**	**10,460,660**		3,890,300

33. RESERVES

(a) The amounts of the Group's reserves and the movements for the current and prior years are presented in the consolidated statement of changes in equity.

(b) Capital and other reserves

The capital and other reserves comprise the following:

(i) the par value of ordinary shares of the Company which had been repurchased and cancelled in prior years;

(ii) 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; and

(iii) the premium paid on repurchase of the Company's own ordinary shares in prior years over their par values.

(c) Reserve funds

Pursuant to the relevant laws and regulations, a portion of the profits of the Company's subsidiaries established in the PRC and other countries has been transferred to statutory reserve funds which are not distributable in the form of cash dividends.

34. BUSINESS COMBINATION

On 13 March 2018, the Group acquired 80% equity interest in Dalian Hantong Logistics Company Limited ("Dalian Hantong") from two independent third parties. Dalian Hantong is engaged in the provision of warehousing services. The acquisition was made as part of the Group's strategy to support the Group's warehousing services. The purchase consideration for the acquisition amounted to US$3,244,000 in cash.

The fair values of the identifiable assets and liabilities of Dalian Hantong as at the date of acquisition were as follows:

	Fair value recognised on acquisition US$'000
Property, plant and equipment (note 14)	602
Inventories	56
Trade receivables	220
Prepayments, deposits and other receivables	123
Cash and bank balances	3,093
Trade payables	(6)
Other payables and accruals	(30)
Income tax payable	(1)
Total identifiable net assets at fair value	4,057
Non-controlling interests	(813)
	3,244
Satisfied by cash	3,244

The fair values of trade receivables and deposits and other receivables as at the date of acquisition amounted to US$220,000 and US$98,000, respectively.

The Group incurred transaction costs of US$44,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in profit or loss.

34. BUSINESS COMBINATION (continued)

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

	US$'000
Cash consideration paid	(3,244)
Cash and bank balances acquired	3,093
Net outflow of cash and bank balances included in cash flows from investing activities	(151)
Transaction costs of the acquisition included in cash flows from operating activities	(44)
	(195)

Since the acquisition, Dalian Hantong contributed US$1,308,000 to the Group's revenue and US$69,000 to the consolidated profit for the year ended 31 December 2018.

Had the combination taken place at 1 January 2018, the revenue of the Group and the profit of the Group for the year ended 31 December 2018 would have been US$1,449,209,000 and US$199,039,000, respectively.

35. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

Save the issuance of new shares under the Company's Share Award Scheme during the year as further detailed in note 32 to the financial statements, the Group has no other major non-cash transaction of investing and financing activities during the years ended 31 December 2018 and 2017.

(b) Changes in liabilities arising from financing activities

	Bank borrowings		**Dividend payables**	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
At 1 January	**415,423**	409,571	**33,964**	–
Changes from financing cash flows	**(105,122)**	(1,991)	**(152,805)**	(88,036)
Non-cash changes:				
Dividend declared (note 12)	**–**	–	**118,841**	122,000
Amortisation of issuance cost	**(571)**	(2,587)	**–**	–
Exchange realignment	**3,935**	10,430	**–**	–
At 31 December	**313,665**	415,423	**–**	33,964

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its dry bulk vessels and land and buildings to third parties and/or joint ventures under operating lease arrangements. Leases for dry bulk vessels are negotiated for terms ranging from 10 to 24 months and those for land and buildings are for terms ranging from 2 to 7 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:

	2018	2017
	US$'000	US$'000
Within one year	**6,984**	10,465
In the second to fifth years, inclusive	**1,976**	369
After five years	**–**	61
	8,960	10,895

(b) As lessee

The Group leases containers, vessels, land, office properties and warehouses for business use under operating leases arrangements. Leases for containers are negotiated for terms ranging from 1 to 10 years, those for containers vessels are for terms ranging from 1 to 12 months, those for land are for terms ranging from 3 to 20 years, and those for office properties and warehouses are for terms ranging from 1 to 5 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:

	2018	2017
	US$'000	US$'000
Within one year	**55,717**	59,374
In the second to fifth years, inclusive	**81,557**	91,252
After five years	**22,749**	26,483
	160,023	177,109

37. CAPITAL COMMITMENTS

At 31 December 2018, in addition to the operating lease commitments detailed in note 36 (b) above, the Group had capital commitments of US$249,516,000 (2017: US$140,100,000) in total, which are contracted, but not provided for, in respect of acquisition of vessels.

38. RELATED PARTY DISCLOSURES

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

	Notes	2018 US$'000	2017 US$'000
Companies controlled by the Controlling Shareholder:			
Container marine transportation services income*	(i)	**29,283**	24,043
Container vessel rental expenses*	(ii)	**2,349**	2,016
Shipping agency fee expenses*	(iii)	**4,880**	3,757
Customs service expenses*	(iii)	**–**	419
Lease payment paid for a vessel under the Bareboat Charter Agreement*	(v)	**–**	5,970
Joint ventures:			
Container marine transportation services income	(i)	**166,660**	183,614
Freight forwarding services income for marine transportation	(i)	**1,217**	874
Warehousing expenses	(iii)	**706**	771
Freight forwarding service expenses	(iii)	**4,380**	2,844
Land and buildings rental income	(iv)	**1,640**	1,641
Shipping agency fee expenses	(iii)	**4,590**	5,345
Technology outsourcing service income	(iv)	**448**	817
Container maintenance income	(iv)	**296**	–
Depot service expense	(iii)	**502**	–
Associates:			
Container marine transportation service income	(i)	**149,147**	131,979
Shipping agency fee expenses	(iii)	**1,813**	2,032

38. RELATED PARTY DISCLOSURES (continued)

(a) (continued)

Notes:

(i) These service 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 paid to companies controlled by the Controlling Shareholder are based on market prices.

(iii) These expenses paid and payable 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) These income from joint ventures and associates are based on market prices.

(v) Further details of the transaction are set out in note 14(c) to the financial statements.

* These transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Key management personnel of the Group are directors of the Company, details of whose emoluments are included in note 9 to the financial statements.

39. 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:

At 31 December 2018

Financial assets

	Financial assets at fair value through profit or loss – designated as such upon initial recognition US$'000	Financial assets at fair value through other comprehensive income – debt investments US$'000	Financial assets at amortised cost US$'000	Total US$'000
Debt investments at fair value through other comprehensive income	–	9,430	–	9,430
Trade receivables	–	–	65,877	65,877
Financial assets included in prepayments, deposits and other receivables	–	–	13,065	13,065
Derivative financial instruments	260	–	–	260
Principal-protected investment deposits at fair value through profit or loss	16,665	–	–	16,665
Cash and bank balances	–	–	380,702	380,702
	16,925	9,430	459,644	485,999

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	–	138,767	138,767
Financial liabilities included in other payables and accruals	–	29,686	29,686
Derivative financial instruments	18	–	18
Bank borrowings	–	313,665	313,665
	18	482,118	482,136

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

At 31 December 2017

Financial assets

	Financial assets at fair value through profit or loss – designated as such upon initial recognition US$'000	Loans and receivables US$'000	Available-for-sale financial assets US$'000	Total US$'000
Available-for-sale investments	–	–	26,808	26,808
Derivative financial instruments	1,311	–	–	1,311
Trade receivables	–	64,065	–	64,065
Financial assets included in prepayments, deposits and other receivables	–	11,331	–	11,331
Principal-protected investment deposits at fair value through profit or loss	10,887	–	–	10,887
Cash and bank balances	–	505,684	–	505,684
	12,198	581,080	26,808	620,086

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	–	131,812	131,812
Financial liabilities included in other payables and accruals	–	30,943	30,943
Derivative financial instruments	709	–	709
Bank borrowings	–	415,423	415,423
	709	578,178	578,887

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and dividend payables approximate to their carrying amounts largely due to the short term maturities of these instruments. In addition, the management consider the Group's exposure to fair value and cash flow interest rate risks on the bank borrowings is insignificant as majority of the balances bear variable interest rates which did not significantly fluctuated in recent years.

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.

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:

(a) The fair values of listed debt investments at fair value are based on quoted market prices.

(b) The Group enters principal-protected investment deposits with creditworthy banks, and their fair values are determined with reference to market observable inputs currently available for investments with similar terms and credit risk. The carrying amounts of principal-protected investment deposits are the same as their fair values.

(c) 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 are as their fair values.

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

At 31 December 2018

	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**
Debt investments at fair value through other comprehensive income	**9,430**	**–**	**–**	**9,430**
Derivative financial instruments	**–**	**260**	**–**	**260**
Principal-protected investment deposits at fair value through profit or loss	**–**	**16,665**	**–**	**16,665**
	9,430	**16,925**	**–**	**26,355**

At 31 December 2017

	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	3,553	–	–	3,553
Listed debt investments, at fair value	22,697	–	–	22,697
Club debentures, at fair value	558	–	–	558
Derivative financial instruments	–	1,311	–	1,311
Principal-protected investment deposits	–	10,887	–	10,887
	26,808	12,198	–	39,006

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

Liabilities measured at fair value

At 31 December 2018

	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
Derivative financial instruments	–	18	–	18

At 31 December 2017

	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
Derivative financial instruments	–	709	–	709

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 (2017: Nil) and no transfer into or out of Level 3 for both financial assets and financial liabilities (2017: Nil).

41. 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, equity price 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.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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. 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 2018, after taking into account the effect of the interest rate swaps, approximately 8% (2017: 6%) of the Group's borrowings are at fixed interest 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$'000
2018		
US$	**100**	**(1,883)**
JPY	**100**	**(539)**
US$	**(100)**	**1,883**
JPY	**(100)**	**539**
2017		
US$	100	(2,148)
JPY	100	(1,769)
US$	(100)	2,148
JPY	(100)	1,769

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has minimal transactional currency exposure as most of the Group's sales and purchases by operating units are denominated in the functional currencies of the relevant operating units. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

The Group shall use derivative contracts to hedge against its exposure to currency risk only when it is required. 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 2018, the Group had hedged 18.3% (2017: 23.1%) 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 RMB and JPY exchange rates against US$, 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 bank borrowings designated as hedging instruments).

	Increase/ (decrease) in rate %	Increase/ (decrease)/ in profit before tax US$'000	Increase/ (decrease) in equity US$'000
2018			
If US$ weakens against RMB	**(5.0)**	**(2,184)**	**–**
If US$ strengthens against RMB	**5.0**	**2,184**	**–**
If US$ weakens against JPY	**5.0**	**735**	**(7,241)**
If US$ strengthens against JPY	**(5.0)**	**(735)**	**7,241**
2017			
If US$ weakens against RMB	(5.0)	(2,862)	–
If US$ strengthens against RMB	5.0	2,862	–
If US$ weakens against JPY	5.0	1,241	(8,906)
If US$ strengthens against JPY	(5.0)	(1,241)	8,906

* Excluding retained profits

41. 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 bank balances, debt investments at fair value through other comprehensive income, 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 23 to the financial statements.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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. 17% (2017: 16%) of the Group's debts will mature in less than one year from 31 December 2018 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:

	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
At 31 December 2018					
Trade payables	**138,767**	**–**	**–**	**–**	**138,767**
Financial liabilities included in other payables and accruals	**29,686**	**–**	**–**	**–**	**29,686**
Derivative financial instruments	**18**	**–**	**–**	**–**	**18**
Bank borrowings	**83,879**	**53,280**	**135,531**	**76,386**	**349,076**
	252,350	**53,280**	**135,531**	**76,386**	**517,547**
At 31 December 2017					
Trade payables	131,812	–	–	–	131,812
Financial liabilities included in other payables and accruals	31,107	–	–	–	31,107
Derivative financial instruments	709	–	–	–	709
Bank borrowings	124,669	59,457	167,649	106,929	458,704
	288,297	59,457	167,649	106,929	622,332

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 2018 and 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain a healthy ratio. Net debt includes bank borrowings, trade and other payables and accruals, less cash and bank balances. Adjusted capital includes equity attributable to shareholders of the Company less cash flow hedge reserve. The gearing ratios as at the end of the reporting period were as follows:

	2018 **US$'000**	2017 US$'000
Bank borrowings	**313,665**	415,423
Trade payables	**138,767**	131,812
Other payables and accruals	**52,471**	53,719
Less: Cash and bank balances	**(380,702)**	(505,684)
Net debt	**124,201**	95,270
Equity attributable to shareholders of the Company	**1,037,032**	963,518
Cash flow hedging reserve	**8,054**	4,332
Adjusted capital	**1,045,086**	967,850
Adjusted capital and net debt	**1,169,287**	1,063,120
Gearing ratio	**11%**	9%

42. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation and disclosures.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company as at the end of the reporting period is as follows:

	2018 US$'000	2017 US$'000
NON-CURRENT ASSETS		
Investment in a subsidiary	**59,413**	59,413
Available-for-sale investments	**–**	3,553
Total non-current assets	**59,413**	62,966
CURRENT ASSETS		
Due from a subsidiary	**460,385**	538,350
Cash and bank balances	**1,001**	206
Total current assets	**461,386**	538,556
CURRENT LIABILITIES		
Other payables	**533**	542
Dividend payables	**–**	33,964
Total current liabilities	**533**	34,506
NET CURRENT ASSETS	**460,853**	504,050
TOTAL ASSETS LESS CURRENT LIABILITIES	**520,266**	567,016
Net assets	**520,266**	567,016
EQUITY		
Issued capital	**34,393**	34,213
Reserves (Note)	**485,873**	532,803
Total equity	**520,266**	567,016

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note: A summary of the Company's reserves is as follows:

	Notes	Share premium account US$'000	Shares held under share award scheme account US$'000	Share-based compensation award reserve US$'000	Capital and other reserves US$'000	Available-for-sale investment revaluation reserve/Fair value reserve US$'000	Retained profits US$'000	Total US$'000
At 1 January 2017		422,199	–	3,771	202	(75)	65,710	491,807
Profit for the year		–	–	–	–	–	146,883	146,883
Other comprehensive income for the year:								
Changes in fair value of available-for-sale investments, net		–	–	–	–	1,031	–	1,031
Total comprehensive income for the year		–	–	–	–	1,031	146,883	147,914
Issue of shares upon exercise of share options under the Pre-IPO Share Option Scheme	31(a)	15,026	–	(781)	–	–	–	14,245
Issue of shares upon exercise of share options under the Post-IPO Share Option Scheme	31(b)	5,700	–	(1,339)	–	–	–	4,361
Repurchase of shares	32	–	(3,659)	–	–	–	–	(3,659)
Share award expense	32	–	–	31	–	–	–	31
Equity-settled share option expense	32	–	–	104	–	–	–	104
Transfer of share-based compensation reserve upon forfeiture or expiry of share options		–	–	(18)	–	–	18	–
Final 2016 dividend declared	12	–	–	–	–	–	(54,171)	(54,171)
Interim dividend declared	12	–	–	–	–	–	(33,865)	(33,865)
Special dividend declared	12	–	–	–	–	–	(33,964)	(33,964)
At 31 December 2017		442,925	(3,659)	1,768	202	956	90,611	532,803
At 31 December 2017		442,925	(3,659)	1,768	202	956	90,611	532,803
Effect of adoption of HKFRS 9		–	–	–	–	(956)	956	–
At 1 January 2018		442,925	(3,659)	1,768	202	–	91,567	532,803
Profit for the year and total comprehensive income for the year		–	–	–	–	–	65,161	65,161
Issue of shares upon exercise of share options under the Pre-IPO Share Option Scheme	31(a)	2,550	–	(132)	–	–	–	2,418
Issue of shares upon exercise of share options under the Post-IPO Share Option Scheme	31(b)	1,535	–	(368)	–	–	–	1,167
Issue of shares under share award scheme	32	6,529	(6,613)	–	–	–	–	(84)
Share award expense	32	–	–	3,249	–	–	–	3,249
Transfer of share-based compensation reserve upon forfeiture or expiry of share options	31	–	–	(13)	–	–	13	–
Final 2017 dividend declared	12	–	–	–	–	–	(67,876)	(67,876)
Interim dividend declared	12	–	–	–	–	–	(50,965)	(50,965)
At 31 December 2018		453,539	(10,272)	4,504	202	–	37,900	485,873

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2019.

Five Year Financial Summary

A summary of consolidated results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial statements for the year ended 31 December 2018 and the annual report for the year ended 31 December 2017, is set out below:

	Year ended 31 December				
	2018 US$'000	2017 US$'000	2016 US$'000	2015 US$'000	2014 US$'000
RESULTS					
REVENUE	**1,449,088**	1,348,385	1,215,791	1,288,055	1,376,952
Cost of sales	**(1,196,489)**	(1,096,679)	(1,016,256)	(1,102,463)	(1,210,874)
Gross profit	**252,599**	251,706	199,535	185,592	166,078
Other income and gains, net	**31,210**	18,658	8,797	39,476	31,443
Administrative expenses	**(76,449)**	(74,332)	(68,801)	(74,114)	(69,375)
Other expenses, net	**(428)**	(946)	(13,933)	(1,030)	(3,466)
Finance costs	**(9,368)**	(8,640)	(6,872)	(8,532)	(9,504)
Share of profits and losses of:					
Joint ventures	**9,961**	11,093	11,504	9,913	9,349
Associates	**171**	481	442	617	701
PROFIT BEFORE TAX	**207,696**	198,019	130,672	151,922	125,226
Income tax	**(8,599)**	(7,907)	(6,434)	(7,772)	(4,130)
PROFIT FOR THE YEAR	**199,097**	190,112	124,238	144,150	121,096
Profit attributable to:					
Shareholders of the Company	**197,514**	188,613	122,790	143,247	120,680
Non-controlling interests	**1,583**	1,499	1,448	903	416
	199,097	190,112	124,238	144,150	121,096

	At 31 December				
	2018 US$'000	2017 US$'000	2016 US$'000	2015 US$'000	2014 US$'000
ASSETS, LIABILITIES AND EQUITY					
TOTAL ASSETS	**1,551,891**	1,608,363	1,455,638	1,377,441	1,389,845
TOTAL LIABILITIES	**(506,192)**	(636,925)	(568,398)	(522,092)	(592,651)
NET ASSETS	**1,045,699**	971,438	887,240	855,349	797,194
Represented by:					
Equity attributable to shareholders of the Company	**1,037,032**	963,518	879,997	848,442	790,933
Non-controlling interests	**8,667**	7,920	7,243	6,907	6,261
TOTAL EQUITY	**1,045,699**	971,438	887,240	855,349	797,194