Orient Overseas (International) Limited

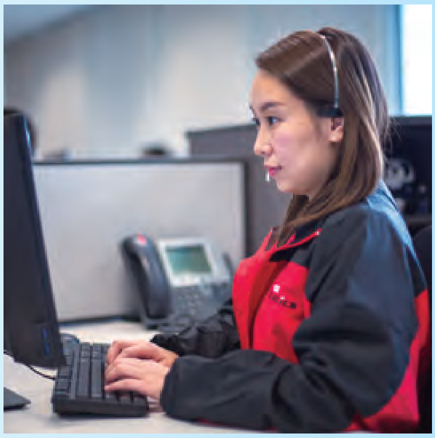
(Incorporated in Bermuda with Limited Liability)
Stock code: 0316.HK

ANNUAL REPORT 2018

Corporate Profile

Orient Overseas (International) Limited ("OOIL"), a company with US$6.6 billion in total revenues, has principal business activities in container transport and logistics services. Listed on The Stock Exchange of Hong Kong, the OOIL Group has more than 370 offices in over 80 countries/regions.

Orient Overseas Container Line and OOCL are trade names for transportation provided separately by Orient Overseas Container Line Limited ("OOCLL") and OOCL (Europe) Limited respectively and both are wholly-owned subsidiaries of OOIL. OOCL is one of the world's largest integrated international transportation, logistics and terminal companies, and is an industry leader in the use of information technology and e-commerce to manage the entire cargo transport process. OOCL's modern fleet today includes some of the youngest, largest, fuel efficient, and environmentally friendly vessels carrying cargo on hundreds of trade routes around the world, providing a vital link in Global Trade.



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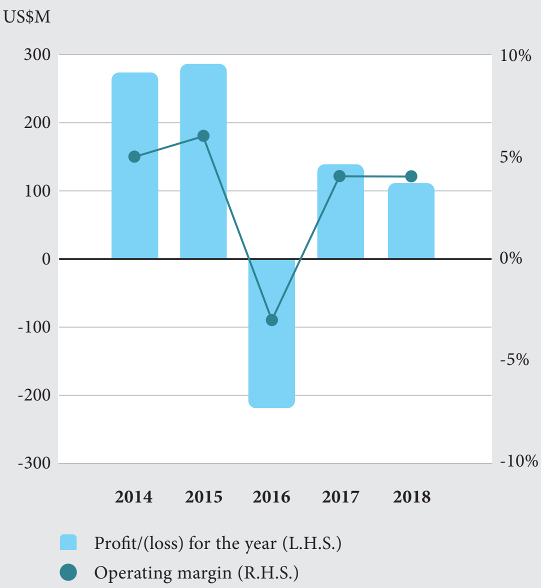
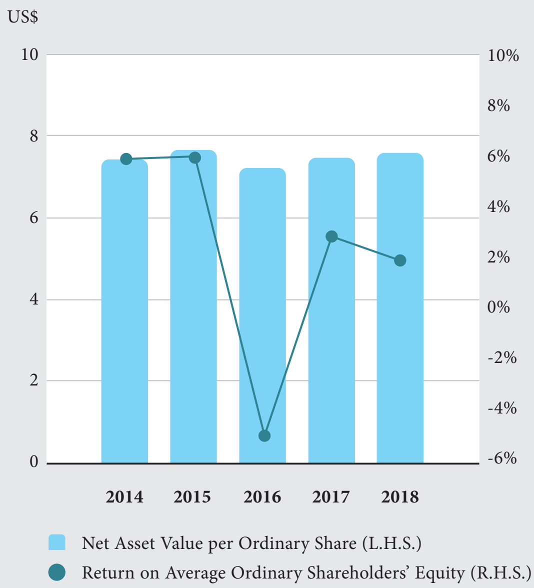
Financial Highlights

US$M	2018	Restated 2017	Increase/ (decrease) %
Consolidated Profit and Loss			
Revenue	**6,573**	5,982	10%
Operating profit	**263**	238	11%
Revaluation of Wall Street Plaza	**40**	43	(7%)
Finance costs	**(143)**	(97)	47%
Profit from continuing operations	**75**	147	(49%)
Profit before taxation (including discontinued operation)	**167**	150	11%
Profit for the year	**108**	138	(22%)
Consolidated Balance Sheet			
Liquid assets	**2,247**	2,534	(11%)
Property, plant and equipment	**5,880**	6,251	(6%)
Total assets	**10,054**	10,069	(0%)
Borrowings	**4,198**	4,554	(8%)
Total liabilities	**5,319**	5,387	(1%)
Ordinary shareholders' equity	**4,735**	4,683	1%
Consolidated Net Cash Flow			
Operating activities	**453**	370	22%
Investing activities	**(451)**	(361)	25%
Financing activities	**(298)**	305	N/M
Net (decrease)/increase in cash and cash equivalents	**(296)**	314	N/M
Key Ratios			
Operating margin	**4%**	4%	0%
Gross debt to equity	**0.89**	0.97	(8%)
Net debt to equity	**0.41**	0.43	(2%)
Return on average ordinary shareholders' equity	**2%**	3%	(1%)
Earnings per ordinary share (US cents)	**17.3**	22.0	(21%)
Net asset value per ordinary share (US dollar)	**7.57**	7.48	1%



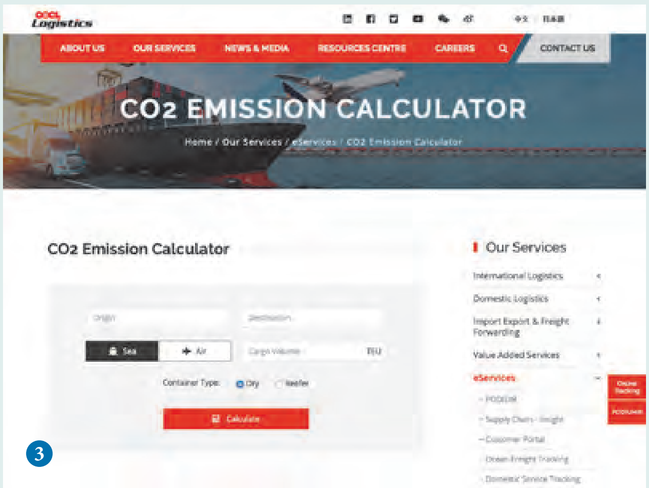


JANUARY 1 2

OOCL inaugurated a new intermodal block train service with the first shipment from Yiwu West Station to the Ningbo–Zhoushan Port. With the support from the Ningbo–Zhoushan Port Group, Yiwu Municipal Government and Shanghai Railway Bureau, OOCL can offer this service on a weekly basis linking Yiwu to prominent markets such as the Middle East, Africa, India and Pakistan which are all part of China's Belt and Road initiative.

OOCL Indonesia, the last in the series of six 21,413 TEU containerships that OOCL ordered from Samsung Heavy Industries, was christened and named by Mrs. Shirley Peng and Mrs. Mary Liu on 17th January. *OOCL Indonesia* began her maiden voyage in January and joined her other five sister vessels on OOCL's Asia–North Europe Loop 1 (LL1) service.

FEBRUARY 3

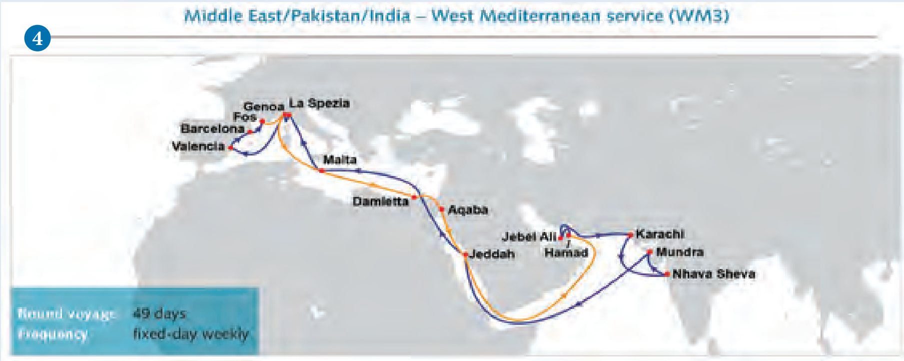


OOCL Logistics developed an online CO_2 Emission Calculator which helps shippers to calculate an estimation of their carbon footprint in their supply chains. The calculations are based on trusted data published by the Clean Cargo Working Group (CCWG) for sea shipments and the Department for Environment, Food and Rural Affairs – UK (DEFRA) for air shipments.

Significant Events – 2018

MARCH 4

On 2nd March, our Kaohsiung Container Terminal received a Golden Vessel Award from the Taiwan International Ports Corporation Ltd., for being one of the terminal operators that achieved more than 1 million TEU in annual throughput for the year 2017, an impressive achievement during a very challenging industry environment.



OOCL extended its Mediterranean service network to the Middle East and Indian Subcontinent by introducing a new Middle East/Pakistan/India – West Mediterranean Service (WM3) providing direct linkage between the Middle East, Pakistan, India, Italy, Spain, France and Egypt with more competitive and reliable services than transshipment options and the fastest transit time to the West Mediterranean, particularly to the Italian market. Together with its strategic hubs in Khor Al Fakkan and Jebel Ali connecting its services to various networks in the region, OOCL can offer exceptional flexibility and more shipping options to their customers.

CargoSmart launched its Customer Innovation Centre to help shippers leverage the latest technologies and innovative solution development methods to drive digital transformation. Experienced engineers specializing in areas such as Artificial Intelligence (AI), Machine Learning, Internet of Things (IoT), and Application Program Interfaces (APIs) are committed to helping shippers transform their businesses by exploring new opportunities in digitizing their shipment management process, developing effective and customized applications, as well as to test and refine the solutions.

On 12th March, Orient Overseas (International) Limited and its subsidiaries (the "Group") announced a profit attributable to equity holders for 2017 of US$137.7 million, compared to a loss of US$219.2 million in 2016.

OOCL Logistics expanded its service network into Columbia by setting up a representative office in its capital and largest city, Bogota, to meet the needs of customers and in response to the growth of trade in South America.

APRIL

OOCL announced a new partnership with Microsoft Research Asia, the world-class research arm of Microsoft, in providing cutting-edge Artificial Intelligence (AI) solutions to improve network operations and achieve efficiencies within the shipping industry. OOCL has always been a pioneer in leveraging technology to make a real business impact and accelerate customer value, in which AI is the key in our digital transformation vision.

MAY 5 6

OOCL was honoured with the "Hong Kong Awards for Environmental Excellence" that recognizes outstanding green management, innovation and commitments towards best practices within our industry sector. In addition to this achievement, OOCL also became one of the first recipients of the new "Outstanding Green Leadership Award" for being one of the top ten performers among 1,600 eligible applicants in 15 industry sectors demonstrating excellent performance in the aspect of green leadership.

OOCL received the "Outstanding Performance in Port State Control Inspection" award for the year 2017 from the Hong Kong Marine Department which recognizes our strong performance in ship management and for doing our part in upholding the good international standing of the Hong Kong flag in the shipping and maritime community.

JUNE 7

OOCL was very honoured to be the first carrier in the international transportation and logistics industry to receive the Gold Award at the 2017 BOCHK Corporate Environmental Leadership Awards ceremony. This distinguished awards program aims to acknowledge outstanding participating organisations for their efforts in promoting environmental and low-carbon best practices in the manufacturing and services sectors in Hong Kong and the Pan Pearl River Delta region.

Further to COSCO and SIPG's general offer to all shareholders of OOIL to acquire all issued OOIL shares subject to a set of "pre-conditions" on 9th July, 2017, OOIL and COSCO jointly announced on 29th June, 2018 that the last pre-condition, clearance by China's SAMR (State Administration for Market Regulation, the successor agency to MOFCOM on anti-trust matters), has been fulfilled.

JULY 8

OOCL outperformed all ocean carriers and achieved the highest total score in the 2018 Canadian Shipper's Choice Awards. With a total of 459 carriers being evaluated by over 300 shippers, OOCL received the highest total score in the eight categories being evaluated, including on-time performance, information technology, customer service and sustainable transportation practices.

On 24th July, COSCO Shipping Holdings Co. Limited completed the acquisition of shares from controlling shareholders in the offer to acquire Orient Overseas (International) Limited, which marks the change of controlling shareholder to COSCO Shipping Holdings Co. Limited.

AUGUST 9 10 11 12 13 14

On 3rd August, Orient Overseas (International) Limited announced the formation of a new board of directors and chief executive officer positions. The board elected Mr. Xu Lirong as Chairman of OOIL and appointed Mr. Huang Xiaowen as the Chief Executive Officer. Mr. Wang Haimin was appointed as Co-Chief Executive Officer of OOCL while Mr. Andy Tung was re-designated as Co-Chief Executive Officer of OOCL.

On 6th August, Orient Overseas (International) Limited and its subsidiaries (the "Group") announced a loss attributable to equity holders of US$10.3 million for the six-month period ended 30th June, 2018, compared to a profit of US$53.6 million for the same period in 2017.

On 13th August, CargoSmart announced its initiative to form a Global Shipping Business Network (GSBN) Industry Consortium. The Consortium will be governed by a wide member participation base, such as carriers and terminal operators, with the goal of leveraging the latest technologies in Blockchain, IoT and Artificial Intelligence to establish a digital baseline for the future of shipping, where all the stakeholders in the supply chain, including financial institutions and customs agencies, will be able to collaborate more efficiently through GSBN. The first product is a blockchain-based solution for Dangerous Goods (DG) shipment documentation which streamlines the DG declaration and data validation process and thereby enabling all GSBN stakeholders the ability to provide innovative customer products or services.

OOCL Logistics launched an enhanced version of the Supply Chain – Insight, an intelligence tool under the PODIUM® product line that offers near real-time monitoring of supply chain performance, shipment process and KPI across various dimensions. With newly developed reports on additional indicators and enhanced functionalities, the upgraded Supply Chain – Insight will help customers make better supply chain decisions.

PODIUM® 13

In our commitment to the environment and transparency, OOCL announced that its Green House Gas (GHG) Scope 3 reporting and verification had successfully been expanded to include indirect emissions from not only business travel by air for employees of the Hong Kong office, but also from our two terminals, namely the Long Beach Container Terminal in the United States, and the Kaohsiung Container Terminal in Taiwan.

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OOCL proudly received the 2018 Singapore Environmental Achievement Award (Regional) at a ceremony held by the Singapore Environment Council's (SEC) Conference Day event on 30th August. The SEAA (Regional) Award category recognizes local or international companies and organisations with outstanding environmental performance in Asia.

SEPTEMBER 15

OOCL introduced new Asia–East Africa products, namely the Asia–East Africa Service 1 (EAX1), Asia–East Africa Service 2 (EAX2), Asia–East Africa Service 3 (EAX3) and Asia–East Africa Service 4 (EAX4) with direct calls to strategic ports to expand our business network in the East African market while meeting the growing demand for quality services in the region.

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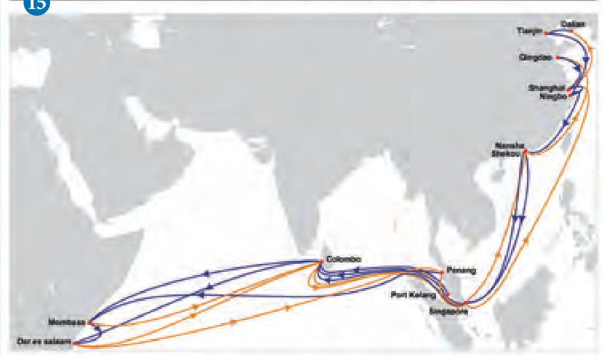
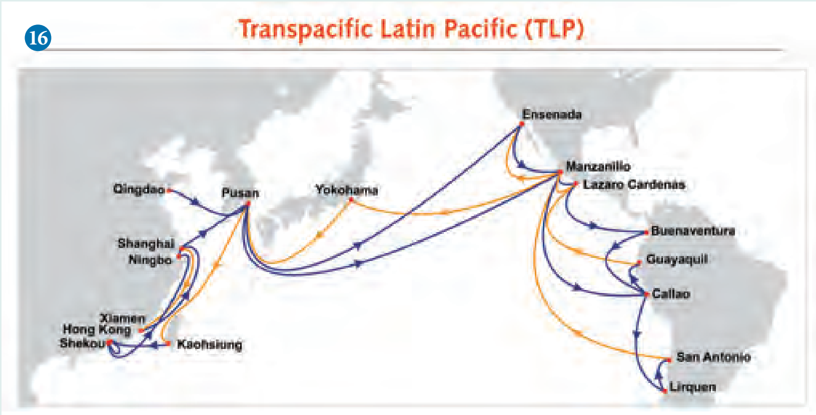


OCTOBER 16 17 18

To expand our business network in the Latin America market and to meet the growing demand for quality services in this region, OOCL introduced new Asia–Latin America products, namely the Transpacific Latin Pacific 1 (TLP1) and Transpacific Latin Pacific 2 (TLP2) from October.



In the continual expansion of our business network in the African market, OOCL introduced new West Africa direct services, namely the West Africa Service 1 (WAF1), West Africa Service 3 (WAF3) and Mediterranean – West Africa (MAF). These new products provide customers with competitive and reliable services between West Africa and Asia and the West Mediterranean.

On 29th October, OOCL was presented with 11 Automated Mutual-Assistance Vessel Rescue System (AMVER) Awards for the year 2017 at the annual Hong Kong Shipowners Association Luncheon. Sponsored by the United States Coast Guard (USCG), AMVER is a worldwide voluntary program that facilitates the rapid engagement of merchant ships in rescue operations at sea.

NOVEMBER 19 20

On 6th November, nine leading ocean carriers and terminal operators signed a Memorandum of Understanding at the China International Import Expo 2018 in Shanghai to form a consortium to develop the Global Shipping Business Network (GSBN), an open digital platform based on distributed ledger technology. The participants include ocean carriers CMA CGM, COSCO SHIPPING Lines, Evergreen Marine, OOCL, and Yang Ming; terminal operators DP World, Hutchison Ports, PSA International Pte Ltd, and Shanghai International Port; and software solutions provider CargoSmart. The new platform will establish a digital baseline that aims to connect all stakeholders to enable collaborative innovation and digital transformation in the supply chain.

OOCL announced new South Africa direct services, namely the South Africa Service 1 (SAF1), South Africa Service 2 (SAF2), South Africa Service 3 (SAF3) to further expand our African service network to South Africa with direct calls to strategic ports including Durban, Cape Town and Port Elizabeth.

On 22nd November, OOCL Australia was presented with the Shipping Line – North East Asia Trade Award and the Liner Customer Service Award at the Australian Shipping & Maritime Industry Awards 2018 hosted by the Daily Cargo News.

DECEMBER 21 22 23

On 4th December, OOCL was presented with two "Best Container Liner Award 2018" by the Thai National Shippers' Council (TNSC) to recognize our outstanding performance in the "North America" and "Far East Asia and ASEAN" service routes. This annual awards program is given to container liners that are evaluated by Thai exporters on 18 criteria, including vessel schedule frequency, on-time delivery, and equipment availability.

OOCL received resounding applause from industry peers for the coveted Company of the Year win at the Lloyd's List Global Awards ceremony in London on 11th December. This top honour in the awards program pays tribute to an organisation with marked achievements in areas such as operational excellence, digital innovation and for maintaining an outstanding reputation in the industry.

Chairman's Statement

I would like to express my sincere gratitude to all our shareholders and customers around the world for their continuous attention and support to OOIL. Meanwhile, I would also like to thank our entire staff, both onshore and offshore, for their diligence and steadfastness in helping OOIL achieve such good results in 2018, especially in the second half of the year.

Captain Xu Lirong
Chairman

Dear shareholders,

First of all, on behalf of the Board and the management of Orient Overseas (International) Limited ("OOIL"), I would like to express my sincere gratitude to all our shareholders and customers around the world for their continuous attention and support to OOIL. Meanwhile, I would also like to thank our entire staff, both onshore and offshore, for their diligence and steadfastness in helping OOIL achieve such good results in 2018, especially in the second half of the year.

I would also like, once again, to welcome all employees and other stakeholders of the OOIL group to COSCO SHIPPING Group. I thank you for your efforts and co-operation in taking our first steps together, and I look forward to building, together with you, a strong future for OOIL at the core business development of COSCO SHIPPING Group.

JOINING COSCO SHIPPING GROUP IS A MOMENTOUS STEP FORWARD

2018 was a landmark year in the development of OOIL. In July, COSCO SHIPPING Holdings successfully acquired OOIL, with the new combined group stepping up in terms of total capacity and joining the top three in the industry. As at the end of 2018, the combined group operated a fleet comprising 477 container vessels with total shipping capacity of 2.76 million TEUs, and had an order book of nearly 180,000 TEUs.

The acquisition effectively integrated the global network advantage of OOCL and COSCO SHIPPING Lines under COSCO SHIPPING Holdings, beneficial to fully achieving the synergies between the two sides, enriching the product selection for customers and allowing customers to enjoy a better service experience.

OOIL has an outstanding management team, a brand trusted by customers, and efficient management systems. In order to develop these valuable intangible assets in the best possible way, COSCO SHIPPING Holdings formulated a "dual-brand" strategy, which will facilitate synergistic development of the "dual-brand" container shipping business.

OOCL and COSCO SHIPPING Lines cooperated closely with each other to explore and gradually to achieve synergies in a number of areas, including fleet and network planning, procurement, container management, IT, commercial co-ordination and marine operations. In the second half of 2018, both companies recorded good operating results. The "dual-brand" strategy also provides a bigger and stronger platform for OOCL to further enhance its competitive advantages.

PRAGMATISM AND ENTREPRENEURSHIP TO IMPROVE EFFICIENCY AND ACHIEVE PROFITABILITY

Looking back to 2018, the global economy continued to recover, but growth momentum slowed down. Several negative economic factors, such as the concentration of vessel deliveries in the first half of the year, the significant rise of the oil price, and escalating trade frictions, resulted in a decrease in the overall financial performance of the container liner industry as compared to 2017, especially in the first half of the year.

During the Reporting Period, enjoying the benefit of being part of COSCO SHIPPING Group, we took a pragmatic and entrepreneurial approach to overcoming the effects of these adverse market factors and focused carefully on our targeted strategies in our various markets.

I am pleased to report that OOIL recorded a net profit attributable to shareholders for 2018 of US$108.2 million, (2017: US$137.7 million).

During the second half of the year, OOIL showed remarkable improvement in the operation efficiency, the synergy effect after the acquisition is initially revealed.

On this basis, it is proposed that a final dividend of US7.7 cents (HK$0.601) per share be paid for 2018 (2017: Nil).

OOCL managed to achieve good levels of growth, especially in the main East West tradelanes, outperforming market growth levels while managing to avoid a detrimental effect on profitability. Overall volume growth in 2018 was 6.3%, compared to 3.6% in 2017.

OOCL continues to have a strong focus on Intra-Asian trades as well as playing a leading role in other global trades such as the Trans-Pacific. We continue to develop market opportunities in Intra-Asia, Intra-Europe and other regional trades, and are working closely with COSCO SHIPPING Lines to participate fully and effectively in the Belt and Road Initiative.

PROMOTING THE DIGITALISATION TO ENHANCE SERVICE STANDARDS AND CUSTOMER EXPERIENCE

In November 2018, COSCO SHIPPING Lines, OOCL and several other world leading ocean carriers and terminal operators signed a letter of intent for the establishment of the Global Shipping Business Network (GSBN), an open digital platform in the shipping industry based on blockchain technology, with the aim to jointly promote the establishment and information sharing of digital standards and improve the operational efficiency and the quality of customer service of the industry. The software solutions of the shipping blockchain consortium which is the core technology application will be developed and provided by CargoSmart, a subsidiary of OOIL.

EXPANDING OUR LOGISTICS ACTIVITIES

Through OOCL Logistics, the Group continues to expand its reach into the full breadth of the supply chain. This growing part of the OOIL group provides new business opportunities and diversification, as well as consistent profitability through excellence in customer service, as well as reliability and advanced technological solutions.

Our logistics business is not limited to marine transportation, and provides access to air and the growing rail freight markets as well as to seaborne activities. It also manages warehousing and other land-based supply chain activities.

We continue to grow OOCL Logistics both in our home markets and in a number of selected areas, including the fast-moving economies of South East Asia.

IMPORTANCE OF ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

As described elsewhere in this report, we take our responsibilities as part of society very seriously. We continue to commit to identifying and implementing ways to increase efficiency and reduce consumption in terms of fuel, and continue to study in great depth the implications of the IMO's 2020 regulations extremely carefully. OOCL has a long history of winning environmental awards, and we look forward not only to continuing to respect all applicable regulations, but to continuing to be ahead of the curve in managing the impact of shipping.

We are proud to encourage our staff to participate in charitable activities in their local communities, and we attach high priority to our responsibilities as an employer and participant in the life of the areas in which we work.

OUTLOOK FOR 2019

Looking forward to 2019, I am cautiously optimistic about the global economy and the shipping environment as both challenges and opportunities are lying ahead. Challenges include 1) a slowdown in the global economy, as reflected by the adjustment of the global economic growth forecast for 2019 from 3.7% downwards to 3.5% by the International Monetary Fund (IMF) in January; 2) the many uncertainties that may negatively affect shipping, including trade frictions, high oil price, and etc.; 3) the industry's supply-demand imbalance, especially the overcapacity in some markets. The favourable conditions and positive factors include 1) the growth drivers of China economy remain stable and strong; 2) a more open China provides new driving forces for the development of the global free trade; 3) the Belt and Road Initiative creates significant opportunities for the development of the world economy, and with the construction of the Belt and Road being further deepened worldwide, emerging markets represented by Southeast Asia, Middle East, Central and South America and West Africa could be further developed, thereby driving the global economic growth; and 4) the capacity growth of container shipping tends to slow down, thus may help alleviate the pressure on supply side.

At the time of writing, we are of the opinion that the development of shipping industry has the following characteristics. Firstly, the macro economy has been changing while the "trade position" of the shipping industry remains unchanged; secondly, the factor market of the industry has been changing while the "service essence" of the shipping industry remains unchanged; thirdly, the competitive landscape of enterprises has been changing while the "value concept" of the shipping industry remains unchanged. The way to adapt to various kinds of changes is to grasp their essence. The shipping industry can adapt to market changes and achieve sustainable development only by adhering to the principle of customer orientation, persisting on the service essence and sticking to the philosophy of mutual benefits and win-win.

On the implementation of the dual-brand strategy, OOCL aim for achieving further synergy benefits and improving service quality. In order to bring greater synergistic benefit for the combined group, we will focus on accelerating the integration of equipment management, procurement, IT systems and network planning.

On the implementation of the digitalisation strategy, the Company will use digital technology not only to meet but also guide and create customer demand, bring new experience to customers and create value for customers. The Company will actively establish digital operation support systems and innovate business model and service products through a combined application of new technologies such as big data, AI, E-commerce platform and blockchain, so as to constantly improve the operational efficiency and service quality of supply chain.

On the implementation of the end-to-end strategy, the Company will design and launch more end-to-end services and products, accelerate the development of extended services and endeavour to enhance the capacity in the one-stop transportation services. In respect of railway transportation, the Company will include more countries in Central and Eastern Europe into the service scope of the China-European Sea-rail Express, focus on integrated logistics solutions, develop more end-to-end customers and complement the advantages of OOCL Logistics, accomplish the design, construction and management of end-to-end service channels and solve the "last mile" problem.

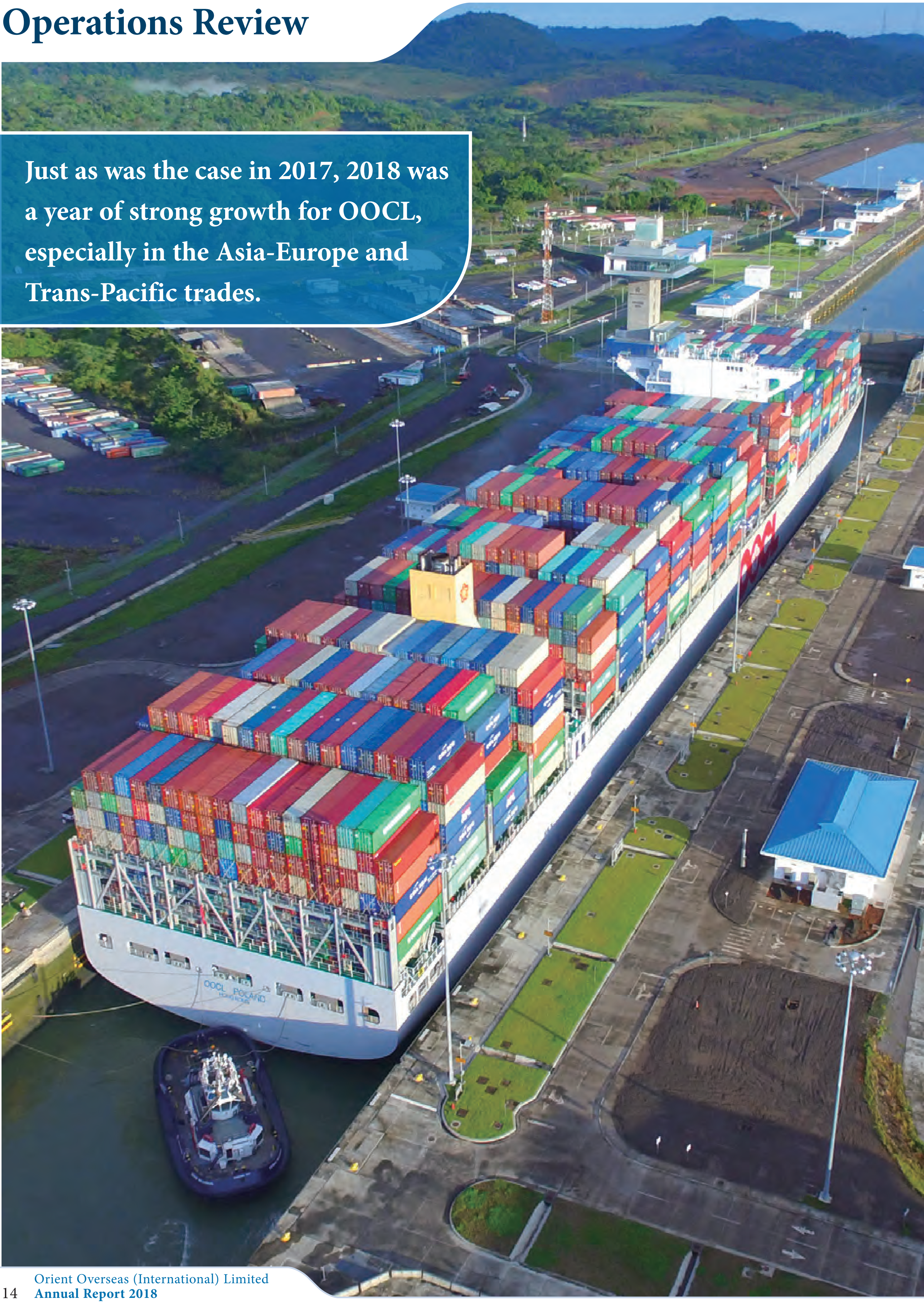
"All rivers eventually flow into the sea in despite of different sources." In the new year, OOIL as an integral part of the container shipping business of China COSCO SHIPPING Group, will, together with parties from various fields, continue to work proactively and diligently, constantly improving development quality, offering customers ever-improving services, and creating greater value for our shareholders.

Captain Xu Lirong
Chairman

Hong Kong, 22nd March 2019

Operations Review

Just as was the case in 2017, 2018 was a year of strong growth for OOCL, especially in the Asia-Europe and Trans-Pacific trades.




Courtesy of the Panama Canal Authority

CONTAINER TRANSPORT

The company faced conditions during 2018 that started by being slightly worse than expected, but that by the second half of the year were considerably better than expected.

The first real signs that 2018 might not be quite as easily predictable occurred after the usual pre-Chinese New Year rush.

The long post-holiday lull and the increase in market capacity since late 2017, together with freight rates that had not risen massively year on year, meant that OOIL and indeed most of the industry, facing a bunker price that was much higher in the first half of 2018 than it had been one year previously, produced an interim financial result that was relatively flat.

Thereafter, as we approached the end of the first half, the strength of the US economy was becoming increasingly clear. This translated into better volumes on the Trans-Pacific trade.

Part of that increase could well have been generated by some level of front loading of orders by US importers, aiming to import goods early in order to avoid the cost of tariffs potentially being implemented at a later date.

While there has been some level of increase, although nothing extraordinary, in US inventory levels in recent periods, it seems to be that the strength of US consumer sentiment, thus far at least, has avoided the worst of the threat that high inventory levels could generate for our prospects in the Trans-Pacific trade in 2019.

At the time of writing, there seem to be signs that the US and China will reach some form of new accord in terms of trade between these two countries. If so, then this would certainly mitigate a risk factor for 2019. However, as noted in previous reports, trade barriers of whatever nature are at best a cap on growth for container shipping, but if the US economy were to see a downturn, then the combination of that with new tariffs could potentially have a much more tangible negative effect.

Costs remain under control. Indeed, during the last months of 2018, following our integration within the COSCO group, we began to see the first fruits of cost savings arising from the various synergy projects under way. By means of close co-operation, through the synergy benefits of network planning, equipment management, IT and joint procurement, OOCL, along with COSCO, will generate considerable recurring efficiencies, which will enhance our ability to serve all of our stakeholders, whether customers, shareholders, creditors or employees.

Bunker prices, although higher in the first half of 2018 than in recent years, began to fall significantly in the last quarter of the year. This provided some degree of support, but did not have a particularly marked effect on the financial results, for the reason that there is typically a one-to-two-month delay between the date of bunkering and the reporting month when that bunkering cost hits the profit and loss account.

For many years now, we have commented on the benefits of alliance membership. Our situation within the Ocean Alliance continues to provide us significant advantage, and ensures that we are able to offer a broad, high-quality service network to our customers.

As we approach the end of the second year of operation of the Ocean Alliance, we can clearly feel the benefits that alliance membership brings in terms of network planning, network scope, vessel utilisation and the management of business risk. With plans for the third year of the alliance's operation already well advanced, we look forward to further benefit.

However, now being part of the COSCO group, we have access to scale, and to a scale of network, that gives us a very significant additional means of achieving successful growth. We also benefit by having much wider coverage of different trade lanes and geographies, not least through access to capacity on India to Europe routes, but also into the Latin American and African markets.

Just as was the case in 2017, 2018 was a year of strong growth for OOCL, especially in the Asia-Europe and Trans-Pacific trades. For the full year 2018, OOCL's liftings were up 6.3% overall, but 8.9% on Trans-Pacific and 14.5% on Asia-Europe. For the second year in a row, this growth outpaced the volume growth seen in the market as a whole.

2018 saw a strong performance from our terminal in Long Beach, California. The second phase of the terminal has now been operational for a year, and all those carefully planned designs using the latest technology and the most environmentally friendly techniques have been proven to bear fruit. It is public knowledge that we are required to sell our interest in the Long Beach terminal, and we expect to be able to do this within the coming months.

OOCL Liner	Growth in 2018 TEU	Revenue	Revenue/TEU
1Q18 v 1Q17	**7.5%**	16.3%	8.3%
2Q18 v 2Q17	**4.6%**	4.0%	(0.6%)
3Q18 v 3Q17	**6.9%**	7.0%	0.1%
4Q18 v 4Q17	**6.4%**	13.5%	6.7%
Total	**6.3%**	9.9%	3.4%

	LIFTING ('000 TEU)			REVENUE (US$ million)		
Trade	2018	2017	Variance	2018	2017	Variance
Trans-Pacific	1,974	1,812	8.9%	2,437	2,067	17.9%
Asia-Europe	1,302	1,138	14.5%	1,187	1,102	7.7%
Trans-Atlantic	426	430	(0.9%)	514	495	3.9%
Intra-Asia/Australasia	2,995	2,919	2.6%	1,825	1,761	3.7%
Total	6,697	6,299	6.3%	5,963	5,425	9.9%

Trans-Pacific – This trade was marked by an unusually strong second half of the year, for the reasons described above. Not only was the traditional July-September Peak Season stronger than had been seen for several years, but the post-Peak Season slowdown failed to materialise. Load factors remained strong throughout the second half of the year, and even although freight rates did fall, they fell only to a level that exceeded the best rates seen in 2017. The progress in terms of year-on-year comparison is clear, but it should not be forgotten that the levels seen in 2018 are not by any means record breaking compared to previous years.

Although there appears to be continuing strength in the US economy, it is right to be cautious about our prospects in the Transpacific trade in 2019. At the time of writing, we simply do not know the degree to which US imports might suffer a post-Chinese New Year slowdown in 2019, nor can we be sure about how the higher volumes seen at the end of 2018 will affect volumes in the coming months. Risk factors such as discussed above, noticeably resolution of the "Trade War" and the sustainability of the current strong performance of the US economy create ongoing uncertainty in 2019.

OOCL's market share of Trans-Pacific cargo is now 6.7%, the highest it has ever been, following another year of solid growth for our Trans-Pacific trade. We anticipate that 2019 could be a year of further growth, albeit likely at a more modest rate than in recent years for OOCL on this tradelane, but market risk factors bring considerable uncertainty to this view.

Asia-Europe – The overall economic performance of the European economies was less solid that of the US, especially in the second half of the year. The Asia-Europe trade as a whole simply did not see the strong growth that was seen on the Trans-Pacific trades, even if OOCL did indeed manage to achieve very impressive volume growth in both trade lanes.

With few exceptions, growth in the major European economies was negative or at best limited. Among the better performers were Germany and the UK, but even there, growth was in very low single digits.

As a result of these market pressures, freight rates experienced some degree of downward pressure as the year went on, with cargo volume growth not being sufficient to offset a significant introduction of new supply deployed on the Asia-Europe trade. Nevertheless, liftings increased 14.5% compared to the same period last year, the highest growth rate in any of our trades. Revenue increased by 7.7%, being negatively impacted by a 5.9% decrease in revenue per TEU.

Our own growth against a difficult market backdrop was driven both by strong commercial performance but also by means of Ocean Alliance membership, and growth of our fleet. Our capacity, and indeed our unit cost efficiency, were enhanced by the benefit of essentially a full year of operation of our six 21,413 TEU vessels, delivered between May 2017 and January 2018.

Much is written about the potential effect of Brexit on international trade. It is certainly a risk factor, and, as at the time of writing, much uncertainty remains. However, as a global container shipping company engaged in trade between countries with all manner of trading arrangements, we consider that we will have relatively little direct exposure to any negative impacts, if indeed there are any negative impacts. Our Intra-Europe business is relatively small as a proportion of our total business, and indeed carries relatively minor volumes between the EU and the UK.

Trans-Atlantic – Benefits of heightened consumer and corporate spending in US drove increased industry volume growth of 4.4% across the trade.

However, the now established trend of increasing imbalance between the eastbound and westbound legs of this trade continued, reducing overall profitability. The strength of the US economy as against the relative lack of growth in Europe did nothing to bring a halt to this pattern.

Intra-Asia and Australasia – Improved market conditions in the Intra-Asia trade reflected the gradual and prolonged recovery of the large East/West trades, as well as that of the larger North Asia economies. Speculation of a slowing Chinese economy has not been seen to impact industry volume growth.

A resurgence in Australian trades, most notably in the first half, drove further improvements in trade volumes and a higher average freight rates in 2018. The Australian economy, very much affected by commodity cycles, has seen a rebound in pricing for some of its major export minerals, translating to an improved economic environment. Australia continues its 27-year unbroken record of economic growth.

Routes to parts of the Middle East and the Indian subcontinent suffered from a challenging market environment during the year. It is thought that these markets will continue to face difficulties in 2019. In an effort to respond to this, we have found a way to meet market levels of demand in a more cost-effective way, by conducting a detailed tradelane by tradelane review of poorly performing routes in these regions, and for the Middle East by introducing the largest vessels of 20,000 TEU in order to benefit from the greater cost efficiency available through upsizing.

MAJOR CUSTOMERS AND SUPPLIERS

Approximately 8.2% and 20.7% of the Group's total expenditure on purchases of goods and services for the year are attributable to the largest supplier and five largest suppliers respectively.

Approximately 1.4% and 5.9% of the Group's total reported revenues for the year are attributable to the largest customer and five largest customers respectively.

The Group has entered into slot sharing arrangements with other container shipping companies. The receipts and payments from slot sharing arrangements have not been included in determining the major customers and suppliers since it would be misleading to do so as the receipts and payments are in respect of sharing arrangements for the utilisation of vessel space.

No director or any of his associates holds any equity interest in the suppliers or customers included above.

MARINE TERMINALS

During 2018, OOCL operated two container terminals: the Long Beach Container Terminal in California and the Kaohsiung Container Terminal in Taiwan, with a total combined throughput of 2.8 million TEU, representing a year over year increase of about 4%. Tianjin Port Alliance International Container Terminal Co., Ltd. and Ningbo Yuandong Terminal Ltd., where OOCL has a 20% interest in each, together handled about 4.8 million TEU, a 5% decrease over 2017.

Middle Harbor Redevelopment Project

OOCL and its subsidiary LBCT continue to work with the Port of Long Beach (POLB) on the Middle Harbor Redevelopment Project (MHRP) in Long Beach, California. The project is to be developed in three phases. Phase I went live in April 2016 and Phase II October of 2017. Both phases are fully automated and have been operating successfully serving two full Trans-Pacific services. Through continuous improvement, LBCT has become one of the most operationally efficient and environmentally friendly port terminals anywhere in the world.

Under an agreement with the US Government as a result of COSCO Shipping Holding's acquisition of OOIL, LBCT was put into a US Government appointed Trust in July 2018 for divestiture.

SHIP OPERATIONS

As at 31st December, 2018, the OOCL fleet composition was as follows:

Fleet	No. of Vessels	TEU Capacity
Owned/ Long Term Chartered/ Operating Lease	68	585,035
Short Term Chartered	33	116,428
Operating Capacity	101	701,463

During the year, the Group took delivery of the sixth (and the last) of a total of six "Giga" Class 21,413 TEU vessels from the Samsung Heavy Industries Shipyard in South Korea, namely the *OOCL Indonesia*. All six "Giga" Class vessels had been deployed into service on the Asia-Europe Trade and they broke the world record as the largest containerships by carrying capacity, marking an important milestone for the Group.

No order for new buildings were placed during the year.

As of the end of 2018, OOCL owned vessels with an average age of 8.77 years and an average size of 8,915 TEU.

Bunker Cost/Saving

Bunker prices were quite volatile during 2018, with an upward trajectory in the first half of the year and then moving downwards since September followed by a sharp drop in price. We continued to place intense focus on bunker and engine lubricant oil saving programs for cost savings during the year. Other fuel saving programs include, but not limited to: optimal routing, continuous speed optimisation, efficient use of shaft generator, maintaining optimal trim, and using minimal ballast water for fuel efficiency.

In regards to the new low sulphur fuel regulation effective on 1st January, 2020, we anticipate higher bunker costs may begin to impact across the industry from the second half of 2019. Under this regulation, 0.5% low sulphur fuel oil or cleaner alternatives are required to be used by all ocean-going vessels and in order to meet the deadline, many vessels are expected to make the transition by the end of the year. In preparation for this change, we have placed emphasis on introducing a fuel cost surcharge to our longer term commercial contracts, in order to help recover the increase in expense. The degree of recovery possible will be affected by the strength of the freight market during contract negotiations. Separately, we are also reviewing implementing scrubber technology as a means of allow our ships to continue to burn lower cost high sulphur fuel.

In this higher fuel cost environment, teamwork, and close collaboration by all concerned parties both on and off-shore will continue to be key to our success.

Environmental Protection

We remain very supportive of international efforts to measure and control shipboard emissions. In 2018, we maintained an average sulphur content of 2.63% in our bunker consumption which compares favourably with the International Maritime Organization's (IMO) prescribed standard of 3.5%. Aside from the installation of Alternative Maritime Power (AMP) system that allows shore-based power alternatives, our new buildings have been equipped with Ballast Water Treatment systems to effectively treat ballast water, which is in line with our environmental policy. A retrofit program is also underway to allow some of our existing vessels to improve fuel efficiency which ultimately helps to reduce emissions.

In addition to regulatory compliance, we have been participating in various voluntary programs including the Green Flag Program at the Port of Long Beach, Vessel Speed Reduction Program at the Port of Los Angeles, as well as AMP Shore Power systems at various ports in US West Coast and China including the Shenzhen Port Green Convention initiated by the Shenzhen Transportation Commission (SZMOT) in China.

LOGISTICS

In 2018, OOCL Logistics' revenue, gross profit and net profit before tax increased by 8.8%, 6.9% and 17.5% respectively.

For our International Supply Chain Management services, existing customers were instrumental to our revenue and contribution growth in 2018. We spent much effort helping clients enhance their supply chain visibility and efficiency, optimize operation network, and reduce supply chain cost by using our innovative solutions and systems such as the powerful features from our Podium platform and the Intelligent Report System. Our dedication to quality and providing best-in-class services and reliable products further strengthened the quality mark in our brand and thus the customer's confidence in OOCL Logistics.

There has been marked performance improvements in our sea-freight NVOCC (Non-Vessel Operating Common Carrier) business in 2018, particularly from the increase of freight rates as well as business growth in Russia, North Europe, Southeast Asia and the US regions. High growth on air-freight forwarding business also continued in 2018. The business of Customs House Brokerage grew drastically in 2018.

In our Domestic Logistics business, the effective utilization and improvements of our long-term leased warehouses throughout China, Indonesia and the Philippines helped enhance the profitability of our Warehouse and Distribution segment. Our cold chain logistics activity in China also grew, particularly in the cold chain transportation and warehouse business that helped pushed our profit margin up.

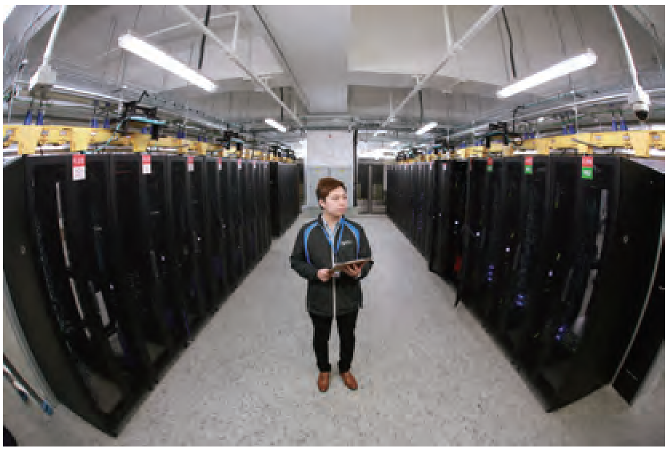
By leveraging on our superior IT capabilities and management expertise, our Software-as-a-Service has made very good progress by providing our clients with Weika, TMS, WMS and Control Tower which have been integrated into our clients' supply chain operations and management.

In addition to our various business development projects, we also focused on improvements to our overall operations by tackling challenges in areas such as operational productivity, cost control, asset efficiency, and raising our quality services to new levels in order to enhance our competitive position in the industry.

INFORMATION TECHNOLOGY

The Global IT standardization and centralization management synergy areas between OOCL and COSCO Shipping Lines, covering areas such as data centers, global infrastructure, and cyber security, delivers a single IT standard for both companies to achieve higher availability and security platform to enhance business operations. The unified IT operation analytics layer will raise the level of IT automation and early discovery of any potential issues that needs to be addressed. By leveraging on Microsoft technologies, an enhanced collaboration platform has been developed to enable closer communication and collaboration among both companies and thereby improve our business agility and productivity levels. An integrated hosting service will also be developed to support both company's enterprise applications and IT operation.

To help realize the synergy from managing a pooled container inventory between OOCL and COSCO Shipping Lines, an Equipment Pool System was launched to strengthen the visibility of both companies' inventory and imbalance situations which greatly helped improve the efficiency of empty container repositioning and identified a number of other related collaborative opportunities. This system not only improved our equipment management cost efficiency, but also enhanced the overall inventory management of the container pool by lowering the buffer stock level and helping us maintain a leaner equipment fleet. Moreover, a Network Control Center was successfully completed to provide COSCO Shipping Lines with greater visibility of vessel network disruptions and recovery options. The strengthened disruption management capability also lays the foundation for the fleet of both companies to improve on overall vessel utilization and disruption management.



CargoSmart

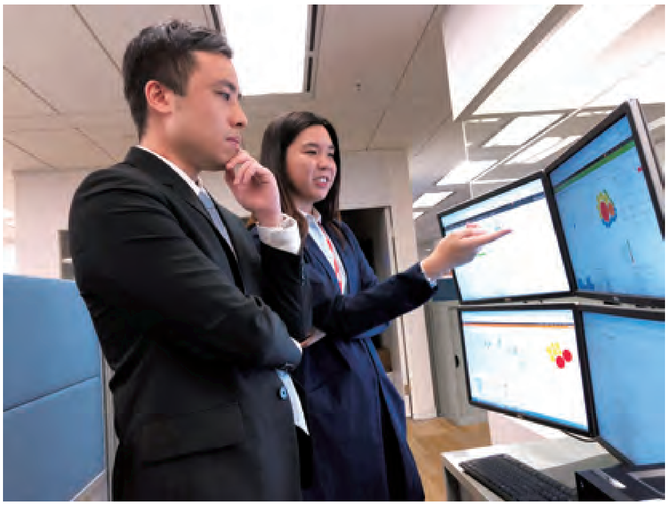
CargoSmart initiated the launch of a blockchain shipping alliance named the Global Shipping Business Network (GSBN), which aims to establish a digital baseline that connects all stakeholders and facilitate collaborative innovation and digital transformation initiatives in the supply chain. CargoSmart leverages existing shipping domain knowledge, expertise in developing software architecture and application solutions with blockchain technologies to establish the foundation of the platform. The first CargoSmart application to pilot the operation of the GSBN platform is Dangerous Goods Application (DG.ConnectDLT). It enables forwarders and shippers to digitize DG documents using Artificial Intelligence (AI) techniques and automatically connects it with relevant parties in the shipping cycle with real-time access. The application will streamline and shorten the DG approval process and will bring a new level of transparency to all relevant parties. The application is in Beta Pilot testing in December 2018 and will be in General Release in early 2019.

CargoSmart's Customer Innovation Center (CIC) was officially launched in San Jose in early 2018 to improve our engagement with shippers through workshops where we can better identify their needs and challenges. By leveraging lean and agile methods and applying a design thinking approach, we are able to iteratively create, build and offer more comprehensive solutions to the market. To address the pain points of shippers and forwarders without adequate levels of transparency and control of their shipment delivery schedules, CargoSmart launched a cloud-based, AI-powered platform called "ForeSea" in September 2018 to provide the cargo visibility with predictive analytics capabilities they need. Shippers and their logistics partners would be able to share a common platform to visualize the progress of all shipments, proactively manage any potential disruptions, and enhance the overall collaborative experience across stakeholders. The performance measurement information also provided the opportunity for optimized planning and supply chain improvements.

To enhance operational efficiency and the decision-making process in marine operations, the Robo-advisor solution was introduced in May 2018 to leverage CargoSmart's GVVMC and AI enabled technologies to provide better berth visibility and bunker optimization. The advanced visibility of the vessel's berthing windows at the upcoming port calls not only improved the collaboration between marine operators, port agents and ship masters to minimize port waiting times, but also offered vessels the opportunity to effectively improve bunker efficiency at sea. The bunker optimization model allows for better control of bunker consumption with various schedule recovery strategies and to that end, different schedule recovery simulations and optimization models were added in the third and fourth quarters of 2018. From May to December 2018, and compared to the same period in the year before, we observed that the overall bunker consumption level reduced significantly while vessel sea time increased. Moving forward, more complex schedule recovery optimization models will be added to further improve the operational efficiency of marine operations.

One IT Model

To create further synergy in the IT systems development for both OOCL and COSCO Shipping Lines, a comprehensive review was conducted and the One IT resources deployment model established to identify the most suitable architecture platform and technology solution for implementation where the IT resources from both companies will be allocated to support the development, delivery and implementation of the systems.



PROPERTY

Based on an independent valuation as at 31st December 2018, Wall Street Plaza was included in the consolidated balance sheet at US$310 million. A revaluation of US$40 million occurred in the first half of the year, and was reflected in the consolidated profit and loss account for that period and in the consolidated balance sheet as at 30th June 2018. After offsetting a total of US$0.5 million of capital expenditure related to the building in 2018, the net fair value gain for the full year comes to US$39.5 million.

As at 31st December 2017, Wall Street Plaza was valued at US$270 million with a net fair value gain of US$43.4 million in 2017.

Corporate Responsibility

The Group places the utmost importance on environmental care and community support. Despite the current difficult economic environment, we must continue to address the long-term threat of climate change.

The Group prides itself upon being a responsible corporate citizen and it employs the highest standards of business ethics in all that it does. Headed by a senior management Steering Committee and a Global Security, Safety and Environment Care Officer, the Group embraces the core values of Corporate Social Responsibility at all levels.

The Group places the utmost importance on environmental care and community support. Despite the current difficult economic environment, we must continue to address the long-term threat of climate change. We strive to play our part in tackling this global problem through engagement with organisations such as the Business Environment Council, the Clean Cargo Working Group and the World Wildlife Fund. Throughout the year, the Group has won awards and accolades for its environmental performance, and OOIL Group employees around the world have been actively supporting their local communities through various environmental initiatives.

The Group is dedicated to promoting sustainable business practices in the supply chain. Our Corporate Sustainable Procurement Policy has been implemented in every aspect of our business and at every stage of the supply chain. For example, under our vendor and supplier selection mechanism, a self-assessment of the potential contractor must be completed to confirm their compliance to our Safety, Security, Environmental and Social Guidelines, where on-site verification of their facilities may be conducted if deemed necessary. Once compliance is confirmed we would review and work with our vendors to ensure compliance levels are maintained.

In addition, the OOCL Carbon Calculator is designed to assist OOCL customers measure CO_2 emissions in their supply chains. The scope of the calculator spans across vessels, trucks, feeders, and rail with over 70,000 port pairs recorded. OOCL spearheaded the project in 2010, partnering with the Department of Logistics and Maritime Studies of the Hong Kong Polytechnic University. The Calculator has been checked and verified for its methodology, accuracy and carbon footprint calculations by The American Bureau of Shipping (ABS) Consulting.

OUR ENVIRONMENTAL INITIATIVES

The Group recognises that businesses must take responsibility for their industry's effects on the environment. Our company is dedicated to meeting the needs of the present without compromising those of the future. We encourage sustainable economic development through innovative environmental care measures and believe that by taking a proactive role in caring for the environment, we can help minimise our carbon footprint, improve air quality and make the world a better place to live for ourselves and future generations.

We actively participate in green programmes and have received recognition for our achievements and best practices, including:

The Safety, Quality and Environmental (SQE) Management System Certificate – OOCL was the first container shipping line in the world to have achieved the SQE certification which consolidates the ISM-Code, ISO 9001 and ISO 14001 requirements.

Vessel Speed Reduction Programs – Each year, OOCL has been fully compliant to reducing vessel speed when entering within both 20 and 40 nautical miles of the Port of Long Beach and Port of Los Angeles harbors. Our efforts have effectively contributed to improving the air quality by reducing emissions such as smog forming nitrogen oxides NO_x, diesel particulate matter and greenhouse gases. Port officials estimate that if all vessels comply with the Program, the amount of NO_x produced by container ships would be reduced by nearly 550 tons a year.

Ballast Water Management Program – All container ships discharge ballast water, which can contain organisms that may be harmful to other environments. We have a policy of exchanging ballast water only in the open sea (200 nautical miles away from the nearest coastline) to achieve zero ballast water exchange when berthed at the port. Although it is not mandated by the International Maritime Organization (IMO), OOCL's new buildings are already equipped with an IMO approved Ballast Water Treatment System to effectively treat ballast water before discharging.

Hong Kong Green Organisation Certification (HKGOC) – The HKGOC aims to benchmark the performance of "green" organisations to encourage them to sustain their various environmental best practices. It also presents organisations with the opportunity to demonstrate their commitment to improve different aspects of their environmental performance. In appreciation of our efforts towards environmental protection, OOCL was given the status of "Hong Kong Green Organisation" (HKGO) by the Environmental Campaign Committee (ECC) from being a Gold Winner in the Hong Kong Awards for Environmental Excellence (HKAEE).

"Class of Excellence" Wastewi$e Label – OOCL also received environmental recognition for our participation and performance in the Wastewi$e Label Scheme under the Hong Kong Awards for Environmental Excellence (HKAEE) programme. Under the Scheme, participants must achieve at least nine goals or more, covering at least two of three Wastewi$e categories in order to be granted with the "Class of Excellence" Wastewi$e Label. The three categories include Waste Avoidance & Reduction Measures, Collection and Recycling of Recyclable Materials, and Purchase or Manufacture of Recycled Products.

OOIL becomes a FTSE4Good Developed Index Constituent – The FTSE4Good Developed Index is one of the world's most recognised and respected indices measuring the performance of companies demonstrating strong Environmental, Social and Governance (ESG) standards for investors committed to socially responsible investments. OOIL is honoured to be the first Hong Kong-based enterprise in the international transportation and logistics industry to be included in the Index. Independently assessed according to the Index criteria, OOIL has met all ESG requirements to become a constituent of the Index for the fourth consecutive year since December 2015, an important milestone in the company's efforts to achieving long-term sustainability objectives.

Hang Seng Corporate Sustainability Index – The Group is a founding constituent of the Hang Seng Corporate Sustainability Index, launched in 2010 to recognise the top 30 companies with the highest scores in areas such as environmental care, social impact, and corporate governance (ESG). We have been selected as a constituent of the Hang Seng Corporate Sustainability Benchmark Index for the eighth consecutive year, reflecting our continual outstanding performance in ESG. We received the highest sustainability score in the industrials sector from the latest sustainability performance review. These are remarkable achievements as well as recognition of our efforts to achieving consistent and long-term sustainability objectives.

Stop Shipping Shark, Whale, Dolphin, and Their Related Products – On 15th February 2016, OOCL announced that bookings for whale, shark, dolphin, and their related products will not be accepted. This new policy shows our commitment and best practices in supporting the global effort to curb the trade of at-risk, endangered and protected marine species.

WWF-Hong Kong conservation talk on No Shark Fin Carriage – OOCL has been engaging with WWF, a leading global conservation organisation, on various environmental and sustainability projects. On 14th September 2018, we invited WWF-Hong Kong to talk about the importance of ocean biodiversity and the role of shipping companies in implementing the No Shark Fin Carriage Policy through a Lunch & Learn session with our OOCL Hong Kong and South China Region colleagues. The talk aimed to raise the environmental awareness of our colleagues and focus on the prevention of potential risks in our operations which is particularly useful when handling suspicious shipment orders.

Qualship 21 – Offered by the US Coast Guard, the Qualship 21 program recognises high-quality ships for their excellent safety and antipollution standards and encourages quality operations. Most of OOCL's vessels calling the US have already been Qualship 21 certified since 2004.

Environmental Data Verification – Over the years, OOCL has been taking concrete, meaningful and progressive steps in our long-term commitment to protecting the environment and reducing emissions in the communities where we operate by meeting our Greenhouse Gas (GHG) verification targets spanning from Scopes 1 to 3. In 2018, our GHG Scope 3 reporting and verification has successfully been expanded to include indirect emissions from not only business travel by air for employees of our Hong Kong office, but also for our two terminals, namely the Long Beach Container Terminal, LLC. (LBCT LLC) in the United States, and the Kaohsiung Container Terminal (KAOCT) in Taiwan. OOCL is committed to reaching higher standards and transparency levels in our GHG reporting which are all in accordance with the "Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard." In addition to our work related to GHG, OOCL has also been taking a leadership role in building our Environmental, Social and Governance (ESG) profile to tackle a wider spectrum of environmental challenges we face across the industry. Verified by Lloyd's Register Quality Assurance (LRQA), this is the fifth consecutive year that OOCL has achieved dual reporting standards through the use of Clean Cargo Working Group (CCWG) and ISO 14064-1:2006 verification tools to certify the transparency, accuracy, completeness, consistency and relevance of OOCL's data disclosure on Greenhouse Gas emissions.

OOCL Named Company of the Year at the Lloyd's List Global Awards – OOCL received resounding applause from industry peers for the coveted "Company of the Year" win at the Lloyd's List Global Awards ceremony in London on 11th December 2018. This top honour in the awards programme pays tribute to an organisation with marked achievements in areas such as operational excellence, digital innovation and for maintaining an outstanding reputation in the industry. Highly regarded as one of the most important events on the industry calendar, this distinguished award celebrates our exceptional accomplishments and unflinching commitment to performance as the industry navigated through some of the most challenging market environments over the last few years. May it be in our persistent focus on operational efficiency, bringing innovative solutions to customers, taking our corporate sustainability profile into the next level, or pushing boundaries in the digital technology space, OOCL left no stones unturned to ensure we secure our competitive position and maintain our service quality hallmark widely recognised by our customers and peers in the industry. OOCL reached a number of notable milestones in 2018, including our work in developing Artificial Intelligence (AI) applications for shipping, contributing to blockchain developments to improve supply chain efficiency, and launching competitive services to new markets in Africa.

OOCL Honored with HKAEE Gold Standing and Recognised for Outstanding Green Leadership – On 4th May 2018, OOCL received the 2017 Hong Kong Awards for Environmental Excellence (HKAEE) Gold Award in the Transport and Logistics Sector. Recognised by the community as one of the most prestigious and reputable environmental award schemes in Hong Kong, the HKAEE encourages businesses and organisations to embrace green management and innovation with the opportunity to benchmark their environmental performance and commitments towards best practices within their sectors. For the first time in the awards programme, and in addition to the HKAEE Gold Award, a new "Outstanding Green Leadership Award" was introduced this year to recognise ten top performers demonstrating excellent performance in the aspect of green leadership. From over 1,600 eligible applicants in 15 industry sectors, OOCL is very proud to be one of the first recipients of this award. As a responsible and committed member of the international community, OOCL will continue to strive for further improvements in all aspects of our business for a greener future in the generations to come.

OOCL is first in industry to win Corporate Environmental Leadership Gold Award – On 31st May 2018, OOCL was very honoured to be the first carrier in the international transportation and logistics industry to receive the Gold Award at the 2017 BOCHK Corporate Environmental Leadership Awards ceremony. This distinguished awards programme aims to acknowledge outstanding participating organisations for their efforts in promoting environmental and low-carbon best practices in the manufacturing and services sectors in Hong Kong and the Pan Pearl River Delta region following three rounds of assessments by a professional adjudication panel and independent assessors.

Seatrade Maritime Awards Asia – On 25th April 2018, OOCL received the new Green Shipping Award from Seatrade Maritime Awards Asia in Singapore. This overreaching award recognises the company's effort in green technology investment, carbon management, compliance to environmental regulations and promotion in environmental awareness. Being the first award winner in this category, we attribute our success to the initiatives we made in addressing global environmental challenges over the years. They include our proactive agenda in adhering to the United Nations' Sustainable Development Goals (SDGs), green investments on our assets, research on green IT solutions, and Greenhouse Gas control in our business operations.

Singapore Environmental Achievement Awards (SEAA) – OOCL was proud to receive the 2018 Singapore Environmental Achievement Award (Regional) at a ceremony held at the Singapore Environment Council's (SEC) Conference Day event on 30th August 2018. The SEAA (Regional) Award category recognises local or international companies and organisations with outstanding environmental performance in Asia, and this year, the regional scope has been expanded to welcome companies from Greater China, Japan, South Korea, and ASEAN countries to take part in the awards scheme.

United Nations Global Compact (UNGC) – OOIL was the first Hong Kong-based enterprise in the international transportation and logistics industry to take part in the United Nations Global Compact. Through our business strategies, operation, corporate culture, and continual engagement in the Sustainable Development Goals (SDG) set out by the United Nations, we are committed to supporting the Ten Principles of the UNGC that sets out fundamental responsibilities in areas such as human rights, labour, environment and anti-corruption. To demonstrate our long-term commitment in corporate sustainability, transparency, and accountability, we aim to publish a Communication on Progress (COP) report on an annual basis to describe our extensive efforts in implementing the Ten Principles and SDG. Prior to our participation in the UNGC, we have already been very active in building up our work on SDGs. In our 2016 Sustainability Report, we began to introduce new targets and specific action items towards the formulation of relevant SDGs to tackle environmental and social issues across industries.

Enhancing Cetacean Habitat and Observation (ECHO) Program – OOCL participated in the Enhancing Cetacean Habitat and Observation (ECHO) Program between 1st July and 31st October 2018 to study how to reduce the cumulative effects of shipping on at-risk whales throughout the southern coast of British Columbia in Canada. Over the 16 weeks of this Program, 96% of our vessels voluntarily sailed at slower speeds in the research region, bringing our vessel participate rate 46% higher than in 2017. OOCL's commitment and contribution to this Program was an important part of our sustainability work in addressing the "SDG 14: Life Below Water" component of marine life protection and conservation.

OOCL Sponsors and Participates in Walk for Nature 2018 – On 3rd November 2018, our Hong Kong colleagues and their guests participated in the Walk for Nature 2018 at the iconic Mai Po Nature Reserve. Walk for Nature is an annual fundraising event of the WWF, which supports the Reserve's work on local biodiversity and land conservation. OOCL was one of the sponsors of the event where the participants learned more about the experience of migratory birds' journey to Hong Kong and through a series of related activities also raised their awareness and knowledge of conservation issues and sustainable living in Mai Po. OOCL supports the Sustainable Development Goals (SDGs) set out by the United Nations and our participation in this event shows our support and commitment to the United Nation's SDG 15: Life on Land, which aims to ensure that the conservation, restoration, and the sustainable use of resources of wetlands are in line with obligations under international agreements. To continue with our commitment in meeting other relevant SDGs, we will cooperate with industry bodies and environment-focused organisations in addressing different environmental challenges.

Our Vessels – The best way to reduce harmful emissions in the shipping industry is to reduce the consumption of fuel. For well over a decade OOCL implemented a fuel saving programme including weather routing systems, slow steaming (addition of extra vessels on service loops and travelling at slower speeds), minimising ballast water to help achieve a lighter vessel load, and achieving better trim of ship draughts by good stowage, thereby burning less fuel. By taking these measures, we have reduced our CO_2 emissions by more than 50% since 2004. In addition to reducing our emissions, we are able to help our customers achieve a lower carbon footprint in their supply chains.

Since 2000, all our vessels have been installed with environment-friendly NO_x-controlled propulsive engines while advanced slide fuel injection valves are adopted to help reduce NO_x emissions by 30%. All our new buildings since 2011 are also equipped with Alternative Maritime Power (AMP) Systems, also known as "Cold Ironing", which allows the vessel to use shore supplied electricity instead of burning fuel when at berth. OOCL is fully compliant to the EU, North America and IMO mandated requirements of using 0.1% or lower sulphur content fuel in all SO_x Emission Control Areas (SECA). We are also compliant to the requirements of using 0.1% sulphur content fuel when our vessels are berthed at designated EU ports. We also ensure that the sulphur content of our fuel is well below the IMO prescribed standard of 3.5% when our vessels sail in the high seas. In 2018, OOCL achieved an average sulphur content of 2.63%.

Our Offices – Our focus is to create and maintain a "paperless office" environment by eliminating the use of faxes and unnecessary paper documents. As a business which has traditionally relied on paper documentation with customers, such as bills of lading and invoices, we have successfully taken innovative measures to effectively reduce our paper consumption since 2006.

We have implemented a "reduce, re-use and recycle" campaign in all our offices around the world, encouraging employees to switch off computers after work, powering off copiers and lights after use, and to install energy saving office equipment, such as energy efficient light bulbs. We also have mandatory training for all staff in safety, security and environmental issues, and organise OOCL Green Week every July in offices around the world.

Our Containers – Today, OOCL only uses CFC-free refrigerants for all our refrigerated (reefer) containers. OOCL's newest reefer containers have one of the lowest power consumption in the industry, and we install ThermoKing "EcoPower" gensets for better energy efficiency. All our containers have been applied with tin-free paint and introduced the use of eco-friendly bamboo floorboards instead of using traditional hardwood ones.

The Group's sustainability and environmentally conscious best practices often exceeds legal requirements and general industry standards in the countries where it operates. As a responsible and committed member of the international community, the Group will continually strive for further improvements in all aspects of its business.

SECURITY

In a world where global cargo security threats always increase the complexities of the international trade community, OOCL is strongly committed to the security of our operations against possible compromise and to the maintenance of the highest level of compliance in security related areas. From our offices to ports, warehouses, shore facilities and onboard our vessels, we work with the responsible authorities to ensure that every measure is in place to maintain the highest commercial and operational security standards possible at all times, while all employees are educated and regularly updated through security training.

The Group's Corporate Security Policy and internal guidelines comply with the US Customs-Trade Partnership Against Terrorism (C-TPAT) initiative, EU Authorised Economic Operator (AEO) Programme, and we actively work with various governments and authorities around the world to counter any act that would impinge upon maritime or cargo security. Under our policy, we have internal security checks to all of its holdings and our security profile has been validated by the US Customs and Border Protection agency through physical checks of the offices and facilities of the Group including terminals, warehouses, depots and vessels.

Our company meets the International Ship and Port Facility Security Code (ISPS Code), which ensures that security threats are detected and assessed while preventive measures are in place on our vessels and at our port facilities. A designated officer on each ship and at each port facility reports to the Company Security Officer who oversees the security plans, drills and training. With this in place, all our vessels continue to have an exemplary record containing zero breaches of security and clean detention records. In addition, to provide world-class quality and secure information to customers and partners, our Global Data Centre has also achieved and maintained ISO 27001 certification.

OOCL has been certified as a "Partners in Protection" (PIP) carrier by the Canada Border Services Agency (CBSA) Partners in Protection. It is a voluntary program established by the CBSA to enhance border security, combat organised crime and terrorism, detect and prevent contraband smuggling, and increase awareness of issues to secure the flow of legitimate goods and travellers across the US-Canadian border. OOCL applies anti-piracy measures before our vessels transit through High Risk Areas (HRA). One of the key measures is to maintain a 24-hour, 360-degree anti-piracy visual and radar watch and to deploy additional watch-keepers at the bridge and on deck while transiting the HRA to watch out for suspected pirate vessels. Physical measures are also utilised onboard, such as barbed wires, spikes, and night vision binoculars. Close communication is always maintained between ships and our Fleet Management Department (FMD) office. FMD's 24-hour emergency hotline is always on standby mode in the case of any emergency.

Traditionally, antivirus and malware detection software would provide a boost to our computer security by helping our computers stay away from being "infected". But as the development of the Internet is becoming more sophisticated than ever, signature-based virus/malware detection tools alone are no longer sufficient today.

This is because the "Advanced Persistent Threat" (APT), a set of stealthy and continuous computer hacking processes often orchestrated by attackers targeting a specific entity by taking advantage of security loopholes, is growing. APT has been observed to target organisations and/or nations for business, financial and/or political motives. "Corporate Security Breaches", "Email Spoofing", "Spear Phishing" and "Social Media Fraud" are some of the common types of cyber attacks. To boost our employee's knowledge and awareness of cyber security, new initiatives and programmes have been developed to ensure everyone takes part in protecting our assets and become more resilient against such threats. This includes an annual cyber security training and mandatory test for all employees, monthly knowledge and trend updates, and sophisticated monitoring and protective systems.

COMMUNITY AND EDUCATION

As a responsible corporate citizen, the Group recognises that the societies in which its employees live and work contribute greatly to the company's overall success. Care for these communities in which it operates is therefore a major corporate focus. The Group concentrates its community efforts on charity programmes designed to provide well-rounded youth education, charity relief to the needy, and cultural entertainment to the whole community.

OOCL employees across the world are encouraged to give something back to the communities in which they live through charitable activities such as fundraising and volunteering by dedicating their time and efforts to help others in need. Some of the areas where the charity donations were made by the Group and its employees include: education, social services, orphanages, elderly homes, schools, children's hospitals, cancer research, multiple sclerosis, and diabetes research. In addition to financial donations, the Group also contributes in kind. We offer transportation and logistics support to send relief to the affected areas. Assistance in the form of free transportation is often given to a number of charitable projects including transporting medical diagnostic equipment and supplies from the US to China to care for those children who need urgent treatments.

In keeping with the Group's long tradition in supporting education, the Group, in partnership with The Tung Foundation, committed more than US$500,000 in 2018 to scholarships through The Tung OOCL Scholarship for students and our employees' children.

In 2018, forty-six OOCL vessels participated in the Hong Kong Voluntary Observing Ship (HKVOS) programme by the Hong Kong Observatory (HKO) to gather and provide marine climatology data needed to help identify prevailing weather conditions for preparing forecasts and warnings to the maritime community. To recognise our outstanding efforts to help improve maritime safety, the HKO presented two "Gold Awards" to *OOCL France* and *OOCL San Francisco* on 17th July 2018. *OOCL Nagoya* was also presented a certificate of appreciation for her assistance in deploying a drifting buoy in the South China Sea to measure atmospheric pressure and temperature over the sea surface during the typhoon season in 2017.

KEY RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

"Customer focus" is one of the core values of the Group. We believe in long-term, mutually beneficial relationships with our customers and strive to help create value for our customers through collaboration to enhance customer competitiveness. This is achieved by seeing things from the customer's perspective, trying to understand their business and anticipate their requirements. All employees are trained to be proactive in meeting customers' expectations and responding with a sense of urgency.

"We Take It Personally" is not just a slogan at OOCL, but also an attitude that all employees are encouraged to adopt in dealing with our customers. Each year we recognise hundreds of employees around the world for displaying initiative and going beyond the call of duty to meet our customers' needs.

It is the Group's policy to maintain a diversified customer base across all geographical regions and trade lanes. A Key Risk Indicator (KRI) of customer concentration was developed in the year 2017 and is included in the functional risk dashboard for the Group's liner business which is being monitored on a quarterly basis. Different tolerance limits for the KRI are set for regions, trades and the organisation as a whole. As at the end of 2018, OOCL had approximately 27,000 active customers and the customer concentration was at an acceptable level.

In the Group's relationship with suppliers, we put special emphasis on the supplier selection process in which both quantitative and qualitative factors are considered objectively, independently and openly, according to the Group's highest ethical standards. Pricing is not the Group's primary consideration; instead, the Group focuses its attention on the suppliers' quality service, safety and ethical standards. "Excellence through quality" is another core value of the Group. While we endeavour to provide the best quality service to our customers by setting high standards for ourselves, we demand the same high standards from our suppliers. It is also the Group's policy to maintain a diversified supplier base across all geographical regions.

In 2017, the Group developed supplier management KRIs to monitor supplier concentration in different regions and poor supplier services. Cases of supplier service failure were shared among employees to alert them to the importance of communicating our expectations to the suppliers and taking the right remedial mitigating actions. As at the end of 2018, OOCL had approximately 19,300 active suppliers and the supplier concentration was at an acceptable level.

EMPLOYEE INFORMATION

As a responsible corporate citizen employing the highest standards of business ethics in all that it does, the Group understands that the process begins with the well treatment of its employees. As a successful corporation, the Group appreciates that its success, growth and performance are attributable to the skills, dedication and teamwork of its employees. It regards people as its greatest asset and takes good care of them.

In the spirit of mutual respect, the Group is an equal opportunity employer with a clearly defined policy, covering areas such as treating all employees with fairness and dignity, promoting the corporate culture of encouraging open and frank communication throughout the organisation, investing in its employees and caring for their hopes and aspirations through people development programmes and education, as well as recognising their efforts and achievements.

People development remains a cornerstone of the corporate culture and enables the effective operation of the Group's career development policy through recruitment and internal promotion. The Group has channelled a great deal of time and effort into its various people development programmes in practical and experiential environments through job rotation, local and overseas job assignments, formal and informal learning and development opportunities and sponsorships for performance enhancement building capacities of employees in support of their growth with the Group. To further enhance practical training and better HQ/Regional cooperation, efforts have been made to initiate more short term cross regional job rotations.

The Group employs an innovative approach to internal communications, employee learning and people development. The Group provides support to its employees to help them deliver what customers need and unleash their potential. Since 2010, the Group has utilised its intranet, called "InfoNet", as a learner-centric platform for dissemination of company news and business updates while providing its employees with a tool to share knowledge, exchange views and formulate ideas. In 2011, the Group adopted a wide range of enterprise level collaboration tools. In addition to conventional methods of communication such as email, other tools such as OOCL Wiki, OOCL Channel, Jabber, and Tibbr, have become very effective in the global sharing of information and knowledge as well as facilitate collaboration amongst colleagues around the world. They also helped support accelerated learning by providing us with the means to leverage resources, ideas and hence solutions. Since 2016, we have also implemented the use of the Microsoft Office 365 cloud-based information platform to further our internal communication goals.

As at 31st December 2018, the Group had 10,321 full-time employees. Their salary and benefit levels are maintained at competitive levels. Employees are rewarded on a performance related basis within the general policy and framework of the Group's salary and bonus schemes which are regularly reviewed. Other benefits including medical insurance and pension funds are also provided, and social and recreational activities are organised around the world.

In the interest of adhering to the highest ethical standards on an ongoing basis, the Group has formulated a Code of Conduct which serves as a guideline to ensure compliance with all local, national and international legal standards. It helps to preclude any offences under local, national and international laws, breaches of confidentiality and non-disclosure requirements, intellectual property rights infringement, as well as conflicts of interest, acts of bribery, corruption or political contribution, and any other corporate misconduct. The Group has set up procedures to identify, manage and control risks that may have an impact on the business of the Group. Established in 2006, the Group's "Whistle Blower Policy" is one of the Group's formalised procedures through which employees can anonymously file reports or register concerns and governs the reporting and investigation of allegations to suspected improper activities.

The Group is an equal opportunity employer with policies not to discriminate against any employee or applicant for employment on the grounds of race, colour, religion, creed, age, sex, disability, pregnancy, childbirth and related medical condition, marital status, sexual orientation, veteran status and any other category as guided by local laws and legal regulations.

Financial Review

Revenue for 2018 was US$591.0 million better than that of 2017, representing an increase of 10%.

Analysis of Consolidated Profit and Loss Account

Summary of Group Results

US$'000	2018	2017	Change	Favourable/ (unfavourable) %
Operating revenue by activity:				
Container Transport and Logistics	**6,546,964**	5,951,518	595,446	10%
Other Activities	**25,691**	30,158	(4,467)	(15%)
Group operating revenue	**6,572,655**	5,981,676	590,979	10%
Operating profit by activity:				
Container Transport and Logistics	**195,998**	92,296	103,702	112%
Other Activities	**27,437**	102,423	(74,986)	(73%)
Group operating profit	**223,435**	194,719	28,716	15%
Finance costs	**(143,191)**	(97,418)	(45,773)	(47%)
Share of profits of joint ventures and associated companies	**14,324**	19,134	(4,810)	(25%)
	94,568	116,435	(21,867)	(19%)
Net gain in fair value on investment property	**39,500**	43,436	(3,936)	(9%)
Profit before taxation	**134,068**	159,871	(25,803)	(16%)
Taxation	**(58,620)**	(12,433)	(46,187)	(371%)
Profit for the year from continuing operations	**75,448**	147,438	(71,990)	(49%)
Profit/(loss) for the year from discontinued operation	**32,718**	(9,782)	42,500	N/M
Profit attributable to shareholders	**108,166**	137,656	(29,490)	(21%)

Revenue for 2018 was US$591.0 million better than that of 2017, representing an increase of 10%. This increase in revenues is attributed to an increase in both higher freight rates and liftings for the core Container Transport and Logistics business. Other revenue, amounting to less than 1% of the Group's revenue for both 2018 and 2017, represented rental income from the Group's investment property, Wall Street Plaza, in New York.

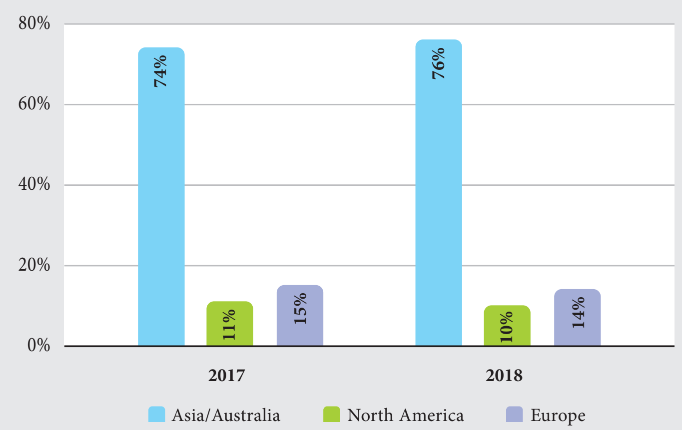
Container Transport and Logistics

Summary of Operating Results

US$'000	2018	2017	Change	Favourable/ (unfavourable) %
Liftings (TEUs)	**6,696,919**	6,298,735	398,184	6%
Revenue per TEU (US$)	**890**	861	29	3%
Operating revenue by location from continuing operations:				
Asia/Australia	**4,939,679**	4,427,255	512,424	12%
North America	**670,225**	655,351	14,874	2%
Europe	**937,060**	868,912	68,148	8%
Operating revenue from continuing operations	**6,546,964**	5,951,518	595,446	10%
Operating costs by items from continuing operations:				
Cargo costs	**(3,169,113)**	(3,012,894)	(156,219)	(5%)
Bunker costs	**(844,390)**	(657,853)	(186,537)	(28%)
Vessel and voyage costs (excluding Bunker)	**(1,053,866)**	(986,428)	(67,438)	(7%)
Equipment and repositioning costs	**(777,105)**	(753,053)	(24,052)	(3%)
Operating costs from continuing operations	**(5,844,474)**	(5,410,228)	(434,246)	(8%)
Gross profit	**702,490**	541,290	161,200	30%
Business and administrative expenses	**(525,878)**	(455,358)	(70,520)	(15%)
Other income, net	**19,386**	6,364	13,022	205%
Operating profit from continuing operations	**195,998**	92,296	103,702	112%
Operating margin from continuing operations	**3%**	2%		

The Container Transport and Logistics business trades under the "OOCL" name and represents the principal revenue contributor to the Group, accounting for over 99% of the Group's revenue in 2018. Container Transport and Logistics will continue to be the core business of the Group in which the majority of the Group's operating assets will be deployed.

Operating Revenue of Container Transport and Logistics



The operating results for Container Transport and Logistics also include the operation of Kaohsiung Container Terminal in Taiwan as this terminal mainly employed by OOCL and its alliance members.

Asia/Australia

Revenue from the Asia/Australia area increased from US$4,427.3 million in 2017 to US$4,939.7 million in 2018 as a result of increased cargo volumes, and improved freight rates. Nearly all trades recorded a rebound in performance with Trans-Pacific registering the largest increase in revenue terms when compared with last year.

The overall liftings of the Trans-Pacific eastbound services increased by 13% while freight rates also increased. The westbound legs of the Asia/Northern Europe services recorded a 14% growth in volumes amid a 1% drop in rates. Intra-Asia achieved a rise of 4% in liftings albeit with a 2% decrease in rates. Liftings of the Asia/Australia and New Zealand services declined by 1% as a result of a 26% reduction in New Zealand liftings from a corresponding 29% cut in loadable capacity.

Loadable capacity available during 2018 was 5 percentage points higher than that of 2017. Results from this region have always been dependent upon the economic environment and consumption patterns of North America and Europe.

Kaohsiung Container Terminal in Taiwan is an integral part of the Container Transport and Logistics business and its terminal facilities are mainly employed by OOCL and its alliance members.

North America

Revenue increase US$14.9 million for this area in 2018 thanks to increased liftings in combination with higher freight rates on most trades.

Westbound liftings of the North America West Coast/Asia service and the US East Coast/Asia service via the Panama Canal increased by 1% compared with last year but revenue showed a 3% rise, mainly due to higher overall freight rates. The eastbound Canada/Northern Europe and US East Coast/Northern Europe services recorded a 2% fall in volumes, and a 1% decrease in revenue.

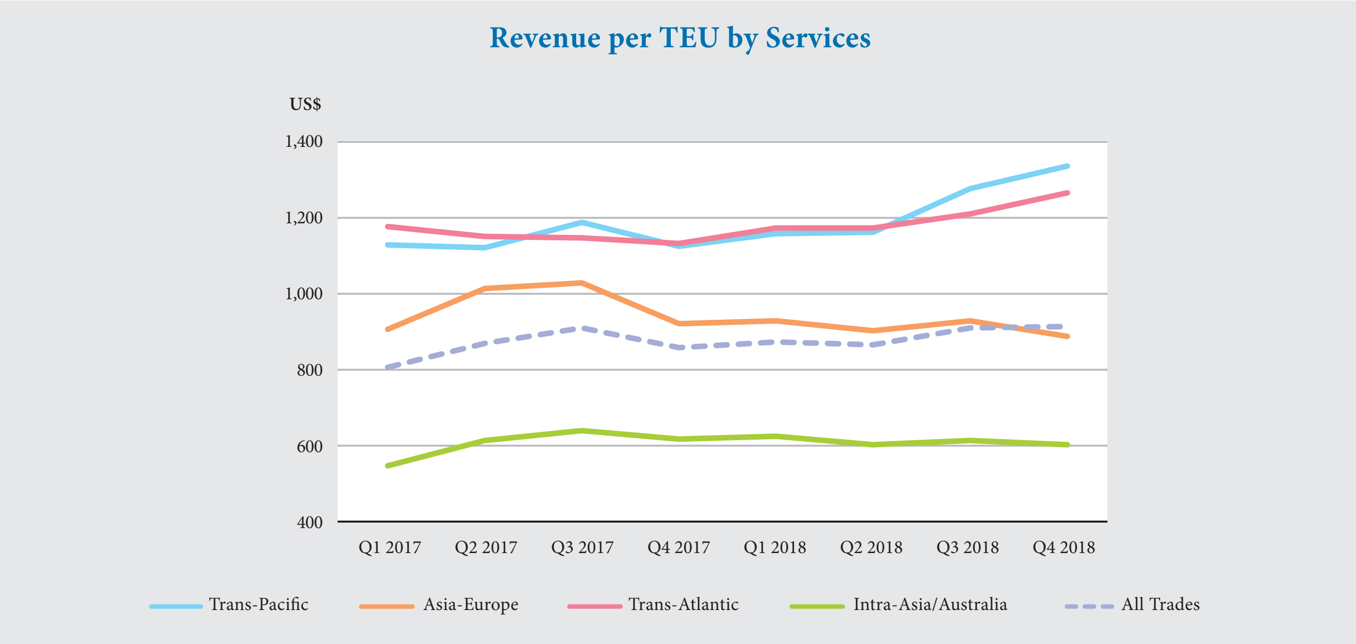
The overall volumes were flat while the average revenue per TEU across most of the outbound cargoes from North America recorded an increase compared with last year. Loadable capacity during 2018 was 11 percentage points higher than that of 2017.

Europe

Revenue for this area was up by US$68.1 million in 2018, recording an 8% revenue increase. The eastbound leg of the Northern Europe/Asia services recorded a 3% fall in revenue in 2018 while the westbound trades of the Trans-Atlantic routes showed a 6% increase. Intra-Europe market showed remarkable revenue growth of 57%.

The eastbound leg of the Northern Europe/Asia services saw a 14% increase in volume in 2018 at the expenses of a 16% drop in freight rates. Liftings for the westbound sectors to North America were flat compared to 2017 while the average revenue per TEU was higher from last year.

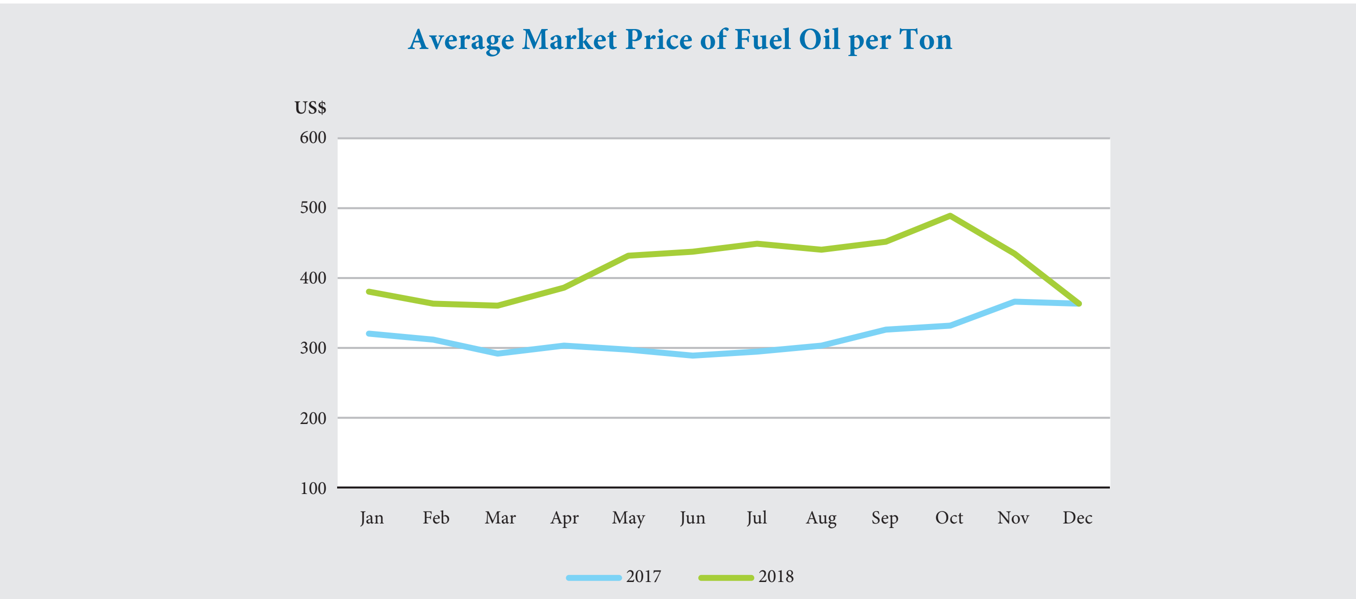
Loadable capacity during 2018 was 12 percentage points higher than that of 2017.



Operating Costs

The principal operating costs of the container transport business, including cargo costs, vessel costs, voyage costs, equipment and repositioning costs, increased from 2017 mainly as a result of higher liftings and the surge in bunker cost.

Cargo costs mainly consist of terminal charges, inland transportation costs, commission and brokerage, cargo assessment and freight tax, all of which are largely paid in the local currencies of the areas in which the activities take place. Cargo cost increased by 5% against 2017 level, approximating with lifting growth.

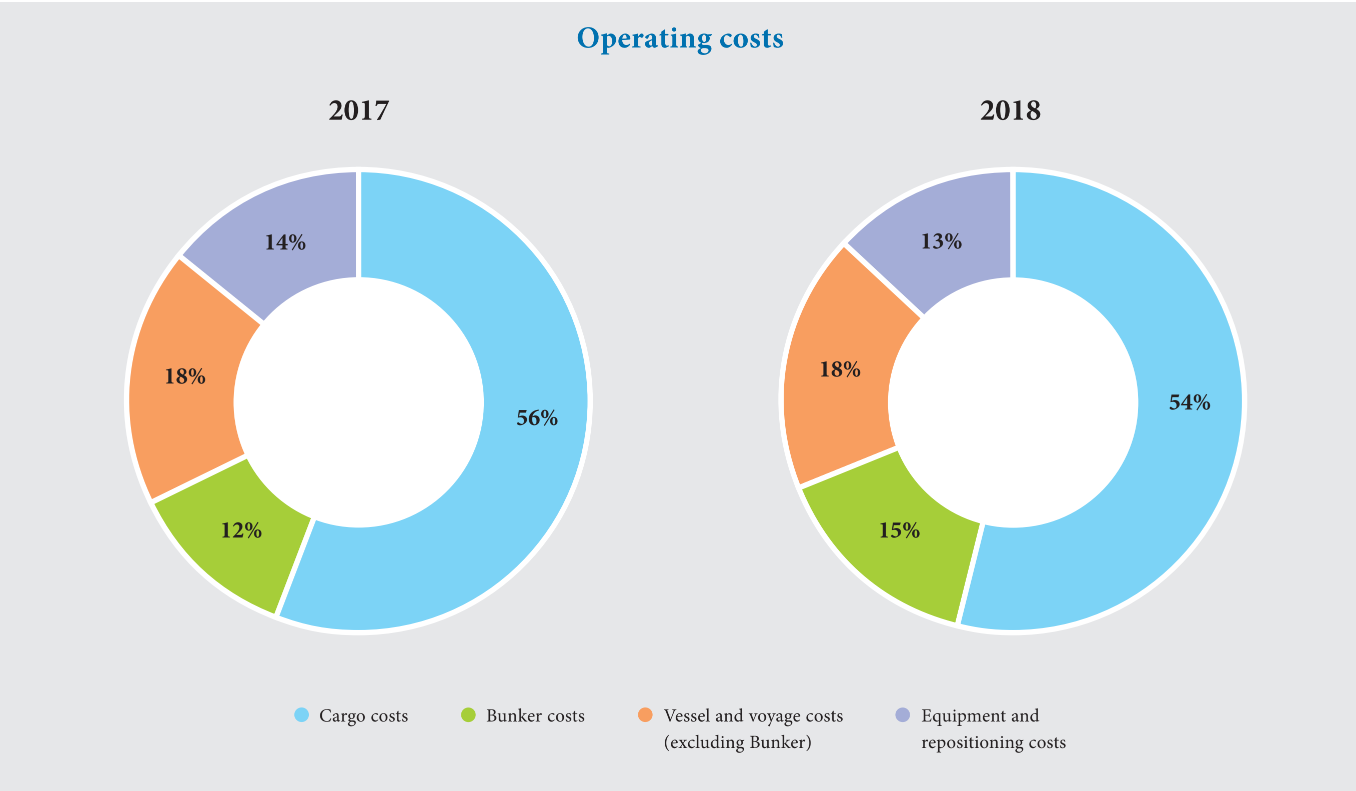


Voyage costs comprise mainly bunker costs, port charges, canal dues, cargo claims and insurance. Bunker costs increased from an average of US$326 per ton in 2017 to an average of US$436 per ton in 2018, resulting in a 28% surge in bunker costs for the year.

Vessel costs include the operating costs and depreciation charges relating to the OOCL fleet as well as the net charter hire and slot hire expenses incurred in order to maintain the scheduled service levels. The total carrying capacity grew slightly from 698,401 TEU as at the end of 2017 to 701,463 TEU at the year end in 2018, though the total number of vessels operated by OOCL, both owned and chartered-in, decreased from 102 to 101.

During 2018, there was an increase in a number of vessel and voyage costs including crew wages, charter hire and slot hire. As a result, total vessel and voyage costs, other than bunker costs, for 2018 increased by 7% as compared with 2017.

Equipment costs mainly represent maintenance and repair costs, rental payments, depot expenses and depreciation charges relating to the fleet of containers equipment, while repositioning costs arise mainly from the relocation of empty containers from areas of low activity to high demand regions. The container fleet size increased from 1,146,548 TEU in 2017 to 1,251,324 TEU in 2018 while the increment in total equipment and repositioning costs was contained at 3%. It was due to the reduction of depreciation charges as a result of the extension of the useful life of equipment during the second half of 2018.



Business and Administrative Expenses

Business and administrative expenses largely comprise staff costs, office expenses, selling and marketing costs, professional and information system expenses. Business and administrative expenses increased by US$70.5 million, or 15% when compared with 2017 which was mainly attributable to the increase in staff cost and adoption of a more prudent bad debt provision policy.

Other income, net

Other income, comprising principally net foreign exchange differences, net gain or loss on the disposal of assets, interest income from banks and other non-operating gains/losses. Net income for 2018 increased by US$13.0 million when compared with 2017 mainly due to increase in net gain on the disposal of assets.

Operating margin from Continuing Operations

Operating margin from continuing operations improved from 2% in 2017 to 3% in 2018. The improvement in freight rates, coupled with the lifting growth, helped offsetting the negative impact from rising bunker costs, leading to increased profitability for the Container Transport and Logistics business in 2018.

Other Activities

Summary of Operating Results

US$'000	2018	2017	Change	Favourable/ (unfavourable) %
Rental income	25,691	30,158	(4,467)	(15%)
Operating costs	(15,365)	(15,555)	190	1%
Gross profit	10,326	14,603	(4,277)	(29%)
Investment income	2,025	33,999	(31,974)	(94%)
Interest income	24,025	21,932	2,093	10%
Income from investment in Hui Xian	23,812	21,786	2,026	9%
Others	(32,751)	10,103	(42,854)	N/M
Operating profit	27,437	102,423	(74,986)	(73%)

The Group owns an approximately 600,000 sq ft office and commercial property, Wall Street Plaza, located at 88 Pine Street, New York, USA, an area popularly referred to as the "Wall Street area". The building was constructed in 1972 and is operated as a multi-tenanted building. Approximately 8,656 sq ft is occupied by Group companies. The Group also invests funds surplus to operations in cash and bank deposit and, on a longer term basis, in equity and bond portfolios. The Group also owns certain interest in Hui Xian Holdings Ltd and Hui Xian REIT.

The operating profit from Other Activities for 2018 was US$75.0 million lower than that of 2017 mainly as a result of fair value loss on portfolio investments and unfavourable exchange on the depreciation of Renminbi against US dollar.

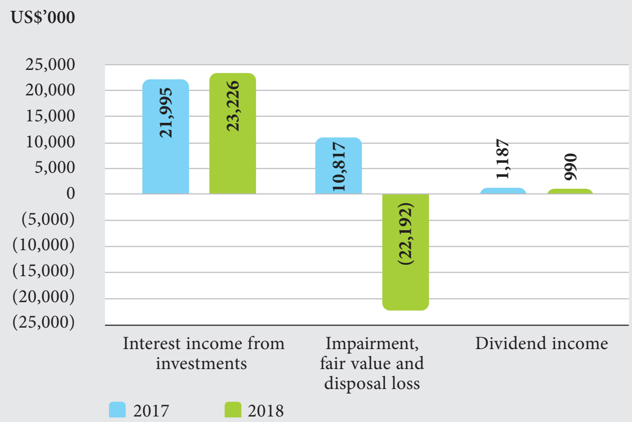
Rental Income

Rental income from Wall Street Plaza was US$4.5 million lower than that of last year, with an occupancy rate of 82% as at the end of 2018.

Investment Income

Investment activities recorded a profit of US$2.0 million for the year compared with US$34.0 million in 2017. Interest income from bond investments amounted to US$23.2 million for 2018 which was US$1.2 million higher than last year. Fair value loss, disposal loss and impairment loss totalled US$22.2 million in 2018 as compared with a net gain of US$10.8 million for 2017.

Investment Income By Activities



Interest Income

Interest income in 2018 was US$2.1 million more than that of 2017 as a result of rising interest rates.

Income from Investment in Hui Xian

Hui Xian Holdings Ltd declared and paid both cash dividends and dividends in specie in 2018, of which the Group shared a total of US$22.6 million. The Group also received US$1.2 million distribution from its holdings of Hui Xian REIT to add up a total of US$23.8 million income from investment in Hui Xian. In 2017, a total of US$21.2 million from Hui Xian Holdings Ltd, in terms of cash dividends and dividends in specie, and a US$0.6 million distribution from Hui Xian REIT were received.

Others

Other items include business and administration expenses for property management, exchange differences and other miscellaneous items. The loss was mainly attributable to a foreign exchange loss in 2018 as a result of the depreciation of Renminbi against US dollar and one-off professional fees incurred in 2018.

Finance Costs

The Group incurs interest expenses on bank loans and finance leases. These borrowings are mostly secured against vessels and containers owned by the Group. Finance costs also include fees on lease administration.

Finance costs increased by US$45.8 million as compared with 2017, mainly due to a higher average cost of debt for the year.

Net Gain in Fair Value on Investment Property

As at 31st December 2018, the Group's investment property, Wall Street Plaza, was valued at US$310.0 million, up from the US$270.0 million valuation at the end of 2017, by an independent valuer. After offsetting a total of US$0.5 million capital outlays, the net gain in fair value for 2018 was therefore US$39.5 million. In 2017, the property recorded a valuation gain of US$50.0 million which was offset against capital improvements of US$6.6 million to result in a net fair value gain of US$43.4 million.

Share of Profits of Joint Ventures and Associated Companies

Share of profits of joint ventures and associated companies mainly represents the Group's investments in two depot joint ventures in Qingdao and Vietnam, two agency joint ventures in the Middle East and a 20% stake in two terminals in Tianjin and Ningbo. The share of US$14.3 million profit from joint ventures and associated companies in 2018 was US$4.8 million less than that of 2017.

Profit before Taxation

Pre-tax profit for the year was US$134.1 million compared with last year of US$159.9 million. Despite that there was US$103.7 million increase in earnings by the Container Transport and Logistics segment, the earnings by the Other Activities segment dropped by US$75.0 million due to fair value loss on portfolio investments, net foreign exchange loss and one-off professional fees. The increase in finance cost led to further drop in current year profit.

Discontinued Operation

On 6th July 2018, the Group entered into the National Security Agreement pursuant to which the Group and COSCO SHIPPING Holdings Co., Ltd. committed to divest the Long Beach Container Terminal ("U.S. Terminal Business"). The proposed sale of the U.S. Terminal Business is accounted for as discontinued operation under HKFRS 5 "Non-current assets held for sale and discontinued operations". Analysis of the results, cash flows, assets and liabilities of the U.S. Terminal Business is presented in note 16 to the consolidated financial statements.

Capital Expenditure

US$'000	2018	2017	Change	Increase/ (decrease) %
Container vessels and capitalised dry-docking costs	**30,794**	18,091	12,703	70%
Vessels under construction	**31,935**	297,264	(265,329)	(89%)
Containers and chassis	**301,646**	227,934	73,712	32%
Terminal equipment	**23,745**	45,295	(21,550)	(48%)
Vehicles, furniture, computer and other equipment	**22,557**	16,668	5,889	35%
Computer software	**1,724**	6,874	(5,150)	(75%)
Investment property	**500**	6,564	(6,064)	(92%)
	412,901	618,690	(205,789)	(33%)

Capital expenditure decreased from US$618.7 million in 2017 to US$412.9 million in 2018. Vessels under construction accounted for 8% and 48% of the total capital expenditure in 2018 and 2017 respectively while capital outlays on container equipment increased from 37% of 2017 to 73% in 2018.

Vessels

In 2018, the Group took delivery of the sixth (and the last) 21,413 TEU vessel from Samsung Heavy Industries, Korea. No further newbuilding order was placed during the year.

Review of Consolidated Balance Sheet

Summary of Consolidated Balance Sheet

US$'000	2018	2017	Change	Increase/ (decrease) %
Property, plant and equipment	**5,880,057**	6,251,457	(371,400)	(6%)
Investment property and prepayments of lease premiums	**317,452**	277,972	39,480	14%
Joint ventures and associated companies	**148,616**	159,673	(11,057)	(7%)
Intangible assets	**32,428**	49,204	(16,776)	(34%)
Liquid assets	**2,246,803**	2,534,463	(287,660)	(11%)
Accounts receivable and other assets	**799,464**	753,945	45,519	6%
Assets held for sale	**472,732**	–	472,732	N/M
Other non-current assets	**156,308**	42,582	113,726	267%
TOTAL ASSETS	**10,053,860**	10,069,296	(15,436)	(0%)
Accounts payable and other liabilities	**(862,405)**	(747,786)	(114,619)	15%
Current taxation	**(7,494)**	(7,927)	433	(5%)
TOTAL ASSETS LESS TRADING LIABILITIES	**9,183,961**	9,313,583	(129,622)	(1%)
Long-term borrowings	**3,695,834**	3,930,025	(234,191)	(6%)
Current portion of long-term borrowings	**501,922**	624,158	(122,236)	(20%)
Total debt	**4,197,756**	4,554,183	(356,427)	(8%)
Liabilities directly associated with assets classified as held for sale	**141,048**	–	141,048	N/M
Deferred liabilities	**110,027**	76,887	33,140	43%
Ordinary shareholders' equity	**4,735,130**	4,682,513	52,617	1%
CAPITAL EMPLOYED	**9,183,961**	9,313,583	(129,622)	(1%)
Debt to equity ratio	**0.89**	0.97		
Net debt to equity ratio	**0.41**	0.43		
Accounts payable as a % of revenue	**12.75**	12.38		
Accounts receivable as a % of revenue	**9.65**	9.86		
% return on average ordinary shareholders' equity	**2.30**	2.99		
Net asset value per ordinary share (US$)	**7.57**	7.48		
Liquid assets per ordinary share (US$)	**3.59**	4.05		
Share price at 31st December (US$)	**6.79**	9.67		
Price to book ratio based on share price at 31st December	**0.90**	1.29		

Property, Plant and Equipment

US$'000	2018	2017	Change	Increase/ (decrease) %
Vessels	**4,275,875**	4,445,780	(169,905)	(4%)
Containers and chassis	**1,471,264**	1,296,348	174,916	13%
Terminal equipment	**51,346**	423,618	(372,272)	(88%)
Land and buildings	**30,502**	33,650	(3,148)	(9%)
Others	**51,070**	52,061	(991)	(2%)
	5,880,057	6,251,457	(371,400)	(6%)

Container Transport and Logistics remains the core business of the Group and the one in which majority of property, plant and equipment is deployed. The assets largely comprise container vessels, containers, terminal equipment, property and computer equipment.

The decrease in property, plant and equipment in 2018 was mainly due to the reclassification of terminal equipment to assets held for sale.

Investment Property and Prepayments of Lease Premiums

US$'000	2018	2017	Change	Increase/ (decrease) %
Investment property	**310,000**	270,000	40,000	15%
Prepayments of lease premiums	**7,452**	7,972	(520)	(7%)
	317,452	277,972	39,480	14%

Investment property represents the Group's commercial building, Wall Street Plaza, in New York. The building was valued at US$310.0 million as at the end of 2018 by an independent valuer (2017: US$270.0 million).

Joint Ventures and Associated Companies

US$'000	2018	2017	Change	Increase/ (decrease) %
Joint ventures	**8,940**	10,833	(1,893)	(17%)
Associated companies	**139,676**	148,840	(9,164)	(6%)
	148,616	159,673	(11,057)	(7%)

The investments in associated companies comprises minority holdings in two container terminals in Tianjin and Ningbo. The investments in joint ventures are mainly in connection with (1) two container depots in Qingdao and Vietnam, and (2) two shipping agencies in the Middle East. The decrease in the investment value in joint ventures and associated companies for 2018 was a result of depreciation of Renminbi and dividends received.

Intangible Assets

US$'000	2018	2017	Change	Increase/ (decrease) %
Opening balances	**49,204**	60,143	(10,939)	(18%)
Additions	**1,724**	6,874	(5,150)	(75%)
Disposal	**(657)**	(6,690)	6,033	(90%)
Amortisation	**(17,843)**	(11,123)	(6,720)	60%
Closing balances	**32,428**	49,204	(16,776)	(34%)

Intangible assets mainly represent internally generated capitalised computer software development costs which are amortised over their useful lives, with a maximum of five years.

Liquid Assets

US$'000	2018	2017	Change	Increase/ (decrease) %
Container Transport and Logistics	585,199	388,187	197,012	51%
Other Activities	54,361	46,700	7,661	16%
Cash and portfolio funds	1,384,284	1,864,647	(480,363)	(26%)
Investments at amortised cost/ held-to-maturity investments	222,959	234,929	(11,970)	(5%)
Total liquid assets	2,246,803	2,534,463	(287,660)	(11%)

The Group adopts a central treasury system under which a part of the funds surplus to planned requirements is set aside for portfolio investments in fixed income bonds or equities managed by in-house managers under guidelines imposed by the Board.

The Group's investment portfolios are largely invested in US dollar bonds, short-term cash deposits or similar instruments, and listed equities. No investments are made in derivative investment products.

Investments at amortised cost/held-to-maturity investments are entirely bonds intended to be held until maturity.

The Group's total liquid assets at the end of 2017 and 2018 are further analyzed as follows:

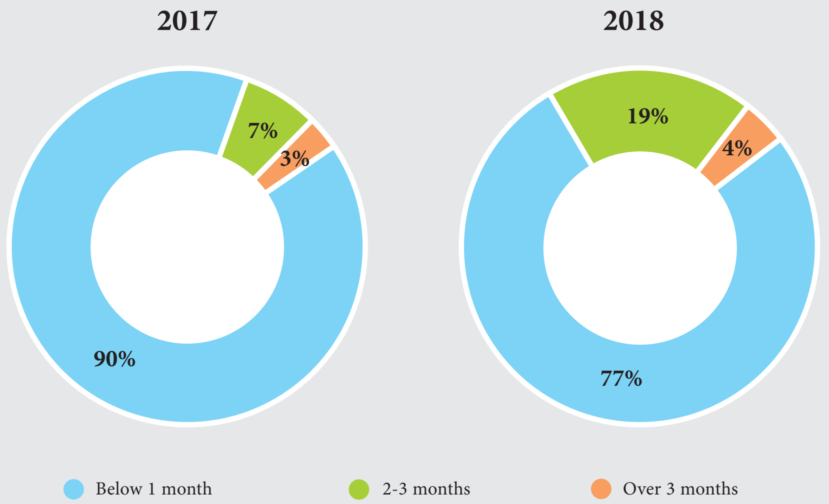
US$'000	2018	2017	Change	Increase/ (decrease) %
Cash and bank balances	1,584,465	1,940,975	(356,510)	(18%)
Restricted bank balances	61,122	63,839	(2,717)	(4%)
Portfolio investments	378,257	294,720	83,537	28%
Investments at amortised cost/ held-to-maturity investments	222,959	234,929	(11,970)	(5%)
Total liquid assets	2,246,803	2,534,463	(287,660)	(11%)

Accounts Receivable and Other Assets

US$'000	2018	2017	Change	Increase/ (decrease) %
Container Transport and Logistics	752,806	683,984	68,822	10%
Other Activities	46,658	69,961	(23,303)	(33%)
	799,464	753,945	45,519	6%

Accounts receivable and other assets for Container Transport and Logistics increased by US$68.8 million to US$752.8 million at the end of 2018. The increase was mainly attributable to the higher revenue achieved for the year.

Ageing Analysis of Trade Receivables

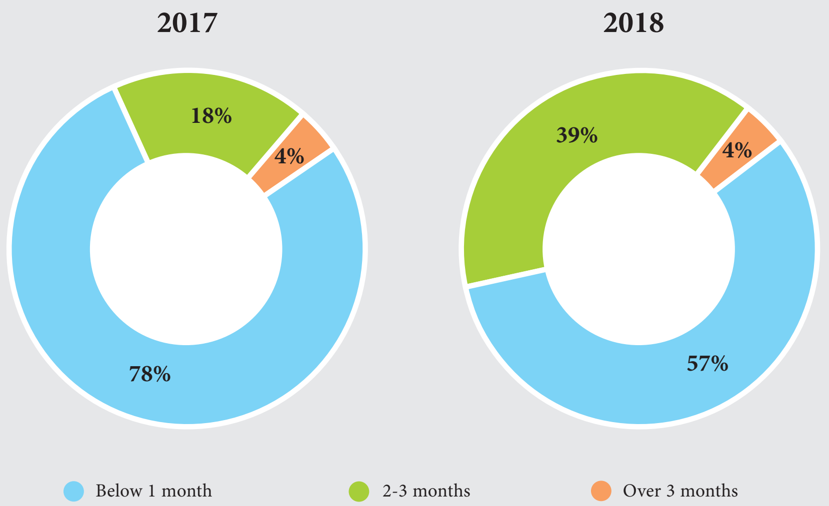


Accounts Payable and Other Liabilities

US$'000	2018	2017	Change	Increase/ (decrease) %
Container Transport and Logistics	847,083	742,103	104,980	14%
Others Activities	15,322	5,683	9,639	170%
	862,405	747,786	114,619	15%

Accounts payable and other liabilities at the end of 2018 were US$114.6 million higher than that of 2017, mainly due to increase in cost provisions to cope with growth in business volume.

Ageing Analysis of Trade Payables



Total Debt

US$'000	2018	2017	Change	Increase/ (decrease) %
Bank loans	1,758,977	2,097,422	(338,445)	(16%)
Finance lease obligations	2,438,779	2,456,761	(17,982)	(1%)
	4,197,756	4,554,183	(356,427)	(8%)

Total debt decreased by US$356.4 million compared with 2017, as a result of repayment of bank loans during the year.

Total scheduled debt repayment between 2019 and 2023 is US$2,860.6 million, being equivalent to 68% of the total outstanding debt as at 31st December 2018. Details of the repayment profile of the Group's borrowings are set out in Note 39 to the Consolidated Financial Statements.

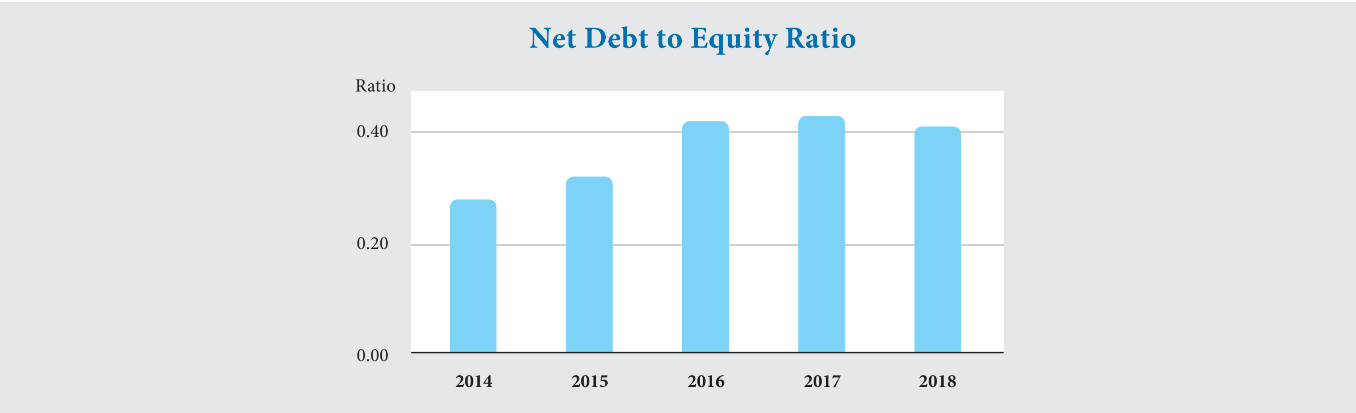
Debt Profile

As at the end of 2018, 100% (2017: 100%) of the Group's total debt was denominated in US dollar which effectively eliminated the risk of exchange fluctuations.

Of the total US$4,197.8 million debt outstanding at the end of 2018, US$871.8 million was fixed-rate debt and the remaining US$3,326.0 million was subject to floating interest rates at various competitive spreads over one-month to six-month LIBOR (or equivalent) and mainly related to the financing of vessels and container equipment. The Group's average cost of debt at 31st December 2018 was 3.7% (2017: 2.9%).

Net Debt to Equity Ratio

This ratio changed to 0.41: 1 as at the end of 2018 from 0.43: 1 as at the end of 2017 mainly due to decrease in net debts in 2018. This ratio will be closely monitored in the light of business forecasts. It is the Group's objective to keep this key ratio below a threshold of 1.0.



Shareholders' Equity

As at 31st December 2018, the Company had 625,793,297 shares in issue, consisting entirely of ordinary shares. With profit recorded for the year, the Group's consolidated shareholders' equity increased by US$52.6 million to US$4,735.1 million as at the end of 2018 with a net asset value per ordinary share of US$7.57 (2017: US$7.48). Return on average ordinary shareholders' equity is a key measure for the Group's objective to continuously enhance shareholders' value. In 2018, this ratio dropped slightly to 2.3% (2017: 3.0%).

Operating Leases and Commitments

In addition to the owned operating assets, the Group employs assets through operating lease arrangements as detailed in Note 44(b) to the Consolidated Financial Statements. Assets under operating lease arrangements consist primarily of container boxes and container vessels.

As at the end of 2018, the Group had outstanding capital commitments amounting to US$91.6 million, representing mostly the outstanding orders for containers and terminal equipment.

Analysis of Change in Liquid Assets

US$'000	2018	2017	Change	Favourable/ (unfavourable) %
Net inflow from operations	597,760	470,694	127,066	27%
Other inflow:				
Interest and investment income	66,373	56,206	10,167	18%
Sale of property, plant and equipment and investments	34,745	66,969	(32,224)	(48%)
New financing	475,920	1,106,882	(630,962)	(57%)
Cash from joint ventures and associated companies	19,852	11,288	8,564	76%
Fair value gain on financial assets at fair value through profit or loss	–	4,713	(4,713)	N/M
Others	11,771	13,280	(1,509)	(11%)
	608,661	1,259,338	(650,677)	(52%)
Other outflow:				
Interest and financing charges paid	(129,261)	(90,095)	(39,166)	(43%)
Dividends paid to shareholders	–	(13,388)	13,388	N/M
Taxation paid	(15,837)	(10,241)	(5,596)	(55%)
Increase in property, plant and equipment investments, and non-current assets	(495,549)	(481,729)	(13,820)	(3%)
Loan repayments	(773,827)	(788,914)	15,087	2%
Fair value loss on financial assets at fair value through profit or loss	(19,500)	–	(19,500)	N/M
	(1,433,974)	(1,384,367)	(49,607)	(4%)
Net (outflow)/inflow	(227,553)	345,665	(573,218)	N/M
Beginning liquid asset balances	2,534,463	2,186,946	347,517	16%
Cash and cash equivalents of disposal group classified as held for sale	(53,733)	–	(53,733)	N/M
Changes in exchange rates	(6,374)	1,852	(8,226)	N/M
Ending liquid asset balances	2,246,803	2,534,463	(287,660)	(11%)
Represented by:				
Unrestricted bank balances and deposits	1,584,465	1,940,975	(356,510)	(18%)
Restricted bank balances and deposits	61,122	63,839	(2,717)	(4%)
Portfolio investments	378,257	294,720	83,537	28%
Investments at amortised cost/ held-to-maturity investments	222,959	234,929	(11,970)	(5%)
	2,246,803	2,534,463	(287,660)	(11%)

A net outflow of US$227.6 million was recorded in 2018 compared with a net inflow of US$345.7 million in 2017. Operating inflow of US$597.8 million for the year was US$127.1 million higher than that of 2017 with improved operating results. The capital payments in 2018 mainly reflected the scheduled stage payments arranged for the ordered vessels and the acquisition of container and terminal equipment. The less drawdowns in 2018 also reflected decrease in financing of vessels delivered and less financing made in relation to acquisition of equipment during the year. Total liquid asset balances decreased to US$2,246.8 million at the end of 2018, against US$2,534.5 million in 2017.

Liquidity

As at 31st December 2018, the Group had total liquid asset balances of US$2,246.8 million compared with debt obligations of US$501.9 million repayable in 2019. Total current assets at the end of 2018 amounted to US$3,247.2 million against total current liabilities of US$1,512.9 million. The Group's shareholders' equity contains no loan capital. The Group from time to time prepares and updates cashflow forecasts for asset acquisitions, to serve project development requirements, as well as working capital needs, from time to time with the objective of maintaining a proper balance between a conservative liquidity level and an effective investment of surplus funds.

Board of Directors

Xu Lirong

Mr. Xu Lirong, aged 61, has been an Executive Director and the Chairman of the Board of Directors of the Company, and the chairman of the Executive Committee and the Nomination Committee of the Company since 3rd August 2018. He is also a director, the chairman of the board and a member of the Executive Committee of Orient Overseas Container Line Limited, a wholly-owned subsidiary of the Company, since 3rd August 2018. Mr. Xu holds an MBA degree from Shanghai Maritime University and is a senior engineer. Mr. Xu is currently the chairman of the board and the Party Secretary of China COSCO SHIPPING Corporation Limited (an indirect controlling shareholder of the Company), and has been appointed as an executive director and the chairman of the board of directors of COSCO SHIPPING Holdings Co., Ltd. (an intermediate holding company of the Company and listed in both Shanghai and Hong Kong) since 30th August 2018. Mr. Xu started his career in March 1975, and he had been the deputy head of Ship Management Department, the assistant to the general manager, the deputy general manager and the general manager of Shanghai Ocean Shipping Co., Ltd., the deputy manager, the manager and the Party Secretary of COSCO Shanghai Freight Forwarding Company, the president and the Party Secretary of Shanghai Shipping Exchange, the general manager, a member of the Party Committee and the deputy Party Secretary of COSCO SHIPPING Lines Co., Ltd., the deputy general manager, a member of the Party Committee and the deputy secretary of COSCO SHIPPING Holdings Co., Ltd., the vice president, the chairman of labour union and a member of the Party Committee of China Ocean Shipping Company Limited, the director, the general manager, a member of the Party Committee, the chairman of the board and the Party Secretary of China Shipping Group Company Limited.

Huang Xiaowen

Mr. Huang Xiaowen, aged 56, has been an Executive Director and the Chief Executive Officer of the Company, and a member of the Executive Committee and the chairman of the Inside Information Committee and the Risk Committee of the Company since 3rd August 2018. He is also a director of certain subsidiaries of the Company. Mr. Huang holds an EMBA degree from China Europe International Business School and is a senior engineer. Mr. Huang is currently the deputy general manager and a Party Committee member of China COSCO SHIPPING Corporation Limited ("China COSCO SHIPPING", an indirect controlling shareholder of the Company), the vice chairman and an executive director of COSCO SHIPPING Holdings Co., Ltd. (an intermediate holding company of the Company and listed in both Shanghai and Hong Kong), the chairman of the board of directors and a non-executive director of COSCO SHIPPING Ports Limited (a company listed in Hong Kong), the chairman of the board of COSCO SHIPPING Lines Co., Ltd., the chairman of the board and an executive director of COSCO SHIPPING Energy Transportation Co., Ltd. (a company listed in both Shanghai and Hong Kong), the chairman of the board of COSCO SHIPPING Bulk Co., Ltd., and a director of certain subsidiaries of China COSCO SHIPPING. Mr. Huang started his career in 1981, and he had been the section chief of the container shipping section of Guangzhou Ocean Shipping Company Limited, the general manager of container transportation department of China Ocean Shipping Company Limited, the container business advisor of Shanghai Haixing Shipping Co., Ltd., the deputy general manager, the managing director and the deputy Party Secretary of COSCO SHIPPING Development Co., Ltd., the chairman of China Shipping Haisheng Co., Ltd., the deputy general manager and a member of the Party Committee of China Shipping Group Company Limited. Mr. Huang has more than 30 years of experience in the shipping industry.

Mr. Wang Haimin, aged 46, has been an Executive Director of the Company and a member of the Executive Committee, the Finance Committee, the Compliance Committee, the Inside Information Committee and the Risk Committee of the Company since 3rd August 2018. He has been a director, the co-Chief Executive Officer and a member of the Executive Committee of Orient Overseas Container Line Limited, a wholly-owned subsidiary of the Company, since 3rd August 2018. He is also a director of certain subsidiaries of the Company. Mr. Wang holds a master degree in business administration from Fudan University and is an engineer. Mr. Wang is currently an executive director, the general manager and the deputy Party Secretary of COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings", an intermediate holding company of the Company and listed in both Shanghai and Hong Kong), a director of China COSCO SHIPPING Corporation Limited ("China COSCO SHIPPING", an indirect controlling shareholder of the Company), the managing director and the deputy Party Secretary of COSCO SHIPPING Lines Co., Ltd. ("COSCO SHIPPING Lines"), and a non-executive director of COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports", a company listed in Hong Kong). Mr. Wang had been the head of planning and cooperation department of the strategic planning division, the deputy general manager of the corporation planning division and the general manager of the strategy and development division of COSCO SHIPPING Lines, the general manager of the transportation division of China COSCO SHIPPING, the deputy general manager of COSCO SHIPPING Ports (person in charge), the deputy general manager (person in charge), the deputy Party Secretary and the general manager of COSCO SHIPPING Lines, and the deputy general manager of COSCO SHIPPING Holdings. Mr. Wang has over 20 years of experience in corporate management in the shipping industry. He has extensive experience in container shipping, operation of terminal and enterprise management.

Wang Haimin

Mr. Zhang Wei, aged 45, has been an Executive Director of the Company and a member of the Executive Committee, the Remuneration Committee, the Inside Information Committee and the Risk Committee of the Company since 3rd August 2018. Mr. Zhang holds a master degree in management from Fudan University and is an engineer. Mr. Zhang is currently the vice chairman of the board of directors, an executive director and the general manager of COSCO SHIPPING Ports Limited (a company listed in Hong Kong), and an executive director and deputy general manager of COSCO SHIPPING Holdings Co., Ltd. (an intermediate holding company of the Company and listed in both Shanghai and Hong Kong), and a non-executive director of Qingdao Port International Co., Ltd. (a company listed in Hong Kong). Mr. Zhang had been the executive deputy general manager of the American trade division of COSCO SHIPPING Lines Co., Ltd. ("COSCON"), the deputy general manager of the American Branch of COSCON, the general manager of the strategy and development division of COSCON, the general manager of the transportation division, the general manager of the operating management division and the executive deputy director of the integration management office of China Ocean Shipping Company Limited/COSCO SHIPPING Holdings Co., Ltd. Mr. Zhang has over 20 years of work experience in the shipping industry. He has extensive work experience in container shipping, strategic planning and enterprise management.

Zhang Wei

Tung Lieh Cheung Andrew

Mr. Tung Lieh Cheung Andrew, aged 54, has been an Executive Director of the Company since 2nd November 2011 and is a member of the Executive Committee, the Finance Committee, the Inside Information Committee and the Risk Committee of the Company. He has been a Director and a member of the Executive Committee of Orient Overseas Container Line Limited ("OOCLL"), a wholly-owned subsidiary of the Company, since March 2006. He was the Chief Executive Officer and Senior Managing Director of OOCLL from 1st July 2012 to 2nd August 2018, and has been re-designated to co-Chief Executive Officer of OOCLL since 3rd August 2018. He is also a director of various subsidiaries of the Company. Between 1993 and 1998, he has served the Group in various capacities including Director of Reefer Trade of OOCLL. The last position Mr. Tung held in Hong Kong Dragon Airlines Limited prior to joining OOCLL in 2006 was the Chief Operating Officer. Mr. Tung holds a Bachelor degree from Princeton University and a Master of Business Administration degree from Stanford University in the USA. Mr. Tung is an Independent Non-Executive Director of Cathay Pacific Airways Limited (a company listed in Hong Kong) and Standard Chartered Bank (Hong Kong) Limited. He is currently a member of the Hong Kong Logistics Development Council, a member of the Hong Kong Maritime and Port Board, the Chairman of the Maritime and Port Development Committee; and a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development since 21st March 2018. He was the Vice-Chairman of the International Chamber of Commerce Commission for Transport & Logistics and a member of the Executive Committee of Hong Kong Shipowners Association.

Yan Jun

Mr. Yan Jun, aged 51, has been a Non-Executive Director of the Company and a member of the Nomination Committee and the Risk Committee of the Company since 3rd August 2018. Mr. Yan holds an MBA Degree in Business Management from Antai College of Economics and Management of Shanghai Jiaotong University. Mr. Yan is currently Vice Secretary of the CPC Committee, Board Director and President of Shanghai International Port (Group) Co., Ltd. ("SIPG") (a company listed in Shanghai). Mr. Yan had been a Member of the CPC Committee of Shanghai Port Container Terminal Co., Ltd ("SPCT"); Branch Secretary of the CPC Committee and General Manager of SPCT, Waigaoqiao Terminal Branch; Secretary of the CPC Committee and General Manager of SIPG Zhendong Container Terminal Branch; Secretary of the CPC Committee, Board Director and General Manager of SIPG Jiujiang Port Co., Ltd; Assistant to President, Vice Secretary of the CPC Committee, and Vice President of SIPG.

Wang Dan

Ms. Wang Dan, aged 49, has been a Non-Executive Director of the Company and a member of the Risk Committee of the Company since 3rd August 2018. Ms. Wang holds a master degree in International Finance from the Graduate School of the People's Bank of China, now known as Tsinghua University PBC School of Finance. Ms. Wang is an Executive Vice President of the Silk Road Fund Co., Ltd. ("SRF") and a director of SIBUR Holding (a public joint stock company in Russia with its bonds traded on Moscow Exchange). Ms. Wang had worked at the International Department and the Monetary Policy Department II of the People's Bank of China (PBOC), and also served as an advisor to the Executive Director for China of PBOC at the International Monetary Fund. Before joining SRF, she served as the Deputy Director-General of the Monetary Policy Department II of PBOC.

Mr. Ip Sing Chi, aged 65, has been a Non-Executive Director of the Company and a member of the Risk Committee of the Company since 3rd August 2018. Mr. Ip holds a bachelor of Arts degree. He is currently the Group Managing Director of Hutchison Port Holdings Limited and the chairman of Yantian International Container Terminals Limited. He is also an executive director of Hutchison Port Holdings Management Pte. Limited (the trustee-manager of Hutchison Port Holdings Trust which is listed in Singapore), an independent non-executive director, the chairman of the Remuneration and Appraisal Committee, a member of the Strategy Committee and the Nomination Committee of COSCO SHIPPING Energy Transportation Co., Ltd. (a company listed in both Shanghai and Hong Kong), an independent non-executive director of Piraeus Port Authority S.A., and a non-independent non-executive director of Westports Holdings Berhad (a company listed in Malaysia). Mr. Ip was the founding chairman (in 2000-2001) of the Hong Kong Container Terminal Operators Association Limited, and he had been an outside director of Hyundai Merchant Marine Co., Ltd. (a company listed in Korea), and an independent non-executive director of COSCO SHIPPING Ports Limited (a company listed in Hong Kong). Mr. Ip has over 35 years of experience in the maritime industry.

Ip Sing Chi

Ms. Cui Hongqin, aged 45, has been a Non-Executive Director of the Company and a member of the Risk Committee of the Company since 3rd August 2018. Ms. Cui holds a bachelor degree in Economics from Shanxi University of Economics and Management, and is a senior accountant and certified public accountant. She is currently the deputy director of the Finance Department of State Development & Investment Corp., Ltd., a director and the general manager of Rongshi International Holding Company Limited, a director and the general manager of SDIC Finance Leasing Co., Ltd. Ms. Cui held various positions in State Development and Investment Corporation, including assistant to the director of the Finance and Accounts Department, head of the Funds Department, the deputy director, the deputy director (person in charge) and the business head of the Accounts Department, and the senior business manager of the Planning and Finance Department.

Cui Hongqin

Mr. Chow Philip Yiu Wah, aged 71, has been an Independent Non-Executive Director of the Company since 2nd January 2015. He is the chairman of the Remuneration Committee and a member of the Audit Committee, the Nomination Committee, the Finance Committee, the Share Committee and the Risk Committee of the Company. He was an Executive Director of the Company from 1st December 2003 to 30th June 2012, a Non-Executive Director of the Company from 1st July 2012 to 1st January 2015 and a consultant of the Company from 1st July 2012 to 31st December 2014. Mr. Chow holds a Bachelor of Science degree in Chemistry and Physics from the University of Hong Kong and a Master of Business Administration degree from the Chinese University of Hong Kong. He did not hold directorships in any other public companies listed in Hong Kong and overseas in the last three years.

Chow Philip Yiu Wah

Wong Yue Chim Richard

Professor Wong Yue Chim Richard, aged 66, has been an Independent Non-Executive Director of the Company since December 2003. He is the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He graduated from University of Chicago with Bachelor's, Master's and Ph.D. degrees in Economics and is Chair of Economics at The University of Hong Kong. He has been active in advancing economic research on policy issues in Hong Kong and China. He was awarded the Silver Bauhinia Star in 1999 by the Government of the Hong Kong Special Administrative Region for his contributions in education, housing, industry and technology development. He was appointed Justice of the Peace in July 2000. Professor Wong is currently an Independent Non-Executive Director of three other listed companies in Hong Kong, namely Great Eagle Holdings Limited, Pacific Century Premium Developments Limited and Sun Hung Kai Properties Limited. He was formerly an Independent Non-Executive Director of CK Life Sciences Int'l., (Holdings) Inc., a company listed in Hong Kong, and Link Asset Management Limited, the manager of Link Real Estate Investment Trust, a unit trust listed in Hong Kong.

Chung Shui Ming Timpson

Dr. Chung Shui Ming Timpson, *GBS, JP*, aged 67, has been an Independent Non-Executive Director of the Company and the chairman of the Finance Committee and a member of the Audit Committee and the Nomination Committee of the Company since 3rd August 2018. Dr. Chung holds a bachelor of Science degree from the University of Hong Kong, a master degree in Business Administration from the Chinese University of Hong Kong and a honorary doctoral degree in Social Sciences from the City University of Hong Kong. He is a fellow member of The Hong Kong Institute of Certified Public Accountants. Dr. Chung is currently an independent non-executive director of China Everbright Limited, China Overseas Grand Oceans Group Limited, China Unicom (Hong Kong) Limited, Glorious Sun Enterprises Limited, Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited, Miramar Hotel and Investment Company, Limited (all listed on the Hong Kong Stock Exchange); and China Construction Bank Corporation and China Railway Group Limited (both listed on the Stock Exchanges in both Hong Kong and Shanghai); and an external director of China COSCO SHIPPING Corporation Limited (an indirect controlling shareholder of the Company). Dr. Chung had been an audit supervisor I of Coopers & Lybrand, an independent director of China State Construction Engineering Corporation Limited (listed on the Shanghai Stock Exchange), an independent non-executive director of Henderson Land Development Company Limited (listed on the Hong Kong Stock Exchange), the chairman of China Business of Jardine Fleming Holdings Limited and the deputy chief executive officer of BOC International Limited. Dr. Chung is currently a member of the 13th National Committee of the Chinese People's Political Consultative Conference and a Pro-Chancellor of the City University of Hong Kong. He had also served many public organizations, including the chairman of the Council of the City University of Hong Kong, the chairman of the Hong Kong Housing Society and a member of the Executive Council of the Hong Kong Special Administrative Region.

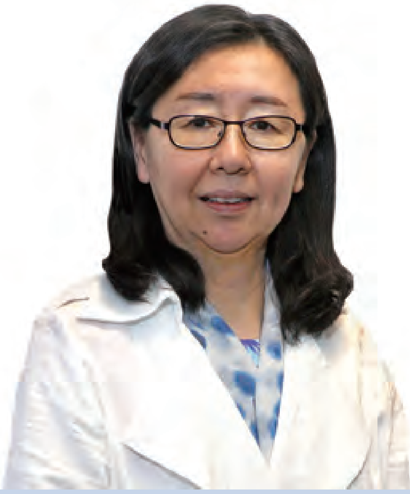
Mr. Yang Liang Yee Philip, aged 70, has been an Independent Non-Executive Director of the Company and the chairman of the Share Committee and a member of the Audit Committee and the Nomination Committee of the Company since 3rd August 2018. Mr. Yang is currently an independent non-executive director of COSCO SHIPPING Holdings Co., Ltd. (an intermediate holding company of the Company and listed in both Shanghai and Hong Kong). He is a full time arbitrator in international commercial and maritime arbitration, the Honorary Chairman of Hong Kong International Arbitration Centre, the member of the International Advisory Board of China International Economic and Trade Arbitration Commission, the Asian International Arbitration Centre in Malaysia and the Korean Commercial Arbitration Board, the member of the General Committee of Singapore Chamber of Maritime Arbitration. Mr. Yang had been the chairman of Hong Kong International Arbitration Centre, the vice Chairman of the Documentary Committee of the Baltic International Maritime Council in Denmark, the President of Asia-Pacific Regional Arbitration Group, the Hong Kong representative of ICC International Court of Arbitration, the Chairman of the East Asia branch of the Chartered Institute of Arbitrators. Mr. Yang has extensive experience in dealing with cases related to international commercial, maritime and trade law and is very familiar with laws and practice in such areas. He acts as an arbitrator in Hong Kong, London, Singapore, Malaysia, Australia, Austria, Korea, the USA and the PRC and has published/issued over 600 arbitration awards in the past over 30 years as a sole or co-arbitrator. He has also published many books and articles on international commercial, maritime and trade law and practice. Mr. Yang also devoted himself to the educational activities in various law schools in Hong Kong and Mainland China and is a visiting professor in more than ten universities.

Yang Liang Yee Philip

Ms. Chen Ying, aged 48, has been an Independent Non-Executive Director of the Company and a member of the Audit Committee, the Finance Committee and the Share Committee of the Company since 3rd August 2018. Ms. Chen holds a master degree in Business Administration from Fudan University, MBA (Finance and Finance major) in Maastricht college in Netherland and graduated from the Finance Department of Renmin University of China. She has qualified as a certified public accountant in Australia, CIMA (registered management accountant) and a senior accountant in China. Ms. Chen had been the vice chairman of Shanghai Chongyang Investment Co., Ltd. from March 2016 to June 2018. During the period from 1993 to 2016, she had been the deputy general manager and the secretary of the board of directors of Baoshan Iron Steel Co., Ltd, the secretary of the board of directors, the assistant general manager and the deputy general manager of the Baosteel Group Co., Ltd. Ms. Chen has more than twenty years' experience in financial management of large enterprises, more than ten years' experience as top executives in the top 500 of the world companies and has extensive experience in corporate finance and accounting management, capital market communication, corporate governance, internal control and risk management.

Chen Ying

Senior Management



Xiang Chen

Ms. Chen, aged 55, has been the Director and a member of Executive Committee of OOCL and was also appointed the Director of Strategy Coordination since August 2018. She started her career in 1985 and served successively as Deputy Manager, Manager, Deputy General Manager of Marketing Division, General Manager of Business and Process System Division of COSCON. She was a Deputy Managing Director of COSCON from 2006 to 2016, and has been the Deputy Managing Director of COSCO SHIPPING Lines since 2016. Ms. Chen graduated from Shanghai Maritime University, majoring in Transportation and Management. She has a Master's degree and the qualification of Senior Economist.

Erxin Yao

Mr. Yao, aged 62, has been the Director and a member of Executive Committee of OOCL since January 2010, and the Director of Corporate Planning and Corporate Administration since January 2013. He joined the Group in 1993 and has served the Group in various capacities for 25 years, including as Executive Vice-President and Head of Corporate Services of OOCL Logistics in Hong Kong, Managing Director of Orient Overseas Container Line (China) Co., Ltd. and OOCL Logistics (China) Limited based in Shanghai, and President of OOCL (USA) Inc. Mr. Yao holds a Bachelor of Arts from Toronto/Fudan University joint program and a Master of International Affairs from Columbia University.

Stephen Ng

Mr. Ng, aged 60, has been the Director and a member of Executive Committee of OOCL since August 2010, and the Director of Trades since July 2012. He is also the official spokesperson for OOCL. Before being transferred back to Hong Kong in 2010 to serve as the Director of Corporate Planning, he worked in California for seven years as Head of Trans-Pacific Trade. He joined the Group in 1987 and has served in various capacities for 31 years. Mr. Ng holds a Bachelor of Social Sciences degree from the University of Hong Kong and a Master of Business Administration degree from the Chinese University of Hong Kong.

Mingwen Zhang

Mr. Zhang, aged 41, has been the Director and a member of Executive Committee of OOCL since August 2018, and was also appointed the Chief Financial Officer of COSCO SHIPPING Holdings, OOIL and OOCL. He has nearly 20 years of working experience in the shipping industry. Mr. Zhang graduated from the Faculty of Finance at the Shanghai University of Finance and Economics, majoring in Investment Economics, and from the Antai College of Economics & Management at the Shanghai Jiao Tong University, majoring in Business Administration where he obtained a Bachelor's degree in Economics and a Master's degree in Business Administration. Mr. Zhang is a Chartered Financial Analyst (CFA) and a Senior Accountant.

Steve Siu

Mr. Siu, aged 61, has been the Director and a member of Executive Committee of OOCL since November 2006 and was appointed Chief Information Officer. He was the Chief Executive Officer of CargoSmart since January 2002. He joined the Group in 1987 and has served the Group in various capacities for 31 years. Mr. Siu holds a Bachelor of Science and a Master of Science from University of Essex, UK, and a Master of Business Administration jointly organized by Northwestern University and the Hong Kong University of Science and Technology.

Lammy Lee

Ms. Lee, aged 57, has been the Director and a member of Executive Committee of OOCL since April 2011. She was appointed the Company Secretary and Group Legal Advisor of OOIL since February 1997 and Compliance Officer of OOIL since June 2004. She joined the Group in 1988 and has served the Group in various capacities for 30 years. Ms. Lee holds a Bachelor of Laws from Queen Mary College, University of London, a Barrister and member of Lincoln's Inn and admitted as an advocate and solicitor of the High Court of Malaya.

Michael Fitzgerald

Mr. Fitzgerald, aged 45, has been the Director of OOCL since June 2018 and a member of Executive Committee since 2014. He joined the group in September 2014 as Group Finance Director and has been the Group Deputy Chief Financial Officer since December 2015. He started his career at KPMG in London in August 1995, and having qualified as a Chartered Accountant, moved to the Structured Finance division of Société Générale in January 1999, where he enjoyed an almost 16-year career, holding various posts in London, Hong Kong and Paris. Mr. Fitzgerald holds the degrees of Bachelor and Master of Arts from the University of Oxford, and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Kenny Ye

Mr. Ye, aged 55, has been the Director of OOCL since June 2018 and was appointed Chief Executive Officer of OOCL Logistics and a member of Executive Committee of OOCL since November 2015. He joined the Group in 1994 and has served the Group in various capacities for 24 years. Following his assignment in Shanghai, he was transferred to Hong Kong in 2004 and has served the Group in various capacities, including as Director of Asia-Europe Trade, Director of Intra-Asia Trade and the Chief Operating Officer of OOCL Logistics. Mr. Ye holds a Diploma of Accounting in Lixin Accounting Institute and a Master of Business Administration from Oklahoma City University.

Senior Management

Raymond Fung

Mr. Fung, aged 60, has been the Director of OOCL since June 2018 and a member of Executive Committee since November 2015. He was appointed Director of Trades since January 2016 and Director of Intra-Asia Trade until 2015. Mr. Fung joined the Group in 1983 and has served the Group in various capacities for 35 years, including as General Manager of Operations, Managing Director of OOCL (UAE), Director of Australia Trade, and General Manager of Corporate Methods and Tools. Mr. Fung holds a Bachelor of Business Administration General Business Management from the Chinese University of Hong Kong.

Teddy Fung

Mr. Fung, aged 58, has been the Director of OOCL since June 2018 and a member of Executive Committee since November 2015. He was appointed the Director of Regions Management since January 2016 and Director of Corporate Operation since September 2013. He joined the Group in 1994 and has served the Group in various capacities for 24 years, including as General Manager of OOCL South China sub-region, Director of Reefer Trade, and Managing Director of OOCL Hong Kong Branch. Mr. Fung holds a Bachelor of Social Science in Economics and a Master of Arts in Transport Studies from the University of Hong Kong.

Financial Calendar

Announcement of results for the half year ended 30th June 2018	3rd August 2018
Despatch of 2018 Interim Report to shareholders	30th August 2018
Announcement of results for the year ended 31st December 2018	22nd March 2019
Despatch of 2018 Annual Report to shareholders	25th April 2019
Closure of the Register of Members (to ascertain the shareholders entitled to attend and vote at the Annual General Meeting)	10th May 2019 to 17th May 2019 (Both days inclusive)
2018 Annual General Meeting	17th May 2019
Closure of the Register of Members (to ascertain the shareholders entitled to receive the proposed final dividend for the year ended 31st December 2018)	24th May 2019 to 28th May 2019 (Both days inclusive)

Shareholder Information

ORDINARY SHARES

Issued shares	625,793,297 shares (as at 31st December 2018)
Nominal value per share	US$0.10
Board lot	500 shares

ANNUAL REPORT

This annual report is available in both English and Chinese.

Shareholders can obtain copies by writing to the Company's Hong Kong branch share registrar:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

If you are not a shareholder, please write to:

Orient Overseas (International) Limited
31st Floor, Harbour Centre
25 Harbour Road
Wanchai, Hong Kong
Attention: Company Secretary

This annual report is also available at our website at http://www.ooilgroup.com.

SHAREHOLDER SERVICES

Any matter relating to your shareholding, including transfer of shares, change of name or address and loss of share certificates, should be addressed in writing to:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong
Telephone: (852) 2862 8555 Facsimile: (852) 2865 0990

SHAREHOLDER ENQUIRIES

Any matter relating to shareholders' rights should be addressed in writing to:

Orient Overseas (International) Limited
31st Floor, Harbour Centre
25 Harbour Road
Wanchai, Hong Kong
Attention: Company Secretary

Our enquiry hotline is operational during normal office hours:

Telephone: (852) 2833 3888 Facsimile: (852) 2531 8147

SHAREHOLDER INFORMATION

Ordinary shareholder information as at 31st December 2018:

Type of shareholders

	Shareholders		Shares of US$0.10 each	
Type of shareholders	Number	Percentage	Number	Percentage
Corporate	18	3.0769%	624,731,734	99.8304%
Individual	567	96.9231%	1,061,563	0.1696%
	585	100.00%	625,793,297	100.00%

Distribution of shareholdings

	Shareholders		Shares of US$0.10 each	
Size of shareholdings	Number	Percentage	Number	Percentage
1 – 10,000	568	97.0940%	504,009	0.0805%
10,001 – 100,000	13	2.2222%	398,203	0.0636%
100,001 – 1,000,000	1	0.1710%	259,000	0.0414%
1,000,001 or above	3	0.5128%	624,632,085	99.8145%
	585	100.00%	625,793,297	100.00%

Ten largest ordinary shareholders

At 31st December 2018, the interests of the ten largest ordinary shareholders of the Company, as recorded in the Company's principal register and Hong Kong branch register of members, were as follows:

Name of ordinary shareholders	Number of ordinary shares held	Percentage
Faulkner Global Holdings Limited	315,779,045	50.46%
HKSCC Nominees Limited	246,899,504	39.45%
Shanghai Port Group (BVI) Development Co., Limited	61,953,536	9.90%
Mok Kwun Cheung	259,000	0.04%
Po Leung Kuk	70,500	0.01%
Fung Sun Kwan	45,022	0.01%
Ho Hin Kwong	42,454	0.01%
Ho Fuk Chuen	40,000	0.01%
Leung Wong Kit Ling	35,000	0.01%
Chow Mung Ha	32,420	0.01%

Corporate Governance Report

CORPORATE GOVERNANCE CODE

The Board of Directors (the "Board") and the management of the Company are committed to maintaining high standards of corporate governance and the Company considers that effective corporate governance makes an important contribution to corporate success and to the enhancement of shareholder value.

The Company has adopted its own corporate governance code (the "CG Code"), which in addition to applying the principles as set out in the Corporate Governance Code and Corporate Governance Report (the "SEHK Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), also incorporates and conforms to local and international best practices. The CG Code sets out the corporate governance principles applied by the Company and its subsidiaries (the "Group") and is constantly reviewed to ensure transparency, accountability and independence.

Throughout the year 2018, the Company complied with the SEHK Code, save for the following:

- ### Code Provision

  - Prior to 3rd August 2018, Mr. Tung Chee Chen, the ex-Chairman, Chief Executive Officer, President and Executive Director of the Company, assumed the roles of both Chairman and Chief Executive Officer of the Company. After close of the Offer (as defined in the composite document dated 6th July 2018) on 27th July 2018, there were changes to the Board composition and the Board committees and other key positions of the Group. With effect from 3rd August 2018, and with the appointment of Mr. Xu Lirong and Mr. Huang Xiaowen as the Chairman and Chief Executive Officer of the Company respectively on the same date, the Company has complied with all the code provisions of the SEHK Code.

- ### Recommended Best Practices

  - the remuneration of senior management is disclosed in bands
  - operational results, instead of financial results, are announced and published quarterly

We have set out in this report our guiding principles and rationale for implementation of the CG Code as well as the status of the Company's compliance with Appendix 14 to the Listing Rules during the year 2018:

A. BOARD OF DIRECTORS

1. Board Composition

The Board is currently comprised of five Executive Directors, four Non-Executive Directors and five Independent Non-Executive Directors.

Executive Directors

Mr. Xu Lirong *(Chairman)*
Mr. Huang Xiaowen *(Chief Executive Officer)*
Mr. Wang Haimin
Mr. Zhang Wei
Mr. Tung Lieh Cheung Andrew

Non-Executive Directors

Mr. Yan Jun
Ms. Wang Dan
Mr. Ip Sing Chi
Ms. Cui Hongqin

Independent Non-Executive Directors

Mr. Chow Philip Yiu Wah
Professor Wong Yue Chim Richard
Dr. Chung Shui Ming Timpson
Mr. Yang Liang Yee Philip
Ms. Chen Ying

The biographical details of the Directors are set out on the Company's website at http://www.ooilgroup.com and on pages 50 to 55 of this annual report.

The Directors have formal letters of appointment setting out the key terms and conditions of their appointment, and are for a fixed term of three years and subject to re-election by rotation at least once every three years.

The Directors have extensive corporate and strategic planning experience and industry knowledge. All Independent Non-Executive Directors are financially independent from the Group bringing independent and diversified experience, competencies, skills and judgment to the Group's strategy and policies through their informed contributions. The Board considers that there is a reasonable balance between the Executive Directors and the Non-Executive Directors and has provided adequate checks and balances for safeguarding the interests of the shareholders and the Group.

The Company has received from each Independent Non-Executive Director a written annual confirmation of their independence and considers that all the Independent Non-Executive Directors have satisfied their independence to the Group up to the date of this annual report.

During the year 2018, the Board complied with the Listing Rules' requirement in having at least three Independent Non-Executive Directors representing at least one-third of the Board, including at least one with appropriate professional qualifications or accounting or related financial management expertise.

Directors' and Officers' Liabilities Insurance

Since 1992, the Company has arranged insurance cover for directors' and officers' liabilities including cover for Directors, officers and senior management of the Group arising out of corporate activities.

2. Board and Management Responsibilities

The Board is responsible for the overall strategic direction and management of the business and affairs of the Group with the objective of enhancing shareholder value and presenting a balanced, clear and understandable assessment of the Company's performance, position and prospects in the annual and interim reports, and announcements and other financial disclosures as required under the Listing Rules, and reports to regulators any information required to be disclosed pursuant to statutory requirements.

The Board has a fiduciary duty and statutory responsibility towards the Company and the Group. Other responsibilities include formulation of the Group's overall strategies and policies, setting of corporate and management targets and key operational initiatives, setting of policies on risk management and internal control systems pursuant to the Group's strategic objectives, monitoring and control of operational and financial performance, and approval of budgets and major capital expenditures, major investments, material acquisitions and disposals of assets, corporate or financial restructuring, significant operational, financial and management matters.

The Board delegates day-to-day management of the business of the Group to the management of the Group under the leadership and supervision of the Chief Executive Officer, who will organise, execute, implement and report to the Board on the adoption of the Company's strategies, policies and objectives by the Group pursuant to the resolutions of the Board.

The Board also delegates certain specific responsibilities to nine committees (Executive Committee, Audit Committee, Remuneration Committee, Nomination Committee, Risk Committee, Compliance Committee, Finance Committee, Share Committee and Inside Information Committee). The composition and functions of each committee are described below. These committees have specific functions and authority to examine issues and report to the Board with their recommendations (if appropriate). The final decision rests with the Board, unless otherwise provided for in the terms of reference of the relevant committees.

The Company Secretary provides the Directors with updates on developments regarding the Listing Rules and other applicable regulatory requirements. Any Director may request the Company Secretary to organise independent professional advice at the expense of the Company to assist the Directors to effectively discharge their duties to the Company. No such independent professional advice was requested by any Director in year 2018.

3. Chairman and Chief Executive Officer

Mr. Xu Lirong is the Chairman of the Company and Mr. Huang Xiaowen is the Chief Executive Officer of the Company with the respective roles set out in writing.

a. The primary role of the Chairman is to provide leadership to the Board and to ensure that the Board functions effectively in the discharge of its responsibilities. His duties include to:

   – ensure that Directors are briefed and have received timely, accurate, complete and clear information on issues to be discussed at Board meetings;

   – ensure that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed in a timely manner and that good corporate governance practices and procedures are established, implemented and maintained;

   – approve the agenda drawn up by the Company Secretary for each Board meeting taking into account any matter proposed by other Directors for inclusion in the agenda;

   – promote a culture of openness and debate by facilitating the effective contribution of the Non-Executive Directors (including Independent Non-Executive Directors) in particular and ensuring constructive relations between the Executive Directors and the Non-Executive Directors; and encourage Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that Board decisions fairly reflect Board consensus;

- hold meetings at least annually with the Independent Non-Executive Directors without the presence of the other Directors;

- ensure effective communication with shareholders and that their views are communicated to the Board; and to

- attend the annual general meetings and invite the chairmen of the Audit Committee, the Remuneration Committee, the Nomination Committee and the other Board committees, or in the absence of the chairman of the respective Board committees, other members of the related Board committees to be available to answer questions at the annual general meetings.

In case of an equality of votes at any Board meeting, the Chairman shall be entitled to a second or casting vote.

b. The primary role of the Chief Executive Officer is to be responsible for the day-to-day management and operation of the business of the Group. His duties include to:

- provide leadership and supervise the effective management of the Group and to establish and review from time to time the management system of the Group;

- set up programmes for management development and succession planning for the Group;

- monitor and control the operational and financial performance of the Group;

- organise, execute, implement and report to the Board on the adoption of the Company's strategies, policies and objectives by the Group pursuant to the resolutions of the Board;

- provide information to the Board (as necessary) to enable the Board to monitor the performance of management and operation of the Group; and to

- organise the implementation of the Board's decision and implement such duties as directed or delegated by the Board.

4. Board Meetings

Regular Board meetings are scheduled one year in advance to maximise the attendance of Directors. The Board meets at least four times each year and has a formal schedule of matters referred to it for consideration and decision. Additional meetings may be convened as and when necessary. Notice of at least fourteen days is served for regular Board meetings and reasonable notice is given for all other Board meetings. Directors are consulted and provided with an opportunity to include matters to the agenda for discussion at the Board meetings. The Company Secretary assists the Chairman in preparing the agenda for each Board meeting and to ensure that applicable rules and regulations regarding the meetings are observed. The final agenda together with the Board papers are distributed to the Directors at least three days before the Board meetings.

If a Director (who may also be a substantial shareholder of the Company) has a conflict of interest in any matter to be considered by the Board, the Company Secretary shall ensure that such matter is dealt with by a physical Board meeting rather than a written resolution. If considered appropriate, the Board meeting shall be attended by the Independent Non-Executive Directors who have no material interests in the matter. The affected Director shall abstain from voting on any such resolution in which they or any of their associates have a material interest and shall not be counted in the quorum present at that Board meeting.

The Company Secretary shall ensure that the procedures and applicable rules and regulations are observed. Copies of all signed minutes of the Board are sent to the Directors for their records.

5. Director Induction and Continuous Professional Development

Newly appointed Director will receive comprehensive induction on appointment to ensure understanding of the Directors' responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

In addition to Directors' attendance at meetings and review of papers and circulars provided by the Company, the Directors are committed to participating in continuous professional development programme to develop and refresh their knowledge and skills to help ensure that their contribution to the Board remains informed and relevant.

The programme for continuous professional development of Directors takes various forms including:

- the Company briefing Directors on important issues which have a material impact on the Group's business, financial and operational matters including major investments, corporate governance practices and funding strategy;
- Directors meeting senior management of the Group on issues specific to the Group's business;
- Directors reading materials and updates on the regulatory changes followed by briefings by the Company Secretary of the Company, if requested; and
- Directors attending external seminars on business, financial, governance, regulatory and other issues relevant to the Group's activities.

Below is the record of participation in continuous professional development programme by the Directors of the Company in year 2018 relevant to the directors' duties and responsibilities, regulatory updates and business, financial and operational matters of the Group.

	Reading materials	Attending external seminars/briefings
Executive Directors		
Mr. Xu Lirong (Note 1)	✓	
Mr. Huang Xiaowen (Note 1)	✓	
Mr. Wang Haimin (Note 1)	✓	
Mr. Zhang Wei (Note 1)	✓	✓
Mr. Tung Lieh Cheung Andrew	✓	
Mr. Tung Chee Chen (Note 2)	✓	✓
Mr. Tung Lieh Sing Alan (Note 2)	✓	
Non-Executive Directors		
Mr. Yan Jun (Note 1)	✓	
Ms. Wang Dan (Note 1)	✓	
Mr. Ip Sing Chi (Note 1)	✓	✓
Ms. Cui Hongqin (Note 1)	✓	
Professor Roger King (Note 2)	✓	
Independent Non-Executive Directors		
Mr. Chow Philip Yiu Wah	✓	
Professor Wong Yue Chim Richard	✓	✓
Dr. Chung Shui Ming Timpson (Note 1)	✓	✓
Mr. Yang Liang Yee Philip (Note 1)	✓	
Ms. Chen Ying (Note 1)	✓	✓
Mr. Simon Murray (Note 2)	✓	✓
Mr. Cheng Wai Sun Edward (Note 2)	✓	✓
Mr. Kwok King Man Clement (Note 2)	✓	

Notes:

1. appointed as Directors of the Company with effect from 3rd August 2018.
2. resigned as Directors of the Company with effect from 3rd August 2018.

Ms. Lammy Lee, the Company Secretary of the Company, undertook no less than fifteen hours of professional training in year 2018 to update her skills and knowledge.

6. Supply of and Access to Information

All Directors have access to the Board's and the Committees' papers and other materials either from the Company Secretary or the Chairman or the Chief Executive Officer so that they are able to make informed decisions on matters placed before them.

7. Nomination of Directors

The Company follows a formal, considered and transparent procedure for the appointment of new Directors based on a nomination policy (the "Nomination Policy") formally adopted in 2018 providing the selection criteria of potential candidates for directorship of the Company, and the procedures for appointment of Directors of the Company and certain significant positions of the Group, for the Board to achieve a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's strategic focus and specific business needs. Recognising the vitality of diversity for the Board, the Company has also adopted a board diversity policy (the "Board Diversity Policy") in 2013.

The Nomination Committee reviews the structure, size and composition of the Board regularly and makes recommendation to the Board to complement the corporate strategy of the Company. The appointment of a new Director is a collective decision of the Board, taking into consideration both the Nomination Policy and the Board Diversity Policy. The Board believes that changes to the Board composition shall be managed without undue disruption, and shall continue to provide a balanced composition of the Executive Directors and the Non-Executive Directors (including Independent Non-Executive Directors) so that there is a strong independent element in the Board, which can effectively exercise independent judgement.

Each Director shall, after his appointment and semi-annually thereafter, disclose to the Board the number and nature of offices held by such Director in other public companies and organisations and any other significant commitments, together with the identity of the public companies and organisations and an indication of time involved.

At the annual general meeting of the Company held on 4th May 2018 (the "2017 AGM"), Mr. Tung Chee Chen, Professor Roger King and Mr. Cheng Wai Sun Edward retired and were re-elected as Directors of the Company, and they resigned from all positions in the Company with effect from 3rd August 2018 as a result of the completion of the Offer (as defined in the composite document dated 6th July 2018).

8. Board Committees

In addition to the Audit Committee, the Remuneration Committee and the Nomination Committee established in compliance with the Listing Rules, the other committees comprise of the Executive Committee, the Finance Committee, the Share Committee, the Compliance Committee, the Inside Information Committee and the Risk Committee. Each committee has its own well defined scope of duties and terms of reference. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the Company's website and the HKEXnews website. The Company Secretary shall also make available the terms of reference of all the committees to any shareholder upon receipt of a written request from such shareholder. The members of a committee are empowered to make decisions on matters within the terms of reference of such committee. Copies of all signed minutes of the committees are sent to the members of the respective committees and the Directors of the Company for their records.

a. Executive Committee

The Executive Committee was established in 1996. All its members are Executive Directors. It is currently comprised of Mr. Xu Lirong (chairman of the Executive Committee), Mr. Huang Xiaowen, Mr. Wang Haimin, Mr. Zhang Wei and Mr. Tung Lieh Cheung Andrew, with Ms. Lammy Lee as the secretary of the Executive Committee.

The Executive Committee operates as an executive management committee under the direct authority of the Board. Its primary duties include to:

– formulate strategies and policies and to set corporate and management targets and operational initiatives and policies on risk management and plans and operational directions for the Group;

– monitor, control and manage operational and financial performance and business affairs of the Group;

– review, discuss and approve (if appropriate) (i) press announcements, circulars and other documents (including inside information and financial information) required to be disclosed pursuant to the Listing Rules, regulatory or statutory requirements; (ii) submissions from the Compliance Committee, the Finance Committee and the Share Committee and, if appropriate, to recommend to the Board for consideration and approval;

– approve capital expenditure for a specified amount;

– liaise and consult with, advise and make recommendations to its subsidiaries and make such decisions with regard thereto as the Executive Committee shall in its absolute discretion think fit, and refer such matters as it thinks fit to the Board for consideration, approval and/or ratification, if necessary; and to

– report to the Board on its decisions, and any matter in respect of which it considers that action is needed, and its recommendations as to the steps to be taken.

b. Audit Committee

The Audit Committee was established in 1992. All its members are Independent Non-Executive Directors. It is currently comprised of Professor Wong Yue Chim Richard (chairman of the Audit Committee), Mr. Chow Philip Yiu Wah, Dr. Chung Shui Ming Timpson, Mr. Yang Liang Yee Philip and Ms. Chen Ying, with Mr. Fung Yee Chung Vincent, the Head of Internal Audit as the secretary of the Audit Committee, and Ms. Lammy Lee as the assistant secretary of the Audit Committee.

The Audit Committee is delegated by the Board with the responsibility to provide an independent review and supervision of financial reporting and to ensure the effectiveness of the Group's risk management and internal control systems and the adequacy of the external and internal audit. To perform its duties, the Audit Committee is provided with sufficient resources and is supported by the Internal Audit Department to examine all matters relating to the Group's adopted accounting principles and practices and to review all material financial, operational and compliance controls. The terms of reference of the Audit Committee are posted on the Company's website.

The primary duties of the Audit Committee include to:

– recommend to the Board the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any question of its resignation or dismissal;

– act as the key representative body overseeing the Company's relation with the external auditor;

– seek from the external auditor, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including provision of non-audit services and requirements regarding rotation of audit partners and staff;

- discuss with the external auditor any recommendation arising from the audit, and to review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial statements or systems of control and management's response, and to ensure that the Board will provide timely response to the issues raised in the external auditor's management letter;

- establish and review from time to time the procedure to review and monitor the external auditor's independence and objectivity, and the effectiveness of the audit process in accordance with the applicable standards and the scope of the external auditor, and to discuss and understand the factors considered by the external auditor in determining the nature and scope of the audit and reporting obligations before the audit commences;

- establish and review from time to time the policy relating to hiring of employees or former employees of the external auditor and monitor the application of such policy; and to consider whether as a result of such hiring there has been any impairment of the auditor's judgment or independence in respect of the audit;

- establish and review from time to time the policy on engaging external auditor to supply non-audit services and to review such services do not impair the external auditor's independence or objectivity in relation to non-audit services including whether the skills and experience of the external auditor make it a suitable supplier of non-audit services; whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the external auditor provides non-audit services; and the nature of non-audit services, the related fee levels and fee levels individually and in total relative to the external auditor;

- review the Group's financial and accounting policies and practices;

- monitor the integrity of the Company's financial statements, annual, quarterly (if prepared for publication) and interim financial reports and to review any significant financial reporting judgments contained in them, with particular focus on changes in accounting policies and practices, major judgmental areas, any significant audit adjustments, the going concern assumption and any qualifications, compliance with any applicable legal requirements and accounting standards, and compliance with the requirements of the Listing Rules and other legal requirements in relation to financial reporting;

- consider any significant or unusual items that are, or may need to be, reflected in the report and financial statements and to give due consideration to any matter that has been raised by the Financial Compliance Officer of the Company, the external auditor, the Head of Internal Audit or the staff responsible for the accounting and financial reporting function;

- review with the Group's management, the external auditor and the internal auditor, the adequacy of the Group's policies and procedures regarding internal control system (including financial, operational and compliance controls) to ensure that such system is effective with audit trails to protect the accuracy and integrity of financial data and to pursue relevant enquiries into matters having, or likely to have, a material effect on the business and financial conditions of the Group. The result of the review is to be reported in the Corporate Governance Report of the Company, including a Directors' statement that they have conducted a review of its internal control system;

- provide an independent review on the effectiveness of the risk management system including the risk management framework, policies and processes;

- discuss with the management the scope and quality of the risk management and internal control systems and to ensure that management has performed its duty to have effective systems including the adequacy of resources, staff qualifications and experience, training programmes and budget and experience of staff of the accounting, internal audit and financial reporting functions;

- review findings of internal investigation and management's response of any suspected frauds or irregularities or failures of risk management and internal controls or infringements of laws, rules and regulations;

– review the scope and effectiveness of the internal audit functions and to review the results of the internal audit functions regularly with the internal auditor matters including planning of the Audit Committee meetings and, if required by the internal auditor, the internal audit programme; and to ensure co-ordination between the internal and external auditors and that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and monitor its effectiveness;

– review the effectiveness and monitor the use of the whistleblowing policy and procedures for employees to raise concerns, in confidence, to the Audit Committee about improprieties in financial reporting, internal control and other matters; and to ensure that proper arrangements are in place for fair and independent investigation of these improprieties and for appropriate follow-up action;

– report to the Board on the matters raised in the SEHK Code; and to

– report to the Board, identifying and making recommendations on any matter where action or improvement is needed and to consider other topics identified and referred to the Audit Committee by the Board.

Under the Group's whistleblowing policy, employees may report any concern regarding accounting, internal accounting controls and auditing matters to the Audit Committee without fear of dismissal or retaliation, in order to ensure that the Group complies with all the applicable laws and regulations, accounting standards, accounting controls and audit practices. The Audit Committee will review each complaint and decide on how the investigation should be conducted. In year 2018, the Audit Committee received no complaint from employees.

The Audit Committee held two meetings during the year ended 31st December 2018. The following is a summary of work performed by the Audit Committee during the year 2018:

(i) reviewed and discussed the annual financial statements for 2017 and the interim financial statements for 2018 with the external auditor and management of the Company, with recommendations to the Board for approval;

(ii) reviewed the significant audit and accounting issues arising from the external auditor's statutory audit of the 2017 annual financial statements and issues arising from the review of the 2018 interim financial statements;

(iii) reviewed the impact of the new and revised accounting standards on the Company;

(iv) reviewed the external auditor's audit strategy and approach;

(v) reviewed the non-audit services provided by the external auditor in 2017;

(vi) met with the external auditor without the presence of the management to discuss issues from the audits and any other matters the external auditor might raise;

(vii) reviewed the Internal Audit Department's audit objectives and approval of the annual internal audit plan;

(viii) reviewed the findings and recommendations of the Internal Audit Department on the audits carried out on the principal activities of the Group during the year 2017;

(ix) reviewed the effectiveness of the risk management and internal control systems;

(x) reviewed the relevant sections in the Corporate Governance Report for the year ended 31st December 2017 concerning the Audit Committee;

(xi) reviewed the adequacy of the resources, staff qualifications and experience, training programmes and budget and experience of staff of the Company's accounting, internal audit and financial reporting functions;

(xii) reviewed the continuing connected transactions and their annual caps;

(xiii) reviewed the continuous implementation of the whistleblowing policy; and

(xiv) reviewed and refined the terms of reference of the Audit Committee.

The minutes of the Audit Committee meetings are prepared by the secretary of the Audit Committee with details of all matters considered by the attendees and of decisions reached, including any concern raised by the attendees and dissenting views expressed. The final version of the minutes is sent to the attendees for their records. The minutes are open for inspection by the Committee members and the Board members.

c. Remuneration Committee

The Remuneration Committee was established in 2005. A majority of its members are Independent Non-Executive Directors. It is currently comprised of Mr. Chow Philip Yiu Wah (chairman of the Remuneration Committee), Mr. Zhang Wei and Professor Wong Yue Chim Richard, with Ms. Lammy Lee as the secretary of the Remuneration Committee.

The primary duties of the Remuneration Committee include to:

– review and recommend to the Board the Company's policy and structure of the remuneration of the Directors of the Company, senior management (including the chief executive officer of the principal division of the Group) and employees of the Group including performance-based bonus scheme on the basis that they are fairly but responsibly rewarded for their individual contribution to the overall performance of the Company;

– establish and review a formal and transparent procedure for developing remuneration policy;

– (i) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and determine the remuneration packages of individual Executive Directors of the Company and senior management (including the chief executive officer of the principal division of the Group); and (ii) recommend to the Board the remuneration of the Non-Executive Directors of the Company;

– consult the Chairman of the Board and/or Chief Executive Officer of the Company about their remuneration proposals for the other Executive Directors of the Company and senior management (including the chief executive officer of the principal division of the Group);

– review and approve compensation payable to the Executive Directors of the Company and senior management (including the chief executive officer of the principal division of the Group) for any loss or termination of office to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

– review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

– ensure that no Director or any of his associates or senior management (including the chief executive officer of the principal division of the Group) is involved in deciding his own remuneration; and to

– advise the Board any matter relating to the remuneration or reward of the Executive Directors of the Company or senior management (including the chief executive officer of the principal division of the Group) or employees of the Group.

The Remuneration Committee held three meetings during the year ended 31st December 2018. The works performed by the Remuneration Committee during the year 2018 include:

(i) reviewed the Company's policy and remuneration structure for the Directors of the Company, and the senior management and employees of the Group, and ensured compliance of disclosure with the Listing Rules and in line with best practices;

(ii) reviewed the procedure for developing remuneration policy;

(iii) reviewed the discretionary management bonus of the Executive Directors of the Company, and the senior management and employees of the Group for the year 2017;

(iv) reviewed and recommended to the Board or determined with delegated responsibilities, as the case may be, in accordance with the terms of reference of the Remuneration Committee, the remuneration packages of the Directors of the Company, and the senior management of the Group for the year 2018;

(v) reviewed and recommended to the Board the fees payable to the newly appointed Directors and the members of the Board committees of the Company, and Mr. Tung Lieh Sing Alan as the financial consultant of the Company following his resignation; and

(vi) reviewed and recommended to the Board the retention plan of valuable staff of the Company to ensure the stability of the workforce.

No Director was involved in determining his own remuneration.

d. Nomination Committee

The Nomination Committee was established in 2012. A majority of its members are Independent Non-Executive Directors. It is currently comprised of Mr. Xu Lirong (chairman of the Nomination Committee), Mr. Yan Jun, Mr. Chow Philip Yiu Wah, Dr. Chung Shui Ming Timpson and Mr. Yang Liang Yee Philip, with Ms. Lammy Lee as the secretary of the Nomination Committee.

The primary duties of the Nomination Committee include to:

- review and recommend to the Board the Nomination Policy on selection criteria of potential candidates for directorship of the Company;

- review and recommend to the Board the succession plan to ensure the stability of the Board to complement the Company's corporate strategy;

- review and report annually on implementation of the Board Diversity Policy and the Nomination Policy of the Company, and progress (if relevant);

- review the structure, size and composition (including gender, age, cultural and education background, ethnicity, skills, knowledge, industry experience and length of service) of the Board at least annually and recommend any proposed change to the Board to complement the Company's corporate strategy;

- receive from the Board referral of suitable qualified candidate for it to assess if the potential candidate meets the selection criteria, which shall be based on the Nomination Policy and the Board Diversity Policy appropriate for the Group's strategic focus and specific business needs; assess and recommend to the Board for approval the nomination of a selected candidate as a director of the Company either to fill a casual vacancy or as an addition to the existing Board and/or a member of any Board committee of the Company;

- review and recommend to the Board the appointment or re-appointment/re-election of Directors and succession plan for Directors to maintain a balance of skills, knowledge, experience and diversity of perspectives of the Board;

- assess and report to the Board the qualifications of any person proposed by a shareholder of the Company for election as a director of the Company to ensure compliance with the Nomination Policy of the Company and the requirements as provided in the Listing Rules are satisfied;

- assess the independence of the Independent Non-Executive Directors of the Company;

- regularly review and report to the Board the contribution required by a Director of the Company to perform his responsibilities and whether he is spending sufficient time in performing them;

- assess performance of the Executive Directors and conduct a regular evaluation of the Board's performance by a member of the Nomination Committee, who is an Independent Non-Executive Director, and report results of the evaluation to the Board; and to

- review the appointment of the chief executive officer of the principal division of the Group and report result of the review to the Board of the Company for consideration and approval.

The Nomination Committee held two meetings during the year ended 31st December 2018. The works performed by the Nomination Committee during the year 2018 include:

(i) reviewed the Company's policy for nomination of Directors;

(ii) reviewed procedures for appointment of new Directors and plans for orderly succession;

(iii) reviewed the implementation of the Board Diversity Policy of the Company;

(iv) reviewed the structure, size and composition of the Board of the Company;

(v) reviewed and recommended to the Board on the changes in the directorship and officership of the Company, the changes in the membership of certain committees of the Company, and the appointment of the financial consultant for transitional period;

(vi) recommended re-election of the retiring directors at the annual general meeting of the Company held on 4th May 2018;

(vii) assessed independence of the Independent Non-Executive Directors of the Company;

(viii) reviewed the contribution of the Directors of the Company for the year 2017; and

(ix) evaluated performance of the Board and assessed performance of the Executive Directors of the Company by a member of the Nomination Committee who is an Independent Non-Executive Director of the Company in accordance with the terms of reference of the Nomination Committee.

The Board Diversity Policy is summarised as follows:

- the Company ensures that its Board has the appropriate balance of skills, breadth of experience, independence and objectivity, engagement and credibility, rigour and structure and diversity of perspectives of the Board required to support the execution of its strategic focus and specific business needs in order for the Board to be effective;

- selection of candidates will be based on a range of perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, industry experience, skills, knowledge and length of service. The Board's appointment should be based on meritocracy and diversity of perspectives appropriate for the Group's strategic focus and specific business needs and the contribution that the selected candidates will bring to the Board; and

- the Nomination Committee will take into consideration of the Board Diversity Policy in identifying and nominating suitable qualified candidates to become members of the Board, and shall ensure that the selected candidates shall have the breadth of experience, independence and objectivity, engagement and credibility, rigour and structure.

The Nomination Policy is summarised as follows:

- the Board is responsible for the selection and appointment of Directors of the Company and for nomination of the Directors of the Company for election by the shareholders of the Company thereafter at regular intervals by rotation so as to achieve a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's strategic focus and specific business needs. The Nomination Committee is responsible for evaluating and nominating candidates for approval by the Board.

- the Nomination Committee will assess if the potential candidate meets the selection criteria, which shall be based on the Nomination Policy and the Board Diversity Policy appropriate for the Company's strategic focus and specific business needs under the formalised procedure for selection and appointment of Directors of the Company and key management of the principal division of the Group. Contribution by the potential candidate shall bring to the Board reflecting the followings:

  - structure, size and composition of the current Board;

  - time commitment to the Board;

  - diversity of the Board in all its aspect as set out in the Board Diversity Policy;

  - reputation and integrity;

  - Board succession plan;

  - requirements as provided in the Listing Rules; and

  - other factors that the Board may consider appropriate.

- the Nomination Committee will monitor and review the Nomination Policy periodically to ensure that it remains relevant to the Company's strategic focus and business needs and reflects both current regulatory requirements and good corporate governance.

e. Risk Committee

The Risk Committee was established in 2015 and is currently comprised of Mr. Huang Xiaowen (chairman of the Risk Committee), Mr. Wang Haimin, Mr. Zhang Wei, Mr. Tung Lieh Cheung Andrew, Mr. Yan Jun, Ms. Wang Dan, Mr. Ip Sing Chi, Ms. Cui Hongqin, Mr. Chow Philip Yiu Wah, Mr. Zhang Mingwen and Ms. Lammy Lee, with Mr. Mok Yun Lee Paul as the secretary of the Risk Committee.

The primary duties of the Risk Committee include to:

- establish risk appetite, risk management strategy, and a strong and independent internal control and review systems;

- align strategic direction and business objective of the Group with risk appetite;

- oversight on adequacy of the Group's risk management policies, process and system. In pursuing the Group's strategic direction and business objective, aims to optimise risk and return;

- identify, assess and manage principal risks to pursue the Group's strategic and business objective;

– provide direction on the importance of risk management and risk management culture;

– formulate, implement and review environmental, social and governance ("ESG") strategies of the Group; and to

– identify, assess and manage ESG-related risks and ensure appropriate and effective ESG risk management systems are in place.

The Risk Committee held two meetings and passed resolutions by way of written resolution during the year ended 31st December 2018. The works performed by the Risk Committee during the year 2018 include:

(i) reviewed and recommended to the Board the Group's risk appetite, risk management strategies, risk management policies, process and system in pursuit of the Group's strategic direction and business objectives;

(ii) identified, reviewed, assessed and managed principal risks of the Group to pursue the Group's strategic and business objectives;

(iii) reviewed and reported to the Board the Company's compliance with the SEHK Code in relation to the risk management; and

(iv) reviewed and reported to the Board the Company's compliance with the Listing Rules in relation to the ESG related compliance.

f. Compliance Committee

The Compliance Committee was established in 2004 and is currently comprised of Ms. Lammy Lee (chairperson of the Compliance Committee), Mr. Wang Haimin, Mr. Zhang Mingwen, Mr. Michael Fitzgerald, Mr. Lam Tuen Pei Pius and Mr. Fung Yee Chung Vincent. The Board has delegated the responsibility for monitoring the corporate governance compliance to the Compliance Committee.

The primary duties of the Compliance Committee include to:

– review, monitor and provide administrative support on the compliance control of the Group and compliance of the following corporate governance functions of the Company:

  (a) on the Company's policies and practices on corporate governance and make recommendations to the Board;

  (b) on the training and continuous professional development of Directors and senior management of the Group;

  (c) on the Company's policies and practices on compliance with legal and regulatory requirements;

  (d) on the development of the code of conduct and compliance manuals (if any) applicable to employees of the Group and Directors of the Company;

  (e) on the Company's compliance with the CG Code and the SEHK Code;

  (f) to report the above items (a) to (e) to the Board regularly; and

  (g) to prepare (i) the Corporate Governance Report covering all mandatory disclosure requirements as set out in the Listing Rules; and/or (ii) information required to be disclosed by the Compliance Committee in the Company's results announcements, the annual reports, the interim reports and any other documents, pursuant to the Listing Rules;

– review and report to the Board regularly the shareholders' communication policy to ensure its effectiveness; and to

– ensure the Company is in compliance with the Listing Rules including disclosure and compliance obligations for matters including notifiable transactions, connected transactions, continuing connected transactions, advance to an entity, financial assistance and guarantees to affiliated companies of the Company, loan agreements with covenants relating to specific performance of the controlling shareholder of the Company, breach of a loan agreement by the Company, disclosure of financial information pursuant to Appendix 16 to the Listing Rules, and general obligations of disclosure under rule 13.09 of the Listing Rules.

The Compliance Committee held three meetings during the year ended 31st December 2018. The works performed by the Compliance Committee during the year 2018 include:

(i) reviewed the Company's policies and practices on corporate governance, risk management, and made recommendations to the Board;

(ii) reviewed and recommended to the Board the adoption of a dividend policy and the Nomination Policy and the revisions to terms of reference of certain committees of the Company, the Company's CG Code to align and comply with the up-to-date SEHK Code and related Listing Rules;

(iii) reviewed and monitored the training and continuous professional development of Directors of the Company;

(iv) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, particularly on legal, financial and accounting, internal control and audit, risk management and ESG related compliance;

(v) reviewed and monitored the code of conduct and compliance manuals (if any) applicable to employees of the Group and Directors of the Company;

(vi) reviewed the Company's compliance with the CG Code and the SEHK Code and the disclosure requirements in the Corporate Governance Report;

(vii) reviewed the Company's compliance with the disclosure requirements in the Sustainability Report;

(viii) reviewed and reported to the Board on the effectiveness of the shareholders' communication policy;

(ix) reviewed and reported to the Board on the notifiable transactions, connected transactions, continuing connected transactions and the significant contracts of the Group; and

(x) reviewed the regulatory compliance by the Group following the change of controlling shareholder of the Group upon the completion of the Offer (as defined in the composite document dated 6th July 2018).

g. Finance Committee

The Finance Committee was established in 1993 and is currently comprised of Dr. Chung Shui Ming Timpson (chairman of the Finance Committee), Mr. Wang Haimin, Mr. Tung Lieh Cheung Andrew, Mr. Chow Philip Yiu Wah, Ms. Chen Ying and Mr. Zhang Mingwen, with Ms. Lammy Lee as the secretary of the Finance Committee.

The primary duties of the Finance Committee include to:

– assist in the financial requirements of the Group including financing, refinancing, leasing, purchase and sale of vessels, properties and equipment and the financing of the business operations of the Group;

– report to the Board on its decisions, and any matter in respect of which it considers that action is needed, and its recommendation as to the steps to be taken; and to

– discuss and review the disclosure obligations of the Company on financial, accounting or related issues on compliance with the Listing Rules and refer transactions with their recommendations to the Executive Committee of the Company for its endorsement and/or approval.

h. Share Committee

The Share Committee was established in 1992 and is currently comprised of Mr. Yang Liang Yee Philip (chairman of the Share Committee), Mr. Chow Philip Yiu Wah and Ms. Chen Ying, with Ms. Lammy Lee as the secretary of the Share Committee.

The primary duties of the Share Committee include to:

– deal with and grant approval on the removal of the ordinary shares of the Company from the Principal Register in Bermuda to the Branch Register in Hong Kong or vice versa;

– deal with share transactions including, but not limited to share repurchases, issue of bonus shares, scrip dividend schemes, top up placings, share subscriptions and placement of the Company's shares;

– give authorisation to the Company's Principal Registrar and Branch Registrar to issue share certificates to shareholders who have reported loss of share certificates and in connection with the above share transactions; and to

– discuss and review the disclosure obligations of the Company on share transactions and compliance with the Listing Rules.

i. Inside Information Committee

The Inside Information Committee was established in 2013 and is currently comprised of Mr. Huang Xiaowen (chairman of the Inside Information Committee), Mr. Wang Haimin, Mr. Zhang Wei, Mr. Tung Lieh Cheung Andrew and Ms. Lammy Lee.

The primary duties of the Inside Information Committee include to:

– ensure proper systems and control are in place to collect, review and verify potential inside information;

– identify, assess and escalate potential inside information to the attention of the Board; report to the Board on the recommendation of the Inside Information Committee, and any matter in respect of which it considers that action is needed, and its recommendation as to the actions to be taken and what information to be disclosed;

– vet and clear announcements or other public disclosures; and to

– supervise the Company's compliance with continuing disclosure obligations.

j. Independent Board Committee

The Independent Board Committee was established in 2017 for the purpose of making recommendation to the shareholders of the Company as to whether the Offer (as defined in the composite document dated 6th July 2018) is fair and reasonable and as to acceptance. The Independent Board Committee was dissolved subsequent to the close of the Offer (as defined in the composite document dated 6th July 2018) on 27th July 2018.

9. Attendance Records of Board Meetings, Board Committees Meetings and General Meetings

The attendance records of each Director of the Board Committees of the Company at the relevant meetings held in year 2018 are as follows:

	Actual Attendance/Number of Meetings a Director is entitled to attend										
	Board	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee	Compliance Committee	Finance Committee	Share Committee	Inside Information Committee	2017 AGM
No. of meetings held during the year	7	9	2	3	2	2	3	1	2	0	1
Executive Directors											
Mr. Xu Lirong *(Chairman)* (Note 1)	2/2	0/2	–	–	N/A	–	–	–	–	–	N/A
Mr. Huang Xiaowen *(Chief Executive Officer)* (Note 1)	1/2	2/2	–	–	–	N/A	–	–	–	N/A	N/A
Mr. Wang Haimin (Note 1)	2/2	2/2	–	–	–	N/A	0/1	N/A	–	N/A	N/A
Mr. Zhang Wei (Note 1)	1/2	1/2	–	N/A	–	N/A	–	–	–	N/A	N/A
Mr. Tung Lieh Cheung Andrew	7/7	9/9	–	–	–	2/2	–	N/A	–	N/A	1/1
Mr. Tung Chee Chen (Note 2)	5/5	7/7	–	3/3	2/2	2/2	–	–	–	N/A	1/1
Mr. Tung Lieh Sing Alan (Note 2)	5/5	7/7	–	–	–	2/2	2/2	–	–	N/A	1/1
Non-Executive Directors											
Mr. Yan Jun (Note 1)	2/2	–	–	–	N/A	N/A	–	–	–	–	N/A
Ms. Wang Dan (Note 1)	1/2	–	–	–	–	N/A	–	–	–	–	N/A
Mr. Ip Sing Chi (Note 1)	2/2	–	–	–	–	N/A	–	–	–	–	N/A
Ms. Cui Hongqin (Note 1)	2/2	–	–	–	–	N/A	–	–	–	–	N/A
Professor Roger King (Note 2)	4/5	–	–	–	–	2/2	–	1/1	1/1	–	0/1
Independent Non-Executive Directors											
Mr. Chow Philip Yiu Wah	6/7	–	2/2	3/3	2/2	2/2	–	1/1	2/2	–	1/1
Professor Wong Yue Chim Richard	7/7	–	2/2	3/3	2/2	–	–	–	–	–	1/1
Dr. Chung Shui Ming Timpson (Note 1)	2/2	–	N/A	–	N/A	–	–	N/A	–	–	N/A
Mr. Yang Liang Yee Philip (Note 1)	2/2	–	N/A	–	N/A	–	–	–	1/1	–	N/A
Ms. Chen Ying (Note 1)	2/2	–	N/A	–	–	–	–	N/A	1/1	–	N/A
Mr. Simon Murray (Note 2)	3/5	–	1/2	–	–	–	–	–	–	–	0/1
Mr. Cheng Wai Sun Edward (Note 2)	5/5	–	1/2	–	–	–	–	–	–	–	1/1
Mr. Kwok King Man Clement (Note 2)	3/5	–	2/2	–	–	–	–	–	–	–	1/1
Average attendance rate	86.79%	78.57%	80%	100%	100%	100%	66.67%	100%	100%	N/A	77.78%

Notes:

1. appointed as Directors of the Company with effect from 3rd August 2018.
2. resigned as Directors of the Company with effect from 3rd August 2018.

10. Securities Transactions by Directors

The Company has adopted its own code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules.

All Directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standards set out in both the Company's own code and the Model Code for the year ended 31st December 2018.

11. Share Interests of Directors and Senior Management

a. Directors

Directors' interests in the shares of the Company are set out on pages 90 and 91 of this annual report.

b. Senior Management

As at 31st December 2018, the number of shares of the Company held by the senior management of the Group are as follows:

Name	Number of shares held
Ms. Chen Xiang	2,000
Mr. Erxin Yao	–
Mr. Stephen Ng	–
Mr. Zhang Mingwen	–
Mr. Steve Siu	–
Ms. Lammy Lee	–
Mr. Michael Fitzgerald	–
Mr. Kenny Ye	–
Mr. Raymond Fung	–
Mr. Teddy Fung	–

12. Emoluments of Directors and Senior Management *(Note)*

a. Emoluments of Directors

The emoluments of the Directors of the Company for the year ended 31st December 2018 are set out on pages 142 and 143 of this annual report.

b. Emoluments of Senior Management

The emoluments of the senior management of the Group for the year ended 31st December 2018 are set out below:

Emolument bands (US$)	Number of individuals 2018
0 – 64,102	2
256,401 – 320,500	0
320,501 – 384,600	2
384,601 – 448,700	1
448,701 – 512,800	1
512,801 – 576,900	1
576,901 – 641,000	1
641,001 – 705,100	1
769,201 – 833,300	1
Total	10

Note: biographical details of senior management are set out on pages 56 to 58 of this annual report.

B. ACCOUNTABILITY AND AUDIT

1. External Auditor

PricewaterhouseCoopers was re-appointed as the Company's external auditor by shareholders at the 2017 AGM until the conclusion of the next annual general meeting.

The Company has established a policy on appointment of external auditor in providing non-audit services, setting out the principles by which an external auditor may be appointed to provide non-audit services, with a view to ensuring the independence of the external auditor.

The fee in respect of audit and non-audit services provided by the external auditor to the Company for the year ended 31st December 2018 is set out on page 144 note 11 to the consolidated financial statements of this annual report.

2. Directors' and Auditor's Acknowledgement

All Directors acknowledged their responsibilities for preparing the consolidated financial statements for the year ended 31st December 2018.

PricewaterhouseCoopers, the external auditor of the Company, acknowledged the reporting responsibilities in the auditor's report on the consolidated financial statements for the year ended 31st December 2018.

3. Internal Controls

The Board is responsible for establishing and maintaining appropriate and effective internal control systems for the Group, and through the Audit Committee, conducts reviews of the effectiveness of such systems at least annually, covering all material controls including financial, operational and compliance controls and risk management functions. The process used in reviewing the effectiveness of these internal control systems includes discussion with management on risk areas identified by management of the Company and principal division of the Group and review of significant issues arising from internal and external audits. The Company's internal control systems comprise a well established organisational structure and comprehensive policies and standards. Procedures have been designed to safeguard assets against unauthorised use or disposition, to maintain proper accounting records, for assurance of the reliability of financial information for internal use or publication, and to ensure compliance with applicable laws and regulations. The purpose of the Company's internal control is to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Company's objectives.

The Board has established the following measures to provide effective internal controls:

– a distinct organisational structure for the principal division with defined authority responsibilities and control/measures;

– an annual budget for the principal division allocating resources in accordance with identified and prioritised business opportunities. The annual budget for the principal division is approved by the Board on an annual basis;

– a comprehensive management accounting system for the principal division to provide financial and operational performance indicators to the relevant management, and financial information for reporting and disclosure purposes. Actual operational results are measured against budget each month. Detailed forecasts for the year and long-term forecasts of profit and loss, cash flow and balance sheets are regularly reviewed and updated. Variances to budget are analysed and explained and appropriate action taken, if necessary;

– systems and procedures are in place to identify, measure, manage and control risks including business, compliance, operational, financial and information services risks that may have an impact on the Group and the principal division. Exposure to these risks is monitored by the Executive Committee and the management of the principal division;

– clearly defined procedures are in place for the control of capital and major expenditure commitments, off-balance sheet financial instruments and the supervision, control and review of the investment portfolio; and

– the Internal Audit Department performs independent reviews of the risks and controls identified to provide reasonable assurance to management of the Company and principal division and the Audit Committee that controls have been set in place and adequately addressed.

The internal audit function, which is centrally controlled, monitors compliance with policies and standards as well as the effectiveness of internal control structures across the Company and the Group. To preserve the independence of the internal audit function, the Head of Internal Audit reports functionally to the Audit Committee whose chairman is an Independent Non-Executive Director who has direct access to the Board. Using a risk-based approach, the Internal Audit Department plans its internal audit schedules annually in consultation with, but independent of, management of the Company and the principal division. The Internal Audit Department has unrestricted access to information that allows it to review all aspects of the Group's risk management, control and governance processes. Independent reviews of different financial, business and functional operations and activities are conducted with audit resources being focused on high risk areas. Ad hoc reviews are also conducted on areas of concern identified by the Audit Committee and management of the Company and the principal division. The management of the Company and the principal division including the affected subsidiary are notified of the deficiencies noted for rectification, and the Internal Audit Department follows up with the implementation of audit recommendations.

The Audit Committee on behalf of the Board assesses the effectiveness of the internal control system including detecting fraud and other irregularities by reviewing the Internal Audit Department's work and findings. On a yearly basis, the Internal Audit Department summarises the major audit findings and other relevant information that have come to the Internal Audit Department's attention during the course of the audits and reports to the Audit Committee.

According to the 2018 Internal Audit report, the Group's internal control system is functioning effectively, there was no significant weakness found in the course of the audits carried out during the year, and there is no change in the nature and extent of significant risks as well as the scope and quality of management's ongoing monitoring of the risks and the internal control system. The Audit Committee has concluded that the Group has maintained sound and effective internal controls to safeguard the Group's assets, and there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group. The Board, therefore, is of the view that there are no significant frauds, irregularities, internal control deficiencies or suspected infringement of laws, rules and regulations that cause the Board to believe that the systems of internal control are ineffective or inadequate, and there are no significant areas of concern which may affect shareholders. The Board is satisfied that the Company and the Group have fully complied with the code provisions on internal control as set forth in the SEHK Code for the year ended 31st December 2018.

To ensure on-going compliance with the SEHK Code, the Audit Committee reviewed the adequacy of staffing of the accounting, internal audit and financial reporting functions on behalf of the Board and was satisfied with the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

The Company has implemented the following procedures and internal controls for the handling and dissemination of inside information:

a) it monitors any inside information and makes appropriate announcement as required by the Listing Rules;

b) it conducts its affairs by reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission;

c) it has established procedures for handling external affairs about the Group; and

d) it has established guidelines to be followed by senior management and employees in dealing with confidential and inside information.

4. Risk Management

The Board acknowledges that risks are inherent in our business and the market in which we operate, and we undertake and monitor risks in pursuit of our strategic and business objectives. Our approach is if risks are effectively managed, it can be a value driver for competitive advantage and the exercising of risk management abilities can become an advantage to differentiate the Group from its competitors.

The Group has built and maintained sound and effective risk management and internal control systems to safeguard the Group's assets, but not absolute assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's strategic business objectives. In the context of the Group's capital structure and business models; it would re-assess the risk appetite on a regular basis, taking into consideration the Group's business strategies and return targets. The risk strategy of the Group, adopting a proactive approach, would be determined upon analysis results for a specific risk through the risk management process; and once risk is identified based on the risk strategy, it will be managed so that it can be understood, minimised, transferred or contained, through a group-wide risk management framework.

The Risk Committee delegates to the management, the design and setting of risk management parameters, who would work with relevant stakeholders of its business and operation units to identify key risk areas to be assessed and risk control measures formulated to mitigate and guide each local and regional office. The key risk management areas would be regularly reviewed to identify areas for improvement, from which where necessary, the development of policies and procedures for the Group to manage and control risks that might have an impact on the Group and the principal division including potential risks in critical business areas that are both strategic and operational levels, to ensure business continuity, to optimise business result, and to ensure compliance with the relevant rules and regulations. The Risk Committee reviews the adequacy and effectiveness of the risk management and internal control systems and internal audits are conducted as part of ongoing review on the effectiveness of the risk management and internal control systems. Emerging risks that may have an impact on the Group are also discussed in the Risk Committee meetings and shared with the Audit Committee.

The Group's risk management organisation structure has a "top-down" approach on oversight, risk identification and assessment, and mitigation of risk at corporate level; and a "bottom-up" approach on risk identification and assessment, and mitigation of risk at business unit level and cross functional areas for its risk management.

Based on the Group risk management principles and culture in taking justifiable calculated risk in business decision after identifying the inherent risks, exploring possible mitigation and assessing all relevant costs and benefits as a result of the decision; and promoting a risk-intelligent culture in the organisation, in which a risk-averse, risk-seeking or risk-neutral attitude might be adopted as and when the circumstances justified; risk management policy is set up to ensure common understanding of risk principles and encouraging a risk intelligent culture on a group-wide level. Our policies and guidelines are periodically reviewed and amended when considered necessary in line with the dynamic changes in our business environment and operations.

The Group has (i) a formalised enterprise risk management ("ERM") process, taking into consideration of the Group's organisation structure and nature of business; and (ii) developed a risk register with a principal risk dashboard that summarises major risks whose potential consequences are significant at group level and may trigger risk events that in aggregate, become significant to the Group as at a given time, and a functional risk dashboard. This provides a point-in-time assessment of the risk profile of the Group for the Risk Committee and the Board on the nature and extent of the risks faced by the Group.

The Group has adopted an activity-based "three lines of defence" risk governance model to delegate and coordinate essential risk management and control duties in a clear and cohesive manner:

a) First line of defence – Functional units establish risk and control environments in the Group's day-to-day business operations, and as risk owners, are responsible for risk identification, formulation of risk mitigation strategies and upward reporting of risk monitoring progress;

b) Second line of defence – The Risk Management Department monitors the risk management system and facilitates the development and setting of policies and guidelines and its effective implementation. It provides advice and guidance to the first-line functional units on implementation of the risk management and internal control systems; and

c) Third line of defence – The Internal Audit Department provides independent review on the effectiveness of the risk management and internal control systems.

The Group's ERM process is underpinned by its risk culture, which is aligned to the overall ethics and culture of the Group. The ERM process consists of eight process components: internal environment, objective setting, risk identification, risk assessment, risk response, control activities, communication and monitoring; and is used to identify, evaluate and manage the significant risks to the Group. The functional units translate the risk events and incorporate the Group risk appetite into quantitative tolerance limits to monitor and manage the identified material risks in line with the Board's strategies; before communicating their recommended mitigation plans to the Risk Management Department. The Group risk register allows categorisation and prioritisation of risks, risk documentation and reporting, and the monitoring of the ongoing development of risks.

For the year ended 31st December 2018, following management confirmation to the Risk Committee on its scope and quality of its ongoing risks monitoring and internal control systems; and satisfaction on the effectiveness of the risk management and internal control systems with no significant control failings or weaknesses and no significant areas of concern identified which might affect the shareholders of the Company, the Risk Committee has reported twice to the Board on their review and confirmation of its satisfaction on the adequacy and effectiveness of the risk management and internal control systems, including the scope and quality of the Group's ongoing monitoring of risks.

The Board confirmed that the Group's risk management and internal control systems are functioning adequately and effectively. The Board is satisfied that the Company and the Group have fully complied with the code provisions on risk management as set forth in the SEHK Code for the year ended 31st December 2018.

C. COMMUNICATION WITH SHAREHOLDERS

The Company attaches great importance to communications with shareholders. Extensive information on the Group's activities, business strategies and developments is provided in the Company's annual reports and interim reports. Shareholders of the Company are encouraged to attend the annual general meetings of the Company which offer a valuable forum for dialogue and interaction with management. The Chairman of the Board and the chairpersons of the Audit Committee, the Remuneration Committee, the Nomination Committee and other Board committees, or in their absence, another member of the relevant committee, are available at the annual general meetings to answer questions from shareholders on the business of the Group. A separate resolution is proposed by the Chairman in respect of each issue at the general meetings.

The Company has also established a shareholders' communication policy to ensure shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company. The policy is regularly reviewed to ensure its effectiveness and is available on written request to the Company Secretary.

The most recent shareholders' meeting of the Company was the 2017 AGM held at Dynasty Room, 7th Floor, The Dynasty Club, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on 4th May 2018, at which the following ordinary resolutions were passed with the voting results as follows:

	Ordinary Resolutions	Number of Votes (%) For	Against
1.	To consider and adopt the audited Financial Statements and the Reports of the Directors and the Auditor for the year ended 31st December 2017.	492,302,055 (100%)	0 (0%)
2(a).	To re-elect Mr. Tung Chee Chen as Director.	484,955,941 (98.507803%)	7,346,116 (1.492197%)
2(b).	To re-elect Professor Roger King as Director.	490,889,132 (99.712996%)	1,412,925 (0.287004%)
2(c).	To re-elect Mr. Cheng Wai Sun Edward as Director.	475,366,872 (96.640191%)	16,526,685 (3.359809%)
3.	To authorise the Board of Directors to fix the Directors' remuneration.	491,032,446 (99.742107%)	1,269,611 (0.257893%)
4.	To re-appoint Messrs. PricewaterhouseCoopers as Auditor and to authorise the Board of Directors to fix their remuneration.	475,101,863 (96.506171%)	17,200,194 (3.493829%)
5(a).	To grant a general mandate to the Directors to allot, issue and deal with the Company's shares.	445,841,123 (90.562515%)	46,460,934 (9.437485%)
5(b).	To grant a general mandate to the Directors to repurchase the Company's shares.	491,042,946 (99.744240%)	1,259,111 (0.255760%)
5(c).	To extend the general mandate to issue shares to cover the shares repurchased by the Company under Resolution No. 5(b).	445,992,298 (90.593223%)	46,309,759 (9.406777%)

Since the publication of the Company's 2010 interim report, the Company has offered to the shareholders of the Company the following options to choose the language and means of receipt of the corporate communications of the Company in support of environment protection and for the purpose of saving printing and mailing costs:

(1) to read the corporate communication published on the Company's website at http://www.ooilgroup.com in place of receiving printed copies, and receive an e-mail notification or a printed notification letter (as the case may be) of the publication of the corporate communication on website; or

(2) to receive either the printed English version, the printed Chinese version or both the printed English and Chinese versions of the Company's corporate communication.

D. SHAREHOLDERS' RIGHTS

1. Convening a special general meeting

Pursuant to the Bermuda Companies Act and the Company's Bye-law, the shareholder(s) of the Company holding not less than one-tenth of the paid up capital of the Company having the right to vote at general meetings of the Company shall have the right, by written requisition sent to the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and to the Company's principal office at 33rd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong, for the attention of the Company Secretary of the Company, to require a special general meeting (the "SGM") to be called by the Board for the transaction of any business specified in such requisition.

The written requisition must state the purposes of the general meeting, signed by the shareholder(s) concerned and may consist of several documents in like form, each signed by one or more of those shareholders.

Upon receipt of confirmation from the Company's branch share registrar (the "Registrar") that the shareholder(s) submitting the requisition is/are qualified to attend and vote at any general meeting, the Company will convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the registered shareholders.

2. Putting forward proposals at general meetings

The shareholder(s) of the Company holding (i) not less than one-twentieth of the total voting rights of all shareholders having the right to vote at the general meeting of the Company; or (ii) not less than 100 shareholders of the Company, can submit:

(i) a written request stating the resolution intended to be moved at an annual general meeting; or

(ii) a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

The written request/statement must be signed by the shareholder(s) concerned and deposited at the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and to the Company's principal office at 33rd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong, for the attention of the Company Secretary of the Company, not less than six weeks before the annual general meeting in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

Upon receipt of confirmation from the Registrar of the Company that the shareholder(s) making the proposal is/are qualified to attend and vote at the general meeting, the Company will:

(i) include the resolution in the agenda for the annual general meeting; or

(ii) circulate the statement for the general meeting,

provided that the shareholder(s) concerned have deposited a sum of money sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement to all the registered shareholders.

3. Putting enquiries to the Board

Shareholders who have enquiries to put to the Board of the Company may write to the Company Secretary of the Company at 31st Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

4. Dividends

Shareholders of the same class of shares shall have equal rights to dividends and distributions. In 2018, the Company has formally adopted a dividend policy (the "Dividend Policy") that balances the objectives of appropriately rewarding the shareholders for their investment and retaining reserves for long-term development and future expansion of the Company, and enhances transparency facilitating shareholders and investors to make informed investment decisions.

The Dividend Policy has a target annual dividend payout of 25% of the consolidated net profit attributed to shareholders in any financial year whether as interim and/or final dividends, subject to, inter alia, the financial performance, liquidity position, future plans and working capital requirements of the Company and the prevailing economic, financial, business and regulatory circumstances. The Company may also declare special dividends from time to time in addition to the semi-annual dividends.

The declaration of dividends is subject to the sole discretion of the Board. There can be no assurance that dividends will be paid in any particular amount of any given period. The Dividend Policy shall not constitute a legally binding document in respect of future dividend declaration of the Company and/or in no way oblige the Company to declare a dividend at any time or from time to time. The distribution and payment of dividends of the Company will be subject to compliance with the Company's Bye-laws and applicable laws and regulations.

Details of the dividend paid by the Company during the year 2018 are set out on page 146 of this annual report.

E. INVESTOR RELATIONS

The Company continues to promote and enhance investor relations and communication with its investors. The Company's investor relations team maintains regular dialogue with institutional investors, analysts and fund managers to keep them abreast of the Group's development.

Shareholders, investors and members of the public are able to access up-to-date corporate information and events related to the Group on the Company's website.

1. Shareholdings Information

As at 31st December 2018:

Authorised share capital: US$205,000,000, comprising 900,000,000 ordinary shares of US$0.1 each, 65,000,000 limited voting convertible redeemable preferred shares of US$1 each and 50,000,000 redeemable preferred shares of US$1 each.

Issued and fully-paid up capital: US$62,579,329.7 comprising 625,793,297 ordinary shares of US$0.1 each.

Details of the shareholding of the ordinary shares of the Company by the type of shareholders as at 31st December 2018 are as follows:

Type of Shareholders	Number of Shareholders	Shareholders % of total	Number of Shares
Corporate	18	3.0769%	624,731,734
Individual	567	96.9231%	1,061,563
Total	585	100.00%	625,793,297

Details of the shareholding of the ordinary shares of the Company by range as at 31st December 2018 are as follows:

Size of shareholdings	Number of Shareholders	Shareholders % of total
1 – 10,000	568	97.0940%
10,001 – 100,000	13	2.2222%
100,001 – 1,000,000	1	0.1710%
1,000,001 or above	3	0.5128%
Total	585	100.00%

2. Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company maintained at least 25% of public float as at 31st December 2018.

3. Financial Calendar

Important dates for the coming financial year are set out on page 59 of this annual report.

4. Memorandum of Association and Bye-Laws

There are no changes to the memorandum of association and bye-laws of the Company (the "Constitutional Documents") during the year 2018. The consolidated version of the Constitutional Documents is available on the Company's website and on the HKEXnews website.

Report of the Directors

The Board of Directors of the Company (the "Board") presents this report together with the audited consolidated financial statements for the year ended 31st December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries, associated companies and joint ventures are set out on pages 175 to 183 of this annual report.

GROUP RESULTS

The consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") are set out on page 105 of this annual report.

DIVIDENDS

The Board did not declare the payment of an interim dividend for the year ended 31st December 2018.

The Board has recommended the payment of a final dividend of US7.7 cents (HK$0.601 at the exchange rate of US$1: HK$7.8) per ordinary share for the year ended 31st December 2018 to be paid on 2nd July 2019 to the shareholders of the Company whose names appear on the register of members of the Company on 28th May 2019. Shareholders should complete the dividend election form (if applicable) and return it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 20th June 2019.

BUSINESS REVIEW

A review of the business of the Group and an analysis of the Group's performance during the year are provided in Chairman's Statement on pages 10 to 13, Operations Review on pages 14 to 23 and Financial Review sections on pages 34 to 49 of this annual report. Description of the principal risks and uncertainties that the Group is facing can be found in Chairman's Statement on pages 10 to 13 and Operations Review on pages 14 to 23. Also, the financial risk management objectives and policies of the Group can be found in note 3 to the consolidated financial statements. No important events affecting the Group have occurred since the end of the financial year ended 31st December 2018. The Group's future business development is provided in Chairman's Statement on pages 10 to 13 and Operations Review on pages 14 to 23 of this annual report. In addition, discussions on the Group's environmental policies and performance and compliance with the relevant laws and regulations and an account of the Group's key relationships with its employees, customers and suppliers and stakeholders, that have a significant impact on the Group are contained in the Corporate Responsibility section on pages 24 to 33 of this annual report and in the Company's 2018 Sustainability Report to be published in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

On 7th July 2017, it was jointly announced by Faulkner Global Holdings Limited ("COSCO SHIPPING Offeror"), Shanghai Port Group (BVI) Development Co., Limited ("SIPG Offeror", collectively with COSCO SHIPPING Offeror the "Joint Offerors") and COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings") and the Company that UBS AG Hong Kong Branch, on behalf of the Joint Offerors, made a pre-conditional voluntary general cash offer to acquire all of the issued shares of the Company at an offer price in cash of HK$78.67 per share of the Company (the "Offer"), subject only to the satisfaction or waiver of the pre-conditions (the "Pre-conditions").

On 29th June 2018, the Joint Offerors, COSCO SHIPPING Holdings and the Company jointly announced that all the Pre-conditions were satisfied. Further information of the Offer, the close of the Offer and the restoration of public float are set out in the composite document dated 6th July 2018 and the joint announcements dated 27th July 2018 and 17th August 2018.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Xu Lirong *(Chairman)* *(Note 1)*
Mr. Huang Xiaowen *(Chief Executive Officer)* *(Note 1)*
Mr. Wang Haimin *(Note 1)*
Mr. Zhang Wei *(Note 1)*
Mr. Tung Lieh Cheung Andrew
Mr. Tung Chee Chen *(Note 2)*
Mr. Tung Lieh Sing Alan *(Note 2)*

Non-Executive Directors

Mr. Yan Jun *(Note 1)*
Ms. Wang Dan *(Note 1)*
Mr. Ip Sing Chi *(Note 1)*
Ms. Cui Hongqin *(Note 1)*
Professor Roger King *(Note 2)*

Independent Non-Executive Directors

Mr. Chow Philip Yiu Wah
Professor Wong Yue Chim Richard
Dr. Chung Shui Ming Timpson *(Note 1)*
Mr. Yang Liang Yee Philip *(Note 1)*
Ms. Chen Ying *(Note 1)*
Mr. Simon Murray *(Note 2)*
Mr. Cheng Wai Sun Edward *(Note 2)*
Mr. Kwok King Man Clement *(Note 2)*

Notes:

1. appointed as Directors of the Company with effect from 3rd August 2018.
2. resigned as Directors of the Company with effect from 3rd August 2018.

In accordance with bye-law 86(2) of the Bye-laws of the Company (the "Bye-laws"), Mr. Xu Lirong, Mr. Huang Xiaowen, Mr. Wang Haimin, Mr. Zhang Wei, Mr. Yan Jun, Ms. Wang Dan, Mr. Ip Sing Chi, Ms. Cui Hongqin, Dr. Chung Shui Ming Timpson, Mr. Yang Liang Yee Philip and Ms. Chen Ying, appointed as Directors of the Company on 3rd August 2018, will hold office until the next following annual general meeting of the Company to be held on 17th May 2019 (the "Annual General Meeting") and, being eligible, will offer themselves for re-election at the Annual General Meeting.

In addition, in accordance with bye-law 87(2) of the Bye-laws, Professor Wong Yue Chim Richard will retire by rotation. Professor Wong Yue Chim Richard has informed the Board that he will not offer himself for re-election pursuant to bye-law 87(4)(c) of the Bye-laws and accordingly will retire as an Independent Non-Executive Director of the Company with effect from the conclusion of the Annual General Meeting.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

The Company has received from each Independent Non-Executive Director of the Company, confirmation of his independence pursuant to rule 3.13 of the Listing Rules and considers all of them are independent.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Neither the Company nor any of its subsidiaries was a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the year or at the end of the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST

1. Significant Contracts

The Group shares the rental of office premises at Harbour Centre, Hong Kong on an actual cost reimbursement basis with Island Navigation Corporation International Limited ("INCIL"), which is owned by Tung family trusts. Such arrangement continued during the year 2018, and the total amount of rental on an actual cost reimbursement basis paid by INCIL to the Group for the year ended 31st December 2018 was approximately US$1,621,000.

Yuensung Investment Company Limited ("Yuensung"), a company controlled by Mr. C U Tung, the uncle of Mr. Tung Chee Chen (who ceased to be Chairman, President, Chief Executive Officer and Executive Director of the Company on 3rd August 2018), also shared the rental of an office premises at Harbour Centre, Hong Kong with our Group during the year 2018. Such arrangement was terminated as of 31st December 2018 and the total amount of rental on an actual cost reimbursement basis paid by Yuensung to the Group for the year ended 31st December 2018 was approximately US$92,000.

Except for the above (other than contracts amongst Group companies), no other contracts or arrangements of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the year end or at any time during the year.

2. Shares

As at 31st December 2018, the issued share capital of the Company consisted of 625,793,297 ordinary shares (the "Shares"). The interests and short positions of the Directors and the Chief Executive of the Company in the Shares, the underlying Shares and the debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows as at 31st December 2018:

(a) Long positions in the Shares, underlying Shares and debentures of the Company:

Nil

(b) Long Positions in the shares, underlying shares and debentures of associated corporation of the Company:

Name of associated corporation	Name of Director	Capacity	Number of ordinary shares held as personal interest	Number of outstanding share options granted	Total number of interests	Percentage
COSCO SHIPPING Ports Limited	Zhang Wei	Beneficial owner	306,896	1,500,000 *(Note)*	1,806,896	0.06%

Note:

The share options were granted on 19th June 2018 under the Share Option Scheme of COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports") at an exercise price of HK$7.27 per share. These share options are exercisable from 19th June 2020 to 18th June 2023. According to the terms of the COSCO SHIPPING Ports Share Option Scheme, options under each grant have a validity period of five years commencing from the date of grant and cannot be exercised during the two-year period commencing from the date of grant (the "Restriction Period"). Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. (a) 33.3% of the share options will be vested on 19th June 2020; (b) 33.3% of the share options will be vested on 19th June 2021; and (c) 33.4% of the share options will be vested on 19th June 2022. Details of the vesting conditions for the share options are set out in the section headed "11. Performance Target before the Options can be granted and vested — Performance Conditions for the vesting of Share Options" in the circular of the COSCO SHIPPING Ports dated 18th May 2018. No consideration was paid by the grantees for the acceptance of share option.

Save as disclosed above, as at 31st December 2018, none of the Directors or the Chief Executive of the Company had any interest or short position in the Shares, the underlying Shares and the debentures of the Company or any of its associated corporation (within the meaning of the SFO) which were required to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

3. Directors' Interests in Competing Business

During the year of 2018, Mr. Xu Lirong, Mr. Huang Xiaowen, Mr. Wang Haimin and Mr. Zhang Wei, Executive Directors of the Company, held directorships and/or senior management positions in China COSCO SHIPPING Corporation Limited, an indirect controlling shareholder of the Company, its subsidiaries or its associates which are engaged in the same business of container shipping, management and operation of container terminals and/or logistics services (the "Competing Companies") as the Group.

As the Board of the Company is independent of the board of directors of the Competing Companies, the Directors of the Company are of the view that the Group is capable of carrying on its business independently of, and at arm's length from the businesses of the Competing Companies.

Save as disclosed above, and to the best knowledge of the Directors of the Company, none of the Directors of the Company had an interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into during the year or subsisted at the end of the year.

SUBSTANTIAL SHAREHOLDERS' SHARE INTEREST

As at 31st December 2018, the following persons (other than the Directors or the Chief Executive of the Company) had an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Nature of interest	Number of Shares interested (Long position)	Percentage
Faulkner Global Holdings Limited	Beneficial owner	469,344,972	75%
COSCO SHIPPING Holdings (Hong Kong) Limited	Interest of controlled corporation	469,344,972 *(Note 1)*	75%
COSCO SHIPPING Holdings Co., Ltd.	Interest of controlled corporation	469,344,972 *(Note 2)*	75%
China Ocean Shipping Company Limited	Interest of controlled corporation	469,344,972 *(Note 3)*	75%
China COSCO SHIPPING Corporation Limited	Interest of controlled corporation	469,344,972 *(Note 4)*	75%
Shanghai Port Group (BVI) Development Co., Limited	Beneficial owner	61,953,536	9.90%
Shanghai International Port Group (HK) Co., Ltd.	Interest of controlled corporation	61,953,536 *(Note 5)*	9.90%
Shanghai International Port (Group) Co., Ltd.	Interest of controlled corporation	61,953,536 *(Note 6)*	9.90%
PSD Investco Inc.	Beneficial owner	38,513,150	6.15%
Green Amber Investment Limited	Interest of controlled corporation	38,513,150 *(Note 7)*	6.15%
Silk Road Fund Co., Ltd.	Interest of controlled corporation	38,513,150 *(Note 8)*	6.15%
Buttonwood Investment Platform Ltd.	Interest of controlled corporation	38,513,150 *(Note 9)*	6.15%

Notes:

1. COSCO SHIPPING Holdings (Hong Kong) Limited ("COSCO SHIPPING HK") holds 100% of the shares of Faulkner Global Holdings Limited ("Faulkner") and, accordingly, has an indirect interest in the same Shares in which Faulkner has an interest.

2. COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings") holds 100% of the shares of COSCO SHIPPING HK and, accordingly, has an indirect interest in the same Shares in which COSCO SHIPPING HK has an interest.

3. China Ocean Shipping Company Limited ("China Ocean") holds 45.47% of the shares of COSCO SHIPPING Holdings and, accordingly, has an indirect interest in the same Shares in which COSCO SHIPPING Holdings has an interest.

4. China COSCO SHIPPING Corporation Limited ("China COSCO SHIPPING") holds 100% of the shares of China Ocean and, accordingly, has an indirect interest in the same Shares in which China Ocean has an interest. Both China Ocean and China COSCO SHIPPING are state-owned enterprises established in the People's Republic of China.

5. Shanghai International Port Group (HK) Co., Ltd. ("SIPG HK") holds 100% of the shares of Shanghai Port Group (BVI) Development Co., Limited ("SIPG BVI") and, accordingly, has an indirect interest in the same Shares in which SIPG BVI has an interest.

6. Shanghai International Port (Group) Co., Ltd. holds 100% of the shares of SIPG HK and, accordingly, has an indirect interest in the same Shares in which SIPG HK has an interest.

7. Green Amber Investment Limited ("Green Amber") holds 100% of the shares of PSD Investco Inc. ("PSD") and, accordingly, has an indirect interest in the same Shares in which PSD has an interest.

8. Silk Road Fund Co., Ltd. ("Silk Road Fund") holds 100% of the shares of Green Amber and, accordingly, has an indirect interest in the same Shares in which Green Amber has an interest.

9. Buttonwood Investment Platform Ltd. holds 65% of the shares of Silk Road Fund and, accordingly, has an indirect interest in the same Shares in which Silk Road Fund has an interest.

Save as disclosed herein, as at 31st December 2018, the Company has not been notified by any person (other than the Directors or the Chief Executive of the Company) who had an interest or short position in the Shares or the underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year ended 31st December 2018, the Group had the following continuing connected transactions (the "Continuing Connected Transactions"):

(1) Continuing Connected Transactions constituted by the following agreements entered into by OOCL (Taiwan) Co., Ltd. ("OTWL"), a previous Taiwanese subsidiary of the Group:

a) CMT Master Agreement

Pursuant to a master agreement dated 29th June 2005, as supplemented by the supplemental agreements dated 10th December 2007, 15th December 2010, 4th December 2013 and 5th December 2016 (the "CMT Master Agreement"), all entered into between OTWL and Chinese Maritime Transport Ltd. ("CMT"), CMT agreed to provide and to procure members of the CMT group to provide various services to the Group including, inter alia, (i) trucking service; (ii) leasing of equipment (including chassis and tractors); (iii) maintenance and repair services for generator sets and chassis; (iv) freight station depot and container storage facilities; (v) container yard and gate services; and (vi) crew manning services, for successive periods of three years subject to the annual caps of US$57,800,000, US$60,700,000 and US$63,800,000 for the financial years of 2017, 2018 and 2019 respectively.

b) AII Master Agreement

Pursuant to a master agreement dated 29th June 2005, as supplemented by the supplemental agreement dated 10th December 2007, 15th December 2010, 4th December 2013 and 5th December 2016 (the "AII Master Agreement"), all entered into between OTWL and Associated International Inc. ("AII"), AII agreed to provide and to procure members of the AII group to provide various services to the Group including, inter alia, (i) provision of office premises; and (ii) freight station depot and container storage facilities, for successive periods of three years subject to the annual caps of US$2,800,000 for each of the financial years of 2017, 2018 and 2019.

Mr. John Peng is the controlling shareholder of CMT and AII, and a deemed connected person of certain then Directors and substantial shareholders of the Company. Mr. Peng and accordingly CMT and AII are therefore connected persons of the Company as defined in the Listing Rules.

The arrangements with CMT group and AII group ceased as connected transactions following the change of the Company's controlling shareholder and the sale of the Group's two Taiwanese companies, including OTWL.

During the period from 1st January 2018 to 30th June 2018, US$13,089,000 was paid by OTWL to the CMT group for the services under CMT Master Agreement and US$540,000 was paid by OTWL to the AII group for the services under AII Master Agreement.

(2) Continuing Connected Transactions constituted by the following agreements entered into by the Company (for itself and on behalf of its subsidiaries and associates)

Prior to completion of the Offer, both the Group and China COSCO SHIPPING and its subsidiaries and associates (collectively the "COSCO SHIPPING Group") have been providing each other various liner, logistics, bunker, terminal and equipment procurement services (as the case may be). On 24th July 2018, China COSCO SHIPPING has become an indirect controlling shareholder of the Company. Accordingly, members of the COSCO SHIPPING Group are connected persons of the Company as defined in the Listing Rules. As such, the following agreements entered into between the Company and China COSCO SHIPPING on 24th July 2018 for continuation of the aforesaid services which constitute continuing connected transactions of the Company.

a) Business Master Agreement

Pursuant to a master agreement dated 24th July 2018 entered into between the Company (for itself and on behalf of its subsidiaries and associates) and China COSCO SHIPPING (for itself and on behalf of its subsidiaries and associates), both parties agreed to provide and to procure members of its group to provide to each other services related to containerized liner, logistics and information technology (the "Business Master Agreement"). The Business Master Agreement is for a term ending on 31st December 2019 and is subject to renewal for successive periods of three years.

The following table is a summary of the annual caps for each of the transactions contemplated under the Business Master Agreement for the financial years ended 31st December 2018 and 2019 and the transaction amounts for the six months ended 31st December 2018.

Types of services under the Business Master Agreement	Transaction amounts from July to December 2018 (US$'000)	Annual Caps Year 2018 (US$'000)	Annual Caps Year 2019 (US$'000)
Provision of services by COSCO SHIPPING Group			
(A) Liner services			
(i) network services	20,999	50,000	60,000
(ii) operation services	25,110	120,000	132,000
(iii) vessel operating common carrier services	–	2,000	2,400
(iv) other services, including			
– information technology services	–	2,000	2,400
– vessels	10,966	20,000	66,153
(B) Logistics services including non-vessel operating common carrier services, international supply chain services, and domestic logistics services	2,695	6,000	7,200
(C) Other contractual arrangements, including office leases	176	5,000	6,000
(D) Other services, including use of common facilities, ad-hoc use of business facilities and crew manning service/manning agency service	569	8,000	9,600
Provision of services to COSCO SHIPPING Group			
(A) Liner services			
(i) network services	15,346	60,000	72,000
(ii) operation services	740	5,000	6,000
(iii) vessel operating common carrier services	39,333	120,000	132,000
(iv) other services, including			
– information technology services	593	5,000	67,597
– vessels	–	5,000	28,000
(B) Logistics services including non-vessel operating common carrier services, international supply chain services, and domestic logistics services	471	6,000	7,200
(C) Other contractual arrangements, including office leases	170	5,000	6,000
(D) Other services, including use of common facilities, ad-hoc use of business facilities and crew manning service/manning agency service	–	5,000	6,000

b) Bunker Master Agreement

Pursuant to a master agreement dated 24th July 2018 entered into between the Company (for itself and on behalf of its subsidiaries and associates) and China COSCO SHIPPING (for itself and on behalf of its subsidiaries and associates), COSCO SHIPPING Group agreed to sell and to procure members of its group to sell bunker, fuel and oil to the Group (the "Bunker Master Agreement"). The Bunker Master Agreement is for a term ending on 31st December 2019 and is subject to renewal for successive periods of three years.

The annual caps for the transactions contemplated under the Bunker Master Agreement for the financial years ended 31st December 2018 and 2019 are US$250,000,000 and US$280,000,000 respectively.

For the six months ended 31st December 2018, US$133,078,000 was paid by the Group to COSCO SHIPPING Group for the purchase of bunker, fuel and oil.

c) Terminal Master Agreement

Pursuant to a master agreement dated 24th July 2018 entered into between the Company (for itself and on behalf of its subsidiaries and associates) and China COSCO SHIPPING (for itself and on behalf of its subsidiaries and associates), both parties agreed to provide and to procure members of its group to provide to each other terminal services and related services (the "Terminal Master Agreement"). The Terminal Master Agreement is for a term ending on 31st December 2019 and is subject to renewal for successive periods of three years.

The following table is a summary of the annual caps for each of the transactions contemplated under the Terminal Master Agreement for the financial years ended 31st December 2018 and 2019 and the transaction amounts for the six months ended 31st December 2018.

	Transaction amounts from July to December 2018 (US$'000)	Annual Caps Year 2018 (US$'000)	Annual Caps Year 2019 (US$'000)
Provision of services by COSCO SHIPPING Group	54,558	240,000	280,000
Provision of services to COSCO SHIPPING Group	12,139	80,000	96,000

d) Equipment Procurement Master Agreement

Pursuant to a master agreement dated 24th July 2018 entered into between the Company (for itself and on behalf of its subsidiaries and associates) and China COSCO SHIPPING (for itself and on behalf of its subsidiaries and associates), both parties agreed to provide and to procure members of its group to provide to each other services relating to equipment procurement including container acquisition and pooling (the "Equipment Procurement Master Agreement"). The Equipment Procurement Master Agreement is for a term ending on 31st December 2019 and is subject to renewal for successive periods of three years.

The following table is a summary of the annual caps for each of the transactions contemplated under the Equipment Procurement Master Agreement for the financial years ended 31st December 2018 and 2019 and the transaction amounts for the six months ended 31st December 2018.

	Transaction amounts from July to December 2018 (US$'000)	Annual Caps Year 2018 (US$'000)	Annual Caps Year 2019 (US$'000)
Provision of services by COSCO SHIPPING Group	95,333	280,000	280,000
Provision of services to COSCO SHIPPING Group	–	15,000	20,000

China COSCO SHIPPING is an indirect controlling shareholder of the Company. Accordingly, members of COSCO SHIPPING Group are connected persons of the Company as defined in the Listing Rules.

Pursuant to rule 14A.55 of the Listing Rules, the Independent Non-Executive Directors of the Company, namely Mr. Chow Philip Yiu Wah, Professor Wong Yue Chim Richard, Dr. Chung Shui Ming Timpson, Mr. Yang Liang Yee Philip and Ms. Chen Ying, have reviewed the Continuing Connected Transactions and confirmed that the Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing the findings and conclusions in respect of the Continuing Connected Transactions as disclosed above in accordance with rule 14A.56 of the Listing Rules and nothing has come to his attention that causes him to believe that the disclosed Continuing Connected Transactions:

(i) have not been approved by the Board of Directors of the Company;

(ii) which involve provision of goods or services by the Group, were not entered into, in all material respects, in accordance with the pricing policies of the Group;

(iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(iv) have exceeded the maximum aggregate annual caps in respect of each of the disclosed Continuing Connected Transactions.

PERMITTED INDEMNITY

Pursuant to the Bye-laws of the Company and subject to the provisions of the statutes, every Director of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he may incur or sustain in or about the execution of his duty; provided that the indemnity shall not extend to any matter in respect of any wilful negligence, wilful default, fraud or dishonesty which may attach to any of the Directors.

Since 1992, the Company has arranged insurance cover for directors' and officers' liabilities including cover for Directors, officers and senior management of the Group arising out of the corporate activities of the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under Bermudan law in relation to the issue of new shares by the Company.

SHARE CAPITAL

Details of the shares of the Company issued during the year are set out in note 37 to the consolidated financial statements on pages 166 and 167 of this annual report.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 38 and note 47 to the consolidated financial statements on pages 167 and 174 of this annual report.

EQUITY-LINKED AGREEMENTS

For the year ended 31st December 2018, the Company had not entered into any equity-linked agreement.

CORPORATE GOVERNANCE

The Board and management of the Company are committed to maintaining high standards of corporate governance and the Company considers that effective corporate governance makes an important contribution to corporate success and to the enhancement of shareholder value.

The Company has adopted its own corporate governance code (the "CG Code"), which in addition to applying the principles as set out in the Corporate Governance Code (the "SEHK Code") contained in Appendix 14 to the Listing Rules, also incorporates and conforms to local and international best practices. The CG Code sets out the corporate governance principles applied by the Group and is constantly reviewed to ensure transparency, accountability and independence. Further information on the CG Code is set out in the corporate governance report (the "Corporate Governance Report") on pages 62 to 87 of this annual report.

Throughout the year of 2018, the Company complied with the SEHK Code, except as set out in the Corporate Governance Report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this report, there was sufficient public float of at least 25% of the Company's issued Shares as required under the Listing Rules.

DONATIONS

Donations made by the Group during the year amount to US$265,000.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 17th May 2019.

A circular containing, inter alia, (i) a notice convening the Annual General Meeting; (ii) details of the retiring Directors to be re-elected at the Annual General Meeting; (iii) the general mandate to authorise the allotment of and otherwise dealing with shares of all classes in the capital of the Company and securities convertible into shares and options, warrants or similar rights to subscribe for shares or such convertible securities; and (iv) the general mandate to authorise the repurchase of the Company's securities together with a proxy form will be despatched to the shareholders of the Company on or around 10th April 2019.

COMPANY SECRETARY

The Company Secretary of the Company is Ms. Lammy Lee, Barrister.

AUDITOR

The Group's consolidated financial statements have been audited by PricewaterhouseCoopers who will retire at the Annual General Meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Orient Overseas (International) Limited
Xu Lirong
Chairman

Hong Kong, 22nd March 2019

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Independent Auditor's Report

To the Shareholders of Orient Overseas (International) Limited
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Orient Overseas (International) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 105 to 183, which comprise:

- the consolidated balance sheet as at 31st December 2018;
- the consolidated profit and loss account for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st 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 ("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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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.

Key audit matters identified in our audit are summarised as follows:

- Recognition of freight revenue over time
- Provision for operating costs

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of freight revenue over time *Refer to notes 2.22 and 5 to the consolidated financial statements.* For the year ended 31st December 2018, the majority of the Group's revenue of US$6,572.7 million (2017: US$5,981.7 million (restated)) was derived from the freight revenue from container transport operation. The Group recognises freight revenue over time which is determined on the time proportion of each individual vessel voyage completed at year end with reference to their voyage details such as freight rates, departures dates and arrival dates. The transaction volume of the voyages which are in progress as at year end is significant and complex calculations are involved in the estimation of freight revenue over time.	Our procedures in relation to management's quantification of freight revenue in relation to those vessel voyages which were in progress at year end included: • Understanding, evaluating and testing the information technology general control environment of the operation system used to record the freight revenue transactions. • Understanding, evaluating and testing the key controls over the recognition of freight revenue and receivable, in particular relating to estimation of freight revenue for vessel voyages in progress at the year end. • Agreeing the departure dates and arrival dates of vessel voyages in progress at year end in the operation system to the sailing schedules, on a sample basis. • Agreeing the total freight revenue by vessel voyages in the operation system to the accounting records. • Recomputing the estimated freight revenue of vessel voyages which were in progress as at year end with reference to the departure dates and arrival dates on a sample basis. We found that management's estimation of freight revenue for vessel voyages in progress at year end are supportable by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for operating costs *Refer to notes 4(c) and 40 to the consolidated financial statements.* As at 31st December 2018, included in the accrued expenses of US$443.2 million (2017: US$420.7 million) was a provision for operating costs for container transport operation which mainly comprise cargo, vessel and voyage costs, equipment and repositioning costs and terminal operating costs. As it takes several months to finalise certain costs with suppliers subsequent to the receipt of such services, management makes a provision for such operating costs based on known services received, pattern of historical costs and estimated vendor tariffs. The estimation of provision for operating costs involves significant judgement taking into account a number of factors, such as pattern of historical costs and the estimated vendor tariffs. Changes in estimation could result in material changes to the provision for operating costs.	Our procedures in relation to management's estimation of the provision for operating costs included: • Understanding, evaluating and testing the information technology general control environment of the operation system used to record the operating costs and cost provisioning. • Understanding, evaluating and testing the key controls over the operating costs, cost provisioning and accounts payable cycle, in particular relating to the accuracy of the vendor tariffs in the operation system. • Understanding and reperforming the computation of the provision for operating costs, on a sample basis. • Reviewing and discussing monthly trend analysis for provision for operating costs with management to assess the sufficiency of provisions made. • Checking the subsequent utilisation of provision for operating costs to evaluate the sufficiency of provision made. • Reviewing paid and unpaid invoices after year end to ascertain whether liabilities have been recorded in the proper period, on a sample basis. We found that the judgement involved in making the provision for operating costs was supportable by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 DIRECTORS AND THE AUDIT COMMITTEE 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible 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. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda 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.

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.

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 Kam Fung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22nd March 2019

Consolidated Profit and Loss Account

For the year ended 31st December 2018

US$'000	Note	2018	Restated 2017
Revenue	5	**6,572,655**	5,981,676
Operating costs	6	**(5,859,839)**	(5,425,783)
Gross profit		**712,816**	555,893
Fair value gain from an investment property	18	**39,500**	43,436
Other operating income	7	**82,521**	71,936
Business and administrative expenses		**(550,733)**	(459,330)
Other (losses)/gains, net	8	**(21,169)**	26,220
Operating profit	11	**262,935**	238,155
Finance costs	12	**(143,191)**	(97,418)
Share of profits of joint ventures	20	**2,953**	5,177
Share of profits of associated companies	21	**11,371**	13,957
Profit before taxation		**134,068**	159,871
Taxation	13	**(58,620)**	(12,433)
Profit for the year from continuing operations		**75,448**	147,438
Discontinued operation:			
Profit/(loss) for the year from discontinued operation	16	**32,718**	(9,782)
Profit for the year		**108,166**	137,656
Profit attributable to:			
Equity holders of the Company		**108,166**	137,656
Earnings/(loss) per ordinary share (US cents)			
– from continuing operations		**12.1**	23.6
– from discontinued operation		**5.2**	(1.6)
Basic and diluted	14	**17.3**	22.0

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2018

US$'000	2018	Restated 2017
Profit for the year	**108,166**	137,656
Other comprehensive (loss)/income:		
Items that will not be subsequently reclassified to profit or loss:		
Remeasurement (losses)/gains on defined benefit schemes	**(5,107)**	10,506
Investments at fair value through other comprehensive income		
– Change in fair value	**(20,931)**	–
Total items that will not be subsequently reclassified to profit or loss	**(26,038)**	10,506
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
– Change in fair value	**–**	12,492
Currency translation adjustments		
– Foreign subsidiaries	**(9,354)**	6,978
– Associated companies	**(6,371)**	8,505
– Joint ventures	**(378)**	478
– Release of reserve upon disposal of subsidiaries	**(116)**	–
– Release of reserve upon partial disposal of a joint venture	**(120)**	–
Total items that have been reclassified or may be reclassified subsequently to profit or loss	**(16,339)**	28,453
Other comprehensive (loss)/income for the year, net of tax	**(42,377)**	38,959
Total comprehensive income for the year	**65,789**	176,615
Total comprehensive income/(loss) for the year attributable to equity holders of the Company arising from:		
Continuing operations	**33,071**	186,397
Discontinued operation	**32,718**	(9,782)
	65,789	176,615

Consolidated Balance Sheet

As at 31st December 2018

US$'000	Note	2018	2017
ASSETS			
Non-current assets			
Property, plant and equipment	17	**5,880,057**	6,251,457
Investment property	18	**310,000**	270,000
Prepayments of lease premiums	19	**7,452**	7,972
Joint ventures	20	**8,940**	10,833
Associated companies	21	**139,676**	148,840
Intangible assets	22	**32,428**	49,204
Deferred taxation assets	23	**1,233**	1,476
Pension and retirement assets	24	**–**	243
Restricted bank balances	25	**58,001**	60,414
Investments at fair value through other comprehensive income	26	**24,422**	–
Available-for-sale financial assets	26	**–**	45,383
Investments at amortised cost	27	**189,391**	–
Held-to-maturity investments	27	**–**	217,889
Other non-current assets	28	**104,011**	40,863
Non-current deposit with a fellow subsidiary		**51,064**	–
		6,806,675	7,104,574
Current assets			
Inventories	29	**119,710**	102,157
Debtors and prepayments	30	**634,229**	589,936
Amounts due from joint ventures	31	**478**	6,007
Amounts due from fellow subsidiaries	32	**12,969**	–
Amounts due from related companies	33	**690**	–
Investments at amortised cost	27	**33,568**	–
Held-to-maturity investments	27	**–**	17,040
Portfolio investments at fair value through profit or loss	34	**378,257**	294,720
Derivative financial instruments	35	**–**	1,825
Tax recoverable		**6,966**	8,637
Restricted bank balances	25	**3,121**	3,425
Cash and bank balances	36	**1,584,465**	1,940,975
		2,774,453	2,964,722
Assets held for sale	16	**472,732**	–
		3,247,185	2,964,722
Total assets		**10,053,860**	10,069,296
EQUITY			
Equity holders			
Share capital	37	**62,579**	62,579
Reserves	38	**4,672,551**	4,619,934
Total equity		**4,735,130**	4,682,513

Consolidated Balance Sheet

As at 31st December 2018

US$'000	Note	2018	2017
LIABILITIES			
Non-current liabilities			
Borrowings	39	**3,695,834**	3,930,025
Deferred taxation liabilities	23	**106,827**	65,221
Pension and retirement liabilities	24	**3,200**	38
Other non-current liabilities		**–**	11,628
		3,805,861	4,006,912
Current liabilities			
Creditors and accruals	40	**838,185**	740,260
Amounts due to joint ventures	41	**2,441**	7,526
Amounts due to fellow subsidiaries	42	**5,843**	–
Amounts due to related companies	43	**10,371**	–
Borrowings	39	**501,922**	624,158
Derivative financial instruments	35	**5,565**	–
Current taxation		**7,494**	7,927
		1,371,821	1,379,871
Liabilities directly associated with assets classified as held for sale	16	**141,048**	–
		1,512,869	1,379,871
Total liabilities		**5,318,730**	5,386,783
Total equity and liabilities		**10,053,860**	10,069,296

Wang Haimin
Tung Lieh Cheung Andrew
Directors

Consolidated Cash Flow Statement

For the year ended 31st December 2018

US$'000	Note	2018	2017
Cash flows from operating activities			
Operating profit		**299,386**	232,170
Interest income		**(56,452)**	(46,611)
Dividend income and distribution		**(24,805)**	(22,975)
Depreciation and amortisation		**403,701**	439,824
Loss on disposal of intangible assets		**657**	6,690
Impairment on investments at amortised cost		**1,985**	–
Fair value gain from assets and liabilities		**(16,004)**	(50,196)
Gain on disposal of subsidiaries		**(3,663)**	–
Gain on partial disposal of a joint venture		**(896)**	–
Net gain on disposal of non-current assets		**(14,171)**	(8,434)
Operating profit before working capital changes		**589,738**	550,468
Increase in inventories		**(22,913)**	(17,685)
Increase in debtors and prepayments		**(86,094)**	(115,641)
Increase in amounts due from fellow subsidiaries		**(20,350)**	–
Increase in amounts due from related companies		**(690)**	–
Increase in creditors and accruals		**121,038**	41,161
Increase in amounts due to fellow subsidiaries		**6,048**	–
Increase in amounts due to related companies		**10,371**	–
(Decrease)/increase in other non-current liabilities		**(1,115)**	11,628
Change in net pension assets/liabilities		**(1,667)**	(1,556)
Settlement of derivative financial instruments		**3,394**	2,319
Cash generated from operations		**597,760**	470,694
Interest and financing charges paid		**(129,261)**	(90,095)
Hong Kong profits tax paid		**(702)**	(21)
Overseas taxes paid		**(15,135)**	(10,220)
Net cash from operating activities		**452,662**	370,358
Cash flows from investing activities			
Sale and redemption on maturity of non-current assets		**89,182**	155,757
Purchase of property, plant and equipment		**(490,041)**	(470,428)
Purchase of other non-current assets		**(47,975)**	(98,101)
(Increase)/decrease in portfolio investments at fair value through profit or loss		**(88,350)**	46,200
Disposal of subsidiaries	45(b)	**(1,854)**	–
Proceeds on partial disposal of a joint venture		**1,230**	–
Investment in a joint venture		**(34)**	(154)
Net change in amounts due from joint ventures		**444**	(8,762)
Decrease/(increase) in restricted bank balances and bank deposits maturing more than three months		**1,655**	(61,956)
Interest received		**56,240**	46,496
Dividends and distribution received from investments		**10,133**	9,710
Dividends received from joint ventures and associated companies		**18,212**	20,204
Net cash used in investing activities		**(451,158)**	(361,034)
Cash flows from financing activities			
Drawdown of loans	45(a)	**213,692**	447,361
Repayment of loans	45(a)	**(506,679)**	(552,076)
Drawdown of finance lease obligations	45(a)	**262,228**	659,521
Capital element of finance lease rental payments	45(a)	**(267,148)**	(236,838)
Dividend paid to equity holders of the Company		**–**	(13,388)
Net cash (used in)/from financing activities		**(297,907)**	304,580
Net (decrease)/increase in cash and cash equivalents		**(296,403)**	313,904
Cash and cash equivalents at beginning of year		**1,940,975**	1,625,219
Cash and cash equivalents of disposal group classified as held for sale		**(53,733)**	–
Currency translation adjustments		**(6,374)**	1,852
Cash and cash equivalents at end of year	45(d)	**1,584,465**	1,940,975

Consolidated Statement of Changes in Equity

For the year ended 31st December 2018

US$'000	Equity holders		
	Share capital	Reserves	Total
At 31st December 2016	62,579	4,456,707	4,519,286
Total comprehensive income for the year	–	176,615	176,615
Transactions with owners			
2017 interim dividend	–	(13,388)	(13,388)
At 31st December 2017	62,579	4,619,934	4,682,513
Adjustment on adoption of HKFRS 9	–	(13,172)	(13,172)
Restated balance at 1st January 2018	62,579	4,606,762	4,669,341
Total comprehensive income for the year	–	65,789	65,789
At 31st December 2018	**62,579**	**4,672,551**	**4,735,130**

1. GENERAL INFORMATION

Orient Overseas (International) Limited (the "Company") is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal office is 33rd floor, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding and the activities of its principal subsidiaries, associated companies and joint ventures are set out on pages 175 to 183 of the consolidated financial statements.

The Company has its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Prior to 13th July 2018, the ultimate parent company of the Group was Tung Holdings (Trustee) Inc., incorporated in the Republic of Liberia. On 13th July 2018, the ultimate parent company of the Group was changed to China COSCO SHIPPING Corporation Limited ("COSCO SHIPPING"), a state-owned enterprise established in the People's Republic of China (the "PRC").

On 6th July 2018, the Group entered into the National Security Agreement pursuant to which the Group and COSCO SHIPPING Holdings Co., Ltd. committed to divest the Long Beach Container Terminal ("U.S. Terminal Business"). The proposed sale of the U.S. Terminal Business is accounted for as discontinued operation under HKFRS 5 "Non-current assets held for sale and discontinued operations". Analysis of the results, cash flows, assets and liabilities of the U.S. Terminal Business is presented in note 16.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of investment property, investments at fair value through other comprehensive income, portfolio investments at fair value through profit or loss and derivative financial instruments which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

The adoption of revised HKFRSs

In 2018, the Group adopted the following new standards, amendments, improvement and interpretation to existing HKFRSs below, which are relevant to its operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The adoption of revised HKFRSs (Continued)

(a) Impact on the financial statements

New standards, amendments, improvement and interpretation	
HKFRSs	Annual Improvements 2014 – 2016 Reporting Cycle
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendment)	Clarification to HKFRS 15
HKAS 40 (Amendment)	Transfer of Investment Property
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of the above new standards, amendments, improvement and interpretation to existing HKFRSs do not have a material impact on the Group, except for HKFRS 9 "Financial Instruments" as set out below.

(b) HKFRS 9 "Financial Instruments" – Impact of adoption

The adoption of HKFRS 9 "Financial Instruments" from 1st January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provision in HKFRS 9, comparative figures have not been restated. The reclassification and adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31st December 2017, but are recognised in the opening balance sheet on 1st January 2018.

The adjustments on the consolidated balance sheet as at 1st January 2018 are summarised below:

US$'000 Balance sheet (extract)	Note	31st December 2017 As originally presented	Effect of adoption of HKFRS 9	1st January 2018 Restated
Non-current assets				
Investments at fair value through other comprehensive income	(i)(a)	–	45,383	45,383
Investments at amortised cost	(i)(b),(ii)	–	217,617	217,617
Available-for-sale financial assets	(i)(a)	45,383	(45,383)	–
Held-to-maturity investments	(i)(b)	217,889	(217,889)	–
Current assets				
Debtors and prepayments	(ii)	589,936	(12,897)	577,039
Investments at amortised cost	(i)(b),(ii)	–	17,037	17,037
Held-to-maturity investments	(i)(b)	17,040	(17,040)	–
Total assets		10,069,296	(13,172)	10,056,124
Retained profit		4,267,850	(13,172)	4,254,678
Total equity		4,682,513	(13,172)	4,669,341

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The adoption of revised HKFRSs (Continued)

(b) HKFRS 9 "Financial Instruments" – Impact of adoption (Continued)

The total impact on the Group's retained profit as at 1st January 2018 is as follows:

US$'000	Note	
Closing retained profit as at 31st December 2017		4,267,850
Increase in provision for trade receivables and investments at amortised cost	(ii)	(13,172)
Opening retained profit as at 1st January 2018		**4,254,678**

(i) Classification and measurement

On 1st January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from the reclassification are:

(a) Equity investments previously classified as available-for-sale financial assets

The equity investments previously classified as available-for-sale financial assets were reclassified as investments at fair value through other comprehensive income as these investments are held as long-term strategic investments.

(b) Reclassification from held-to-maturity investments to investments at amortised cost

Bonds that would have previously been classified as held-to-maturity investments are now classified as investments at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

(ii) Impairment of financial assets

The Group has adopted the new impairment models in which the recognition of impairment provision is based on expected credit losses rather than only incurred credit losses. The below financial assets are assessed to have impact under the HKFRS 9's new expected credit loss model:

- Trade receivables
- Investments at amortised cost

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The adoption of revised HKFRSs (Continued)

(b) HKFRS 9 "Financial Instruments" – Impact of adoption (Continued)

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The loss allowance for trade receivables as at 31st December 2017 reconcile to the opening loss allowance on 1st January 2018 as follows:

US$'000	Trade receivables
At 31st December 2017 – calculated under HKAS 39	16,061
Amounts restated through opening retained profit	12,897
Opening loss allowance as at 1st January 2018 – calculated under HKFRS 9	**28,958**

Investments at amortised cost

All of the Group's debt investments at amortised cost are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12 months expected losses. The adoption of the expected credit loss model resulted in the recognition of a loss allowance at US$275,000 on 1st January 2018.

New standards, amendments, improvement and interpretation to existing standards that are relevant but not yet effective to the Group

New standards, amendments, improvement and interpretation to existing standards		Effective for accounting periods beginning on or after
HKAS 19 (Amendment)	Employee Benefits	1st January 2019
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures	1st January 2019
HKFRSs	Annual Improvements 2015 - 2017 Reporting Cycle	1st January 2019
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation and Modification of Financial Liabilities	1st January 2019
HKFRS 16	Leases	1st January 2019
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1st January 2019
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1st January 2020
HKFRS 3 (Amendment)	Definition of a Business	1st January 2020
HKFRS 17	Insurance Contracts	1st January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The adoption of HKAS 19 (Amendment), HKAS 28 (Amendment), HKAS 1 and HKAS 8 (Amendments), HKFRSs Annual Improvements 2015 – 2017 Reporting Cycle, HK (IFRIC) – Int 23, HKFRS 3 (Amendment), HKFRS 9 (Amendment), HKFRS 10 and HKAS 28 (Amendments) and HKFRS 17 are not expected to have a significant effect on the consolidated financial statements of the Group. The following assessment on HKFRS 16 has been carried out.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

HKFRS 16 "Leases"

HKFRS 16 will affect primarily the accounting for the Group's operating leases. Under HKFRS 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated balance sheet. Management considers the operating lease commitments as disclosed in note 44(b) and note 16(d) will result in the recognition of an asset and a liability for future payments and will affect the Group's results and classification of cash flows. The impact of adoption will be disclosed in the Interim Report 2019.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st December.

The consolidated financial statements also include the Group's attributable share of post-acquisition results and reserves of its joint ventures and associated companies.

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated profit and loss account.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (Continued)

(b) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Joint arrangements

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(d) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investments in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the consolidated profit and loss account, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Profits and losses resulting from upstream and downstream transactions between the Group and its associated companies are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated profit and loss account during the financial period in which they are incurred.

No depreciation is provided for assets under construction and freehold land.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Container vessels	25 years
Containers and chassis	10 to 15 years
Terminal equipment and improvement	3 to 15 years
Freehold buildings	Not exceeding 75 years
Leasehold buildings	Over period of the lease
Leasehold improvement	Over period of the lease or 5 years whichever is lower
Furniture, vehicles, computer and other equipment	3 to 10 years

The residual values of the assets and their useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

During the year, management has reviewed the estimated useful lives of the containers. With due consideration of the standard of performance and the Group's maintenance programme over these containers, the Directors consider that it is more fair and appropriate to extend the estimated useful lives of containers from 12 years to 15 years. The revision of the estimated useful lives of the containers has been effective from 1st July 2018 and has the effect of reducing the depreciation charge for the year ended 31st December 2018 by US$26.3 million.

The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Gains and losses on disposals are determined as the difference between the net disposal proceeds and the carrying amounts of the assets and are dealt with in the consolidated profit and loss account.

2.4 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. Investment property comprises freehold land, land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value. Fair value is based on valuation carried out semi-annually by an independent external valuer. Changes in fair values are recognised in the consolidated profit and loss account.

2.5 Vessel repairs and surveys

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next dry-docking are identified and their costs are depreciated over five years to the next estimated dry-docking date. Costs incurred on subsequent dry-docking of vessels are capitalised and depreciated over the period to the next estimated dry-docking date. When significant dry-docking costs incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off immediately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associated company or joint ventures at the effective date of acquisition.

Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation.

Goodwill arising on acquisition of subsidiaries is retained at the carrying amount as an intangible asset. Goodwill arising on acquisition of associated companies and joint ventures is included within investments in associated companies and joint ventures respectively and is tested for impairment as part of overall balance. Separately recognised goodwill is subject to impairment review annually and when there are indications that the carrying value may not be recoverable. If the cost of acquisition is less than the fair value of the Group's share of the net identifiable assets of the acquired company, the difference is recognised in the consolidated profit and loss account.

(b) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software costs recognised as assets are stated at cost less accumulated amortisation. Amortisation is calculated on the straight-line basis over their estimated useful life, with a maximum of five years.

2.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, and are at least tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of an asset less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate account exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.8 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Non-current assets (or disposal groups) held for sale and discontinued operations (Continued)

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated profit and loss account.

2.9 Investments and other financial assets

(a) Classification

From 1st January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in "other operating income" using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains/(losses)" together with foreign exchange gains and losses. Impairment losses are presented in "other gains/(losses)".

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in "other gains/(losses)". Interest income from these financial assets is included in "other operating income" using the effective interest rate method. Foreign exchange gains and losses and impairment expenses are presented in "other gains/(losses)".

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within "other gains/(losses)" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as "other operating income" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in "other gains/(losses)" in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(d) Impairment

From 1st January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets (Continued)

(e) Accounting policies applied until 31st December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31st December 2017 the Group classified its investments in the following categories: portfolio investments at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Portfolio investments at fair value through profit or loss

Portfolio investments at fair value through profit or loss include financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months from the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date; which are classified as non-current assets.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity investments, the whole category would be reclassified as available-for-sale financial assets. Held-to-maturity investments are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date; which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the consolidated profit and loss account as part of "other operating income". Dividends on available-for-sale equity instruments are recognised in the consolidated profit and loss account as part of "other operating income" when the Group's right to receive payments is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets (Continued)

(e) Accounting policies applied until 31st December 2017 (Continued)

(v) Recognition and measurement

Regular way purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and portfolio investments at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method less impairment losses, if any.

Realised and unrealised gains and losses arising from changes in the fair value of the portfolio investments at fair value through profit or loss are included in the consolidated profit and loss account in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale financial assets are recognised in other comprehensive income. When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the consolidated profit and loss account as gains and losses from available-for-sale financial assets.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group may choose to reclassify a non-derivative trading financial asset out of the portfolio investments at fair value through profit or loss category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables or held-to-maturity investments out of the portfolio investments at fair value through profit or loss or available-for-sale financial assets categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the securities below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated profit and loss account is removed from equity and recognised in the consolidated profit and loss account. Impairment losses recognised in the consolidated profit and loss account on equity instruments are not reversed through the consolidated profit and loss account.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets (Continued)

(e) Accounting policies applied until 31st December 2017 (Continued)

(v) Recognition and measurement (Continued)

Impairment on held-to-maturity investments is considered at both an individual and collective level. The individual impairment allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at asset's original effective interest rate, where the effect of discounting is material.

For loans and receivables category, 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated profit and loss account. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.10 Inventories

Inventories mainly comprise bunkers and consumable stores. Cost is calculated on weighted average basis. Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.11 Debtors

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables and is also based on expected credit losses rather than only incurred credit losses. The amount of the provision is recognised in the consolidated profit and loss account. More information about the impairment policies of debtors is disclosed in note 3.1(c).

If collection of debtors is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less or in the normal operating cycle of the business if longer. If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds net of transaction costs and the redemption value is recognised in the consolidated profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated profit and loss account, except to the extent that it relates to item recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, joint ventures and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred taxation arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred taxation is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities related to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Employee benefits

(a) Pension obligations

The Group operates a number of defined benefit and defined contribution pension and retirement benefit schemes in the main countries in which the Group operates. These schemes are generally funded by payments from employees and by relevant group companies, taking into account of the recommendations of independent qualified actuaries where required.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected expected benefit payments. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the consolidated profit and loss account in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in the consolidated profit and loss account.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated profit and loss account.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Contributions under the defined contribution schemes are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.19 Insurance contracts

The Company regards its financial guarantees provided to its subsidiaries as insurance contracts. The Company initially and subsequently assesses at each balance sheet date the liabilities under its insurance contracts using current estimates of future cash flows. Changes in carrying amount of these insurance liabilities are recognised in the profit and loss account.

2.20 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments and making strategic decisions, has been identified as the Board of Directors.

2.21 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in US dollar, which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated profit and loss account.

Changes in the fair value of debt securities denominated in foreign currency classified as investments at fair value through other comprehensive income/available-for-sale financial assets are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as investments at fair value through other comprehensive income/available-for-sale financial assets, are included in the investments revaluation reserve in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Foreign currency translation (Continued)

(c) Group companies (Continued)

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the consolidated profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Freight revenues from the operation of the container transport are recognised over time which is determined on the time proportion method of each individual vessel voyage.

(b) Revenues from logistics business are recognised when services are rendered or over time which is determined on the time proportion method of the progress of the transportation.

(c) Revenues from the operation of container terminals and provision of other services are recognised when services are rendered.

(d) Rental income under operating leases is recognised over the periods of the respective leases on a straight-line basis.

2.23 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.24 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.25 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights. The Group recognises the incremental costs of obtaining a contract with a customer within contract assets if the Group expects to recover those costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases

(a) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the consolidated profit and loss account on a straight-line basis over the period of the lease.

The up-front prepayments made for the leasehold land and land use rights are expensed in the consolidated profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the consolidated profit and loss account.

(b) Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the consolidated profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balances of the liability for each period.

2.27 Borrowing costs

Borrowing costs are expensed in the consolidated profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

2.28 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in fair value are recognised in the consolidated profit and loss account.

2.29 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's Directors/equity holders.

2.30 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to the purchase of property, plant and equipment are recognised as a deduction from the carrying amount of the related assets in the consolidated balance sheet and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk and cash flow and fair value interest rate risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group has regularly monitored current and expected liquidity requirements against the cash on hand, expected net operating cash flow, committed facilities and its compliance with loan covenants, to ensure the Group's liquidity requirements can be met in the short and longer term.

The Group has paid ongoing attention on credit quality of counterparties, in particular major customers and financial institutions with relationship in terms of debt securities, derivatives and cash transactions. Credit qualities of respective counterparties are disclosed in respective notes to the consolidated financial statements.

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to fluctuation in the exchange rates of foreign currencies to the US dollar. Foreign currency exposures are covered by forward contracts and options whenever appropriate.

Income and expenses from container transport and logistics activities are mainly denominated in US dollar and in various currencies, mainly including Euro, Canadian dollar, Japanese yen and Renminbi.

To limit currency exposure, the US dollar based activities are financed primarily by loans in US dollar. With all other variables held constant, an average change in the US dollar exchange rate of 1%, compared with all other non-US dollar related currencies, has a positive/negative effect on the results for 2018 of approximately US$3.4 million (2017: US$3.5 million).

(b) Price risk

The container transport and logistics activities are sensitive to economic fluctuations. The Group is exposed to freight rate risk. The Group's revenue will increase/decrease by US$58.3 million (2017: US$53.1 million) for 1% increase/reduction of the average container freight rates with all other variables held constant.

The Group is exposed to bunker price risk for its container transport and logistics activities. Bunker cost is one of the major cost components of container transport and logistics activities. To manage its price risk arising from bunker, the Group enters into bunker price derivative contracts. An increase in bunker price can only be partially compensated through freight surcharge bunker price adjustment. With all other variables held constant, the operating costs will be increased by approximately US$1.9 million (2017: US$2.0 million) for one US dollar increase in bunker price per ton.

The Group is also exposed to equity/debt securities price risk because of investments held by the Group include investments at fair value through other comprehensive income/available-for-sale financial assets or portfolio investments at fair value through profit or loss which are accounted at fair value. To manage its price risk arising from investments in equity/debt securities, the Group diversifies its portfolio. If the prices of the respective quoted equity/debt securities of the Group had been increased/decreased by 1% and all other variables held constant, the profit after taxation of the Group for the year ended 31st December 2018 would increase/decrease by US$3.7 million (2017: US$2.9 million) as a result of the changes in fair value of equity/debt securities under portfolio investments at fair value through profit or loss.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that services are provided to customers with an appropriate credit history.

The extent of the Group's credit exposure is represented by the aggregate balance of cash and bank balances, portfolio investments at fair value through profit or loss, investments at amortised cost/held-to-maturity investments, derivative financial instruments, restricted bank balances and trade receivables. The credit quality of these exposures is disclosed in relevant notes to the consolidated financial statements.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping sufficient cash and cash equivalents and readily realisable liquid assets.

Surplus cash held by the operating entities over and above balance required for working capital management is transferred to the Group Treasury. Group Treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room. At the reporting date, the Group held liquid assets of US$1,962.7 million (2017: US$2,235.7 million) that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

US$'000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31st December 2018				
Borrowings	**641,274**	**742,784**	**1,946,885**	**1,428,287**
Creditors and accruals	**838,185**	–	–	–
Amounts due to joint ventures	**2,441**	–	–	–
Amounts due to fellow subsidiaries	**5,843**	–	–	–
Amounts due to related companies	**10,371**	–	–	–
Derivative financial instruments	**5,565**	–	–	–
At 31st December 2017				
Borrowings	740,200	609,937	2,044,341	1,692,884
Other non-current liabilities	–	1,317	6,026	4,285
Creditors and accruals	740,260	–	–	–
Amounts due to joint ventures	7,526	–	–	–

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(e) Cash flow interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has a policy to place surplus funds with creditable financial institutions which offer the best return for the Group on a short-term basis.

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing bank balances and borrowings.

At 31st December 2018, if interest rates had been 0.1% higher/lower with all other variables held constant, post-tax profit for the year would have been US$1.8 million lower/higher (2017: US$1.8 million lower/higher), mainly as a result of higher/lower net interest expense on the net floating rate borrowings.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less restricted bank balances, cash and bank balances and portfolio investments at fair value through profit or loss.

The gearing ratios at 31st December 2018 and 2017 were as follows:

US$'000		**2018**	2017
Total borrowings (note 39)		**(4,197,756)**	(4,554,183)
Less:	Restricted bank balances (note 25)	**61,122**	63,839
	Cash and bank balances (note 36)	**1,584,465**	1,940,975
	Portfolio investments at fair value through profit or loss (note 34)	**378,257**	294,720
Net debt		**(2,173,912)**	(2,254,649)
Total equity		**4,735,130**	4,682,513
Gearing ratio		**0.46**	0.48

The change in net debt position results primarily from the profit generated during the year.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The financial instruments that are measured in the consolidated balance sheet at fair value, require disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liability that are measured at fair value at 31st December 2018 and 2017.

	2018			
US$'000	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Portfolio investments at fair value through profit or loss				
– Equity securities	**49,589**	**–**	**–**	**49,589**
– Debt securities	**322,948**	**–**	**–**	**322,948**
– Funds and other investments	**–**	**5,720**	**–**	**5,720**
Investments at fair value through other comprehensive income				
– Other investments	**–**	**–**	**24,422**	**24,422**
Total assets	**372,537**	**5,720**	**24,422**	**402,679**
Liability				
Derivative financial instruments	**–**	**5,565**	**–**	**5,565**
Total liability	**–**	**5,565**	**–**	**5,565**

	2017			
US$'000	Level 1	Level 2	Level 3	Total
Assets				
Portfolio investments at fair value through profit or loss				
– Equity securities	35,852	–	–	35,852
– Debt securities	252,728	–	–	252,728
– Funds and other investments	–	6,140	–	6,140
Derivative financial instruments	–	1,825	–	1,825
Available-for-sale financial assets				
– Other investments	–	–	45,383	45,383
Total assets	288,580	7,965	45,383	341,928

There were no transfers among levels 1, 2 and 3 during the year.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise portfolio investments at fair value through profit or loss and listed equity securities classified as investments at fair value through other comprehensive income/available-for-sale financial assets.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Instruments in level 2 include the derivative financial instruments.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value level 2 and 3 financial instruments include:

- Dealer quotes.

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

- Marketability discount rate derived from management's judgement is applied to estimate the fair value of unlisted equity security classified as investment at fair value through other comprehensive income/available-for-sale financial asset.

There were no changes in valuation techniques during the year.

Instruments included in level 3 mainly comprise unlisted equity security classified as investments at fair value through other comprehensive income/available-for-sale financial assets.

The following table presents the changes in level 3 instruments.

US$'000	2018	2017
Opening balance	**45,383**	32,889
Currency translation adjustments	**(6)**	2
Disposals	**(1)**	–
Disposal of subsidiaries	**(23)**	–
Fair value change recognised in other comprehensive income	**(20,931)**	12,492
Closing balance	**24,422**	45,383

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The 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 discussed below.

(a) Income taxes

The Group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of overseas subsidiaries to be repatriated and distributed by way of dividends as the Directors consider that the timing of the reversal of the related temporary differences can be controlled or such profits will not be distributed and such temporary differences will not be reversed in the foreseeable future (note 23).

Recognition of deferred tax assets, which principally relate to tax losses, depends on the management's expectation of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Property, plant and equipment and intangible assets

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment and intangible assets. Management will revise the depreciation charge where useful lives and residual values are different from previously estimated.

Management determines the estimated useful lives and related depreciation expenses for the vessels and containers. Management estimates useful lives of its vessels and containers by reference to expected usage of the vessels and containers, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the market. It could change significantly as a result of the changes of these factors. After the review carried out during the year, the estimated useful lives of containers were revised as set out in note 2.3 to the consolidated financial statements.

Were the useful lives of vessels and containers to differ by 10% from management estimates with all other variables held constant, it is estimated that depreciation expense would increase or decrease by approximately US$35.8 million or US$19.1 million respectively for the period from 1st July 2018 to 31st December 2018 subsequent to the change of estimated useful lives of containers (for the year ended 31st December 2017: US$90.0 million or US$53.0 million respectively).

Management determines the residual values for its vessels and containers. This estimate is based on the current scrap values of steels in an active market at each measurement date since management decides to dispose of the fully depreciated vessels and containers as scrap steels. Depreciation expense would increase where the residual values are less than previously estimated values.

Were the residual values of vessels and containers to differ by 10% from management estimates with all other variables held constant, it is estimated that depreciation expense would increase or decrease by approximately US$13.5 million or US$11.9 million respectively (2017: US$10.3 million or US$10.6 million respectively).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Provision of operating costs

Operating costs, which mainly comprise cargo cost, vessel and voyage costs, equipment and repositioning costs and terminal operating cost. Invoices in relation to these expenses are received several months after the expenses have been incurred. Consequently, recognition of accrued operating costs is based on the known services entered, pattern of historical cost as well as the estimated vendor tariff.

If the actual expenses of a voyage differ from the estimated expenses, this will have an impact on operating cost in future periods. Historically, the Group has not experienced significant deviation from the actual expenses.

5. REVENUE AND SEGMENT INFORMATION

(a) Revenue

US$'000	2018	Restated 2017
Container transport and logistics	**6,546,964**	5,951,518
Others	**25,691**	30,158
	6,572,655	5,981,676

The principal activities of the Group are container transport and logistics.

Revenue comprises gross freight, charter hire, service and other income from the operation of the container transport and logistics and rental income from the investment property.

(b) Segment information

The principal activities of the Group are container transport and logistics. Container transport and logistics include global containerised shipping services in major trade lanes, covering Trans-Pacific, Trans-Atlantic, Asia/Europe, Asia/Australia and Intra-Asia trades, and integrated services over the management and control of effective storage and flow of goods. In accordance with the Group's internal financial reporting provided to the chief operating decision-makers, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the reportable operating segments are container transport and logistics and others. The executive directors are the Group's chief operating decision makers.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Operating segments

The segment results for the year ended 31st December 2018 are as follows:

US$'000	Continuing operations: Container transport and logistics	Continuing operations: Others	Continuing operations: Sub-total	Discontinued operation	Total
Revenue	6,546,964	25,691	6,572,655	131,721	6,704,376
Revenue from contracts with customers:					
At a point in time	571,654	–	571,654	–	571,654
Over time	5,975,310	–	5,975,310	131,721	6,107,031
	6,546,964	–	6,546,964	131,721	6,678,685
Revenue from other source:					
Rental income	–	25,691	25,691	–	25,691
	6,546,964	25,691	6,572,655	131,721	6,704,376
Operating profit	195,998	66,937	262,935	36,451	299,386
Finance costs (note 12)	(143,191)	–	(143,191)	(3,733)	(146,924)
Share of profits of joint ventures (note 20)	2,953	–	2,953	–	2,953
Share of profits of associated companies (note 21)	11,371	–	11,371	–	11,371
Profit before taxation	67,131	66,937	134,068	32,718	166,786
Taxation (note 13)	(12,396)	(46,224)	(58,620)	–	(58,620)
Profit for the year	54,735	20,713	75,448	32,718	108,166
Fair value gain from an investment property	–	39,500	39,500	–	39,500
Capital expenditure	410,346	554	410,900	2,001	412,901
Depreciation	367,447	7	367,454	18,168	385,622
Amortisation	18,079	–	18,079	–	18,079

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Operating segments (Continued)

The segment results for the year ended 31st December 2017 (restated) are as follows:

US$'000	Continuing operations: Container transport and logistics	Continuing operations: Others	Continuing operations: Sub-total	Discontinued operation	Total
Revenue	5,951,518	30,158	5,981,676	126,674	6,108,350
Revenue from contracts with customers:					
At a point in time	514,874	–	514,874	–	514,874
Over time	5,436,644	–	5,436,644	126,674	5,563,318
	5,951,518	–	5,951,518	126,674	6,078,192
Revenue from other source:					
Rental income	–	30,158	30,158	–	30,158
	5,951,518	30,158	5,981,676	126,674	6,108,350
Operating profit/(loss)	92,296	145,859	238,155	(5,985)	232,170
Finance costs (note 12)	(97,418)	–	(97,418)	(3,797)	(101,215)
Share of profits of joint ventures (note 20)	5,177	–	5,177	–	5,177
Share of profits of associated companies (note 21)	13,957	–	13,957	–	13,957
Profit/(loss) before taxation	14,012	145,859	159,871	(9,782)	150,089
Taxation (note 13)	(16,232)	3,799	(12,433)	–	(12,433)
Profit/(loss) for the year	(2,220)	149,658	147,438	(9,782)	137,656
Fair value gain from an investment property	–	43,436	43,436	-	43,436
Capital expenditure	609,610	6,564	616,174	2,516	618,690
Depreciation	398,200	–	398,200	30,282	428,482
Amortisation	11,342	–	11,342	–	11,342

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Operating segments (Continued)

The segment assets and liabilities at 31st December 2018 and 2017 are as follows:

	2018		
US$'000	**Container transport and logistics**	**Others**	**Group**
Segment assets	**7,401,147**	**2,030,887**	**9,432,034**
Joint ventures	**9,418**	**–**	**9,418**
Associated companies	**139,676**	**–**	**139,676**
	7,550,241	**2,030,887**	**9,581,128**
Assets held for sale (note 16)	**472,732**	**–**	**472,732**
Total assets	**8,022,973**	**2,030,887**	**10,053,860**
Segment liabilities	**(5,058,132)**	**(119,550)**	**(5,177,682)**
Liabilities directly associated with assets classified as held for sale (note 16)	**(141,048)**	**–**	**(141,048)**
Total liabilities	**(5,199,180)**	**(119,550)**	**(5,318,730)**

	2017		
US$'000	Container transport and logistics	Others	Group
Segment assets	7,404,001	2,499,615	9,903,616
Joint ventures	16,840	–	16,840
Associated companies	148,840	–	148,840
Total assets	7,569,681	2,499,615	10,069,296
Segment liabilities	(5,320,815)	(65,968)	(5,386,783)

The segment of "Others" primarily includes assets and liabilities of property and corporate level activities. Assets under the segment of "Others" consist primarily of investment property, investments at fair value through other comprehensive income/available-for-sale financial assets, investments at amortised cost/held-to-maturity investments and portfolio investments at fair value through profit or loss together with cash and bank balances that are managed at the corporate level. Liabilities under the segment of "Others" primarily include creditors and accruals and deferred taxation liabilities related to property and corporate level activities.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Geographical information

The Group's two reportable operating segments operate in four main geographical areas, even though they are managed on a worldwide basis. Freight revenues from container transport and logistics are analysed based on the outbound cargoes of each geographical territory.

The Group's total assets mainly include container vessels and containers which are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, non-current assets by geographical areas are not presented.

US$'000	Revenue	Capital expenditure
Year ended 31st December 2018		
Continuing operations		
Asia	**4,785,888**	**15,164**
Europe	**937,060**	**418**
North America	**695,916**	**23,487**
Australia	**153,791**	**118**
Unallocated*	**–**	**371,713**
	6,572,655	**410,900**
Discontinued operation		
North America	**131,721**	**2,001**
	6,704,376	**412,901**
Year ended 31st December 2017 (restated)		
Continuing operations		
Asia	4,262,323	11,271
Europe	868,912	529
North America	685,509	49,587
Australia	164,932	–
Unallocated*	–	554,787
	5,981,676	616,174
Discontinued operation		
North America	126,674	2,516
	6,108,350	618,690

* Unallocated capital expenditure comprises additions to vessels, dry-docking, containers and intangible assets.

6. OPERATING COSTS

US$'000	2018	Restated 2017
Cargo	**3,169,113**	3,012,894
Vessel and voyage	**1,053,866**	986,428
Bunker cost	**844,390**	657,853
Equipment and repositioning	**777,105**	753,053
	5,844,474	5,410,228
Investment property	**15,365**	15,555
	5,859,839	5,425,783

7. OTHER OPERATING INCOME

US$'000	2018	Restated 2017
Dividend income from investments at fair value through other comprehensive income/ available-for-sale financial assets	**22,590**	21,182
Interest income from banks	**32,666**	24,470
Interest income from investments at amortised cost/ held-to-maturity investments	**10,183**	11,041
Income from portfolio investments at fair value through profit or loss		
– Interest income	**13,043**	10,954
– Distribution	**1,225**	606
– Dividend income	**990**	1,187
Others	**1,824**	2,496
	82,521	71,936

8. OTHER (LOSSES)/GAINS, NET

US$'000	2018	Restated 2017
Fair value (loss)/gain on portfolio investments at fair value through profit or loss (realised and unrealised)	**(19,500)**	4,713
(Loss)/gain on bunker price derivative contracts	**(4,718)**	164
Fair value gain on foreign exchange forward contracts	**722**	1,883
Profit on disposal of subsidiaries	**3,663**	–
Profit on partial disposal of a joint venture	**896**	–
Profit on disposal of property, plant and equipment	**15,289**	1,509
Loss on disposal of investments at fair value through other comprehensive income/available-for-sale financial assets	**(1)**	(192)
(Loss)/gain on disposal of investments at amortised cost/ held-to-maturity investments	**(706)**	6,296
Impairment on investments at amortised cost	**(1,985)**	–
Loss on disposal of intangible assets	**(657)**	(6,690)
Exchange (loss)/gain	**(14,172)**	18,537
	(21,169)	26,220

9. EMPLOYEE BENEFIT EXPENSE

US$'000	2018	Restated 2017
Wages and salaries	**590,497**	545,456
Pension and retirement benefits		
– Defined contribution plans (note 24)	**30,951**	28,914
– Defined benefit plans (note 24)	**1,258**	1,555
	622,706	575,925
Representing:		
– Continuing operations	**497,774**	432,618
– Discontinued operation	**124,932**	143,307
	622,706	575,925

Employee benefit expenses of US$117.8 million (2017: US$93.3 million) are included in "operating costs" in the consolidated profit and loss account.

10. DIRECTORS' AND MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of each Director is set out below:

Name of Director US$'000	Fees	Salary and benefits	Estimated money value of other benefits*1	Employer's contribution to provident fund scheme	Total
For the year ended 31st December 2018					
Mr. Xu Lirong*2	–	–	–	–	–
Mr. Huang Xiaowen*2	–	–	–	–	–
Mr. Wang Haimin*2	–	–	–	–	–
Mr. Zhang Wei*2	–	–	–	–	–
Mr. Yan Jun*2	**19**	–	–	–	**19**
Ms. Wang Dan*2	**13**	–	–	–	**13**
Mr. Ip Sing Chi*2	**13**	–	–	–	**13**
Ms. Cui Hongqin*2	**13**	–	–	–	**13**
Dr. Timpson Chung*2	**27**	–	–	–	**27**
Mr. Philip Yang*2	**27**	–	–	–	**27**
Ms. Chen Ying*2	**24**	–	–	–	**24**
Mr. C C Tung*3	**71**	**494**	**71**	**49**	**685**
Prof. Roger King*3	**40**	–	–	–	**40**
Mr. Philip Chow	**97**	–	–	–	**97**
Mr. Andrew Tung	–	**563**	**10**	**56**	**629**
Mr. Alan Tung*3	–	**342**	**7**	**34**	**383**
Mr. Simon Murray*3	**36**	–	–	–	**36**
Prof. Richard Wong	**82**	–	–	–	**82**
Mr. Edward Cheng*3	**36**	–	–	–	**36**
Mr. Clement Kwok*3	**36**	–	–	–	**36**

Name of Director US$'000	Fees	Salary and benefits	Estimated money value of other benefits*1	Employer's contribution to provident fund scheme	Total
For the year ended 31s t December 2017					
Mr. C C Tung	107	717	106	71	1,001
Prof. Roger King	60	–	–	–	60
Mr. Philip Chow	97	–	–	–	97
Mr. Andrew Tung	–	543	10	54	607
Mr. Alan Tung	–	437	10	43	490
Mr. Simon Murray	51	–	–	–	51
Prof. Richard Wong	85	–	–	–	85
Mr. Edward Cheng	51	–	–	–	51
Mr. Clement Kwok	51	–	–	–	51

*1 Other benefits include car related expenses and club membership.

*2 Appointed on 3rd August 2018.

*3 Resigned on 3rd August 2018.

10. DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

During the year, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. No Directors of the Company waived or agreed to waive any emoluments during the year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2017: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals (2017: two individuals) are as follows:

US$'000	2018	2017
Basic salaries, housing allowances, other allowances and benefits in kind	1,394	965
Discretionary bonuses	540	–
Estimated money value of other benefits	12	12
Pension costs – defined contribution plans	166	70
	2,112	1,047

The emoluments of the five individuals fell within the following bands:

		Number of individuals	
Emolument bands (US$)		2018	2017
448,701 ~ 512,800	(HK$3,500,001 ~ HK$4,000,000)	–	2
512,801 ~ 576,900	(HK$4,000,001 ~ HK$4,500,000)	–	1
576,901 ~ 641,000	(HK$4,500,001 ~ HK$5,000,000)	2	1
641,001 ~ 705,100	(HK$5,000,001 ~ HK$5,500,000)	2	–
769,201 ~ 833,300	(HK$6,000,001 ~ HK$6,500,000)	1	–
961,501 ~ 1,025,600	(HK$7,500,001 ~ HK$8,000,000)	–	1
		5	5

(c) Key management compensation

US$'000	2018	2017
Salaries and other employee benefits	5,348	4,756
Estimated money value of other benefits	114	152
Pension costs – defined contribution plans	500	439
	5,962	5,347

The Group usually determines and pays discretionary bonuses to employees (including Directors) around April/May each year based on the actual financial results of the Group for the preceding year. The discretionary bonuses shown above represent actual payments to the Directors and individuals during the current financial year in relation to performance for the preceding year.

11. OPERATING PROFIT

US$'000	2018 Continuing operations	2018 Discontinued operation	Restated 2017 Continuing operations	Restated 2017 Discontinued operation
Operating profit is arrived at after crediting:				
Operating lease rental income				
Land and buildings	**25,691**	**–**	30,158	–
and after charging:				
Depreciation				
Owned assets	**232,138**	**14,723**	275,374	23,391
Leased assets	**135,316**	**3,445**	122,826	6,891
Operating lease rental expenses				
Vessels and equipment	**254,099**	**–**	244,698	–
Terminals and berths	**5,618**	**56,905**	4,803	53,957
Land and buildings	**33,462**	**–**	33,472	–
Rental outgoings in respect of an investment property	**15,365**	**–**	15,555	–
Amortisation of intangible assets	**17,843**	**–**	11,123	–
Amortisation of prepayments of lease premiums	**236**	**–**	219	–
Auditors' remuneration				
Audit	**2,961**	**173**	2,487	123
Non-audit	**1,355**	**46**	2,747	23

Operating lease rental expenses of US$266.8 million and US$26.4 million (2017: US$257.3 million and US$25.7 million) respectively are included in "operating costs" and "business and administrative expenses" in the consolidated profit and loss account.

For the year ended 31st December 2017, the non-audit remuneration paid to the Group's auditor is inclusive of a one-off fee in respect of a non-recurring advisory project. Excluding this fee, the total fees paid to the Group's auditor for non-audit services was less than 50% of the amount paid for audit services.

12. FINANCE COSTS

US$'000	2018	Restated 2017
Interest expense		
Bank loans and bank overdrafts	**60,681**	52,319
Finance lease obligations	**82,636**	52,599
	143,317	104,918
Amount capitalised under assets	**(126)**	(7,500)
Net interest expense	**143,191**	97,418

The borrowing costs of the loans to finance the assets under construction (note 17) represent an average capitalisation rate of approximately 3.2% (2017: 2.0%) per annum.

13. TAXATION

US$'000	2018	2017
Current taxation		
Hong Kong profits tax	**2,044**	411
Overseas taxation	**14,785**	15,318
	16,829	15,729
Deferred taxation		
Hong Kong profits tax	**(174)**	359
Overseas taxation	**41,965**	(3,655)
	41,791	(3,296)
	58,620	12,433

Taxation has been provided at the appropriate tax rates prevailing in the countries in which the Group operates on the estimated assessable profits for the year. These rates range from 10% to 46% (2017: 13% to 46%) and the rate applicable for Hong Kong profits tax is 16.5% (2017: 16.5%).

The associated companies in the PRC enjoy preferential tax treatment.

The tax of the Group's profit before taxation differs from the theoretical amount that would arise using the applicable tax rates, being the weighted average of rates prevailing in the territories in which the Group operates, as follows:

US$'000	2018	Restated 2017
Profit before taxation	**134,068**	159,871
Share of profits of joint ventures	**(2,953)**	(5,177)
Share of profits of associated companies	**(11,371)**	(13,957)
	119,744	140,737
Tax calculated at applicable tax rates	**21,129**	38,054
Income not subject to tax	**(293,893)**	(284,335)
Expenses not deductible for tax purposes	**300,502**	278,050
Tax losses not recognised	**2,872**	2,849
Temporary differences not recognised	**355**	935
Utilisation of previously unrecognised tax losses	**(686)**	(1,359)
Utilisation of previously unrecognised temporary differences	**(642)**	(946)
Recognition of previously unrecognised temporary differences	**–**	1,601
Withholding tax	**14,741**	1,571
Change in tax rates	**(460)**	(22,876)
Other items	**14,702**	(1,111)
	58,620	12,433

14. EARNINGS/(LOSS) PER ORDINARY SHARE

The calculation of basic and diluted earnings/(loss) per ordinary share is based on the Group's profit/(loss) attributable to equity holders of the Company divided by the number of ordinary shares in issue during the year.

The basic and diluted earnings/(loss) per ordinary share are the same since there are no potential dilutive shares.

US$'000	2018	Restated 2017
Number of ordinary shares in issue (thousands)	625,793	625,793
Group's profit from continuing operations attributable to equity holders of the Company	75,448	147,438
Earnings per share from continuing operations attributable to equity holders of the Company (US cents)	12.1	23.6
Group's profit/(loss) from discontinued operation attributable to equity holders of the Company	32,718	(9,782)
Earnings/(loss) per share from discontinued operation attributable to equity holders of the Company (US cents)	5.2	(1.6)

15. DIVIDENDS

US$'000	2018	2017
Interim paid: nil (2017: US2.14 cents) per ordinary share	–	13,388

The Board of Directors proposes a final dividend in respect of 2018 of US7.7 cents (2017: nil) per ordinary share. The proposed dividend will be accounted for as an appropriation of retained profit in the year ending 31st December 2019.

16. DISCONTINUED OPERATION

Analysis of the results, cash flows and assets and liabilities of the U.S. Terminal Business is as follows:

(a) Discontinued operation

(i) Results

US$'000	2018	2017
Revenue	131,721	126,674
Operating costs	(67,029)	(105,655)
Gross profit	64,692	21,019
Other operating income	560	146
Business and administrative expenses	(28,394)	(27,969)
Other (losses)/gains, net	(407)	819
Operating profit/(loss)	36,451	(5,985)
Finance costs	(3,733)	(3,797)
Profit/(loss) for the year	32,718	(9,782)

Note:

The Directors have reassessed the presentation and consider it is more appropriate to reflect only the revenue and the results arising from transactions with third parties under the discontinued operation and the inter-company profits are under continuing operations.

(ii) Cash flows

US$'000	2018	2017
Operating cash flows	32,035	46,998
Investing cash flows	1,569	(832)
Financing cash flows	(15,625)	(15,420)
Total cash flows	17,979	30,746

16. DISCONTINUED OPERATION (CONTINUED)

(b) Assets held for sale

US$'000	2018
ASSETS	
Non-current asset	
Property, plant and equipment	371,547
Current assets	
Inventories	5,360
Debtors and prepayments	34,711
Amount due from immediate holding company	401
Amount due from a fellow subsidiary	7,381
Cash and bank balances	53,733
	101,586
Total assets (before intra-group elimination)	473,133
Less: Intra-group elimination	(401)
Total assets	472,732

(c) Liabilities directly associated with assets held for sale

US$'000	2018
LIABILITIES	
Non-current liabilities	
Borrowings	91,822
Other non-current liabilities	10,513
	102,335
Current liabilities	
Creditors and accruals	22,730
Amount due to an intermediate holding company	34,908
Amounts due to fellow subsidiaries	32,620
Borrowings	15,778
	106,036
Total liabilities (before intra-group elimination)	208,371
Less: Intra-group elimination	(67,323)
Total liabilities	141,048

Note:

Assets held for sale and liabilities directly associated with assets held for sale above are presented before elimination of intra-group balances of US$0.4 million and US$67.3 million respectively. The aggregate net book amount of assets pledged as securities for loans and finance lease amounted to US$137.1 million.

16. DISCONTINUED OPERATION (CONTINUED)

(d) Operating lease commitments

The Group entered into the Preferential Assignment Agreement (the "Agreement") with the City of Long Beach ("COLB") for the use of the Middle Harbor Terminal (the "Terminal") in Long Beach, California USA on 30th April 2012. The term of the Agreement is 40 years commencing on 1st July 2011. As of 31st December 2018, the Group signed several Amendments to Preferential Assignment Agreement (the "Amendment") with COLB, which has amended certain terms within Agreement and has altered the expected guaranteed minimum annual compensation to be made for the relevant period of the lease term.

The guaranteed minimum annual compensation is computed based on the guaranteed minimum annual compensation per acreage (ranging from US$180,000 to US$270,000 in the first 5 years of the lease) multiplied by the number of acreages of the Terminal delivered, which is subject to mutual agreement between the Group and COLB along the Terminal construction and based on the milestones set out in the Agreement. The construction is expected to be completed by early 2021 and the estimated number of acreages of the Terminal upon completion is estimated to be approximately 304.7 acreages. As of 31st December 2018, the acreages of the Terminal used to determine the rental is 193.0 acreages (2017: 193.0 acreages). The Group and COLB renegotiate the guaranteed minimum annual compensation per acre every 5 years which will not be less than the highest guaranteed minimum annual compensation in the previous 5 years.

(e) Capital commitments – Property, plant and equipment

US$'000	2018	2017
Contracted but not provided for	6,362	17,268

17. PROPERTY, PLANT AND EQUIPMENT

US$'000	Container vessels and capitalised dry-docking costs	Assets under construction	Containers and chassis	Terminal equipment and improvement	Freehold land and buildings outside Hong Kong	Buildings outside Hong Kong	Leasehold improvement and furniture	Vehicles, computer and other equipment	Total
Cost									
At 31st December 2017	5,729,447	172,882	2,356,667	500,095	7,175	49,541	60,134	160,398	9,036,339
Currency translation adjustments	–	–	(49)	–	10	(2,323)	(1,593)	(1,685)	(5,640)
Government grants	–	–	–	(2,817)	–	–	–	–	(2,817)
Additions	30,794	54,532	301,646	1,148	3	–	4,632	17,922	410,677
Reclassification	163,520	(170,155)	–	6,635	–	–	–	–	–
Classified as assets held for sale (note 16)	–	(32,723)	–	(414,814)	–	–	(1,635)	–	(449,172)
Disposals	(28,575)	–	(80,678)	(8,053)	–	–	(4,165)	(27,691)	(149,162)
Disposal of subsidiaries	–	–	–	–	–	–	(216)	(280)	(496)
At 31st December 2018	**5,895,186**	**24,536**	**2,577,586**	**82,194**	**7,188**	**47,218**	**57,157**	**148,664**	**8,839,729**
Accumulated depreciation									
At 31st December 2017	1,415,252	–	1,060,319	117,774	3,150	19,916	47,652	120,819	2,784,882
Currency translation adjustments	–	–	(39)	–	7	(681)	(1,406)	(1,380)	(3,499)
Charge for the year	232,265	–	108,048	22,058	77	1,435	5,376	16,363	385,622
Classified as assets held for sale (note 16)	–	–	–	(76,995)	–	–	(630)	–	(77,625)
Disposals	(28,206)	–	(62,006)	(7,453)	–	–	(4,060)	(27,570)	(129,295)
Disposal of subsidiaries	–	–	–	–	–	–	(216)	(197)	(413)
At 31st December 2018	**1,619,311**	**–**	**1,106,322**	**55,384**	**3,234**	**20,670**	**46,716**	**108,035**	**2,959,672**
Net book amount									
At 31st December 2018	**4,275,875**	**24,536**	**1,471,264**	**26,810**	**3,954**	**26,548**	**10,441**	**40,629**	**5,880,057**
At 31st December 2017	4,314,195	172,882	1,296,348	382,321	4,025	29,625	12,482	39,579	6,251,457
Net book amount of leased assets									
At 31st December 2018	**2,605,709**	**–**	**100,437**	**–**	**–**	**–**	**–**	**–**	**2,706,146**
At 31st December 2017	2,549,229	–	109,391	91,301	–	–	–	761	2,750,682

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

US$'000	Container vessels and capitalised dry-docking costs	Assets under construction	Containers and chassis	Terminal equipment and improvement	Freehold land and buildings outside Hong Kong	Buildings outside Hong Kong	Leasehold improvement and furniture	Vehicles, computer and other equipment	Total
Cost									
At 31st December 2016	4,970,230	727,511	2,196,392	482,066	7,005	46,701	59,237	145,574	8,634,716
Currency translation adjustments	–	–	61	–	170	2,813	1,902	1,890	6,836
Additions	18,091	340,505	227,934	2,054	–	27	1,170	15,471	605,252
Reclassification	810,893	(895,134)	–	84,241	–	–	–	–	–
Disposals	(69,767)	–	(67,720)	(68,266)	–	–	(2,175)	(2,537)	(210,465)
At 31st December 2017	5,729,447	172,882	2,356,667	500,095	7,175	49,541	60,134	160,398	9,036,339
Accumulated depreciation									
At 31st December 2016	1,268,761	–	970,062	150,841	2,948	17,026	41,390	107,015	2,558,043
Currency translation adjustments	–	–	46	–	127	1,048	1,568	1,461	4,250
Charge for the year	216,106	–	154,002	34,939	75	1,842	6,792	14,726	428,482
Disposals	(69,615)	–	(63,791)	(68,006)	–	–	(2,098)	(2,383)	(205,893)
At 31st December 2017	1,415,252	–	1,060,319	117,774	3,150	19,916	47,652	120,819	2,784,882
Net book amount									
At 31st December 2017	4,314,195	172,882	1,296,348	382,321	4,025	29,625	12,482	39,579	6,251,457
At 31st December 2016	3,701,469	727,511	1,226,330	331,225	4,057	29,675	17,847	38,559	6,076,673
Net book amount of leased assets									
At 31st December 2017	2,549,229	–	109,391	91,301	–	–	–	761	2,750,682
At 31st December 2016	1,890,435	–	120,513	98,192	–	–	–	980	2,110,120

(a) The aggregate net book amount of assets pledged as security for bank loans amounts to US$2,418.2 million (2017: US$2,597.8 million). Specific charges on vessels of the Group include legal mortgages and assignments of insurance claims and charter hire income relating to these vessels.

(b) Interest costs of US$0.1 million (2017: US$7.5 million) during the year were capitalised as part of assets under construction.

(c) Depreciation charge of US$347.0 million (2017: US$377.2 million) for the year has been expensed in "operating costs" and US$20.5 million (2017: US$21.0 million) in "business and administrative expenses".

(d) As at 31st December 2018 and 2017, the buildings outside Hong Kong are held under medium-term leasehold land.

(e) Government grants of US$2.8 million received during the year relating to the purchase of terminal equipment and improvement are recognised as a deduction from the carrying amount of the related assets (2017: nil).

Property, plant and equipment include the following amounts where the Group is a lessee under finance leases:

US$'000	**2018**	2017
Cost – capitalised finance leases	**3,527,791**	3,456,987
Accumulated depreciation	**(821,645)**	(706,305)
Net book amount	**2,706,146**	2,750,682

The Group leases various container vessels, containers, terminal equipment and other equipment under non-cancellable finance lease agreements for both years. The lease terms are between 5 and 25 years.

18. INVESTMENT PROPERTY

US$'000	2018	2017
Balance at beginning of year	270,000	220,000
Additions	500	6,564
	270,500	226,564
Fair value gain	39,500	43,436
Balance at end of year	310,000	270,000

Background and valuation processes of the Group

The investment property, "Wall Street Plaza", is a commercial property located at 88, Pine Street, New York, USA. The property is situated on three parcels of freehold land, all of which are wholly owned by the Group.

Valuation processes of the Group

The Group's investment property was valued at 31st December 2018 by an independent professionally qualified valuer who holds a recognised relevant professional qualification. The Group's finance department reviews the valuation performed by the independent valuer for financial reporting purposes. This team reports directly to the Chief Financial Officer ("CFO"). Discussions of valuation processes and results are held between the CFO, the finance team and the valuer. As at 31st December 2018, the fair value of the property has been determined by Cushman & Wakefield, Inc.

Valuation techniques

Fair value of the investment property is derived by using the discounted cash flow method. The net present value of the income stream is estimated by applying an appropriate discount rate which reflects the risk profile.

There were no changes to the valuation techniques during the year.

Information about fair value measurement using significant unobservable inputs

Discount rate is estimated by Cushman & Wakefield, Inc. based on the risk profile of the property being valued. If the discount rate is higher, the fair value would be lower. At 31st December 2018, discount rate of 7.0% per annum (2017: 7.3% per annum) is used in the valuation.

Net operating income growth rates of 3% per annum (2017: 3% per annum) for the second and third years and 3% per annum (2017: 3% per annum) for the remaining years are used in the valuation. If the growth rate is higher, the fair value would be higher.

Prevailing market rents are estimated based on recent lettings of US$52 per sq ft to US$56 per sq ft (2017: US$50 per sq ft to US$53 per sq ft), within the subject property. If the rents are higher, the fair value would be higher.

19. PREPAYMENTS OF LEASE PREMIUMS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments for leases between 27 and 41 years and their net book values are analysed as follows:

US$'000	2018	2017
Balance at beginning of year	**7,972**	7,818
Currency translation adjustments	**(284)**	373
Amortisation	**(236)**	(219)
Balance at end of year	**7,452**	7,972

Amortisation of US$0.2 million (2017: US$0.2 million) is included in "business and administrative expenses" in the consolidated profit and loss account.

20. JOINT VENTURES

US$'000	2018	2017
Share of net assets	**8,940**	10,833

The Group's share of assets, liabilities and results of the joint ventures are summarised below:

US$'000	2018	2017
Non-current assets	**1,083**	1,246
Current assets	**9,604**	14,488
Current liabilities	**(1,747)**	(4,901)
Share of net assets	**8,940**	10,833
Income	**14,599**	15,579
Expenses	**(11,646)**	(10,402)
Share of profits of joint ventures	**2,953**	5,177
Share of total comprehensive income of joint ventures	**2,575**	5,655

Particulars of the joint ventures at 31st December 2018 are shown on page 183.

21. ASSOCIATED COMPANIES

US$'000	2018	2017
Share of net assets	**139,676**	148,840

The Group's share of assets, liabilities and results of the associated companies are summarised as follows:

US$'000	2018	2017
Non-current assets	**131,191**	144,699
Current assets	**12,155**	14,197
Non-current liabilities	**(132)**	(69)
Current liabilities	**(3,538)**	(9,987)
Share of net assets	**139,676**	148,840
Income	**39,516**	39,467
Expenses	**(28,145)**	(25,510)
Share of profits of associated companies	**11,371**	13,957
Share of total comprehensive income of associated companies	**5,000**	22,462

Particulars of the associated companies at 31st December 2018 are shown on page 183.

22. INTANGIBLE ASSETS

US$'000	Computer software costs
At 1st January 2017	
Cost	180,878
Accumulated amortisation	(120,735)
Net book amount	60,143
Year ended 31st December 2017	
Opening net book amount	60,143
Additions	6,874
Disposals	(6,690)
Amortisation	(11,123)
Closing net book amount	49,204
At 31st December 2017	
Cost	145,389
Accumulated amortisation	(96,185)
Net book amount	49,204

22. INTANGIBLE ASSETS (CONTINUED)

US$'000	Computer software costs
Year ended 31st December 2018	
Opening net book amount	**49,204**
Additions	**1,724**
Disposals	**(657)**
Amortisation	**(17,843)**
Closing net book amount	**32,428**
At 31st December 2018	
Cost	**146,452**
Accumulated amortisation	**(114,024)**
Net book amount	**32,428**

Computer software costs mainly comprise internally generated capitalised software development costs.

Amortisation of US$17.8 million (2017: US$11.1 million) is included in "business and administrative expenses" in the consolidated profit and loss account.

The Group had written-off fully amortised intangible assets of US$719 (2017: US$35.7 million) during the year.

23. DEFERRED TAXATION ASSETS/(LIABILITIES)

US$'000	2018	2017
Deferred taxation assets	**1,233**	1,476
Deferred taxation liabilities	**(106,827)**	(65,221)
	(105,594)	(63,745)

Deferred taxation assets and liabilities are offset when there is a legal right to set off current taxation assets with current taxation liabilities and when the deferred taxation relates to the same taxation authority. The above assets/(liabilities) shown in the consolidated balance sheet are determined after appropriate offsetting of the relevant amounts and include the following:

US$'000	2018	2017
Deferred taxation assets to be recovered after more than twelve months	**299**	723
Deferred taxation liabilities to be settled after more than twelve months	**(106,820)**	(65,006)

23. DEFERRED TAXATION ASSETS/(LIABILITIES) (CONTINUED)

Deferred taxation is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the countries in which the Group operates. The movements in deferred taxation assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year were as follows:

US$'000	Accelerated accounting depreciation	Revenue expenditure	Tax losses	Total
Deferred taxation assets				
At 31st December 2016	548	6,899	3,207	10,654
Currency translation adjustments	7	63	–	70
(Charged)/credited to consolidated profit and loss account	134	(3,043)	1,088	(1,821)
At 31st December 2017	689	3,919	4,295	8,903
Currency translation adjustments	(51)	(74)	(9)	(134)
(Charged)/credited to consolidated profit and loss account	(120)	(478)	375	(223)
At 31st December 2018	**518**	**3,367**	**4,661**	**8,546**

US$'000	Accelerated tax depreciation	Revaluation of investment property	Revenue expenditure	Undistributed profits of subsidiaries and affiliates	Total
Deferred taxation liabilities					
At 31st December 2016	382	69,229	6,109	2,044	77,764
(Credited)/charged to consolidated profit and loss account	1,296	(9,167)	2,477	278	(5,116)
At 31st December 2017	1,678	60,062	8,586	2,322	72,648
Currency translation adjustments	(76)	–	–	–	(76)
Charged/(credited) to consolidated profit and loss account	164	27,573	(234)	14,065	41,568
At 31st December 2018	**1,766**	**87,635**	**8,352**	**16,387**	**114,140**

Deferred taxation assets of US$33.6 million (2017: US$31.6 million) arising from unused tax losses of US$159.0 million (2017: US$146.8 million) have not been recognised in the consolidated financial statements. Unused tax losses of US$113.1 million (2017: US$101.6 million) have no expiry date and the remaining balance will expire at various dates up to and including 2038.

Deferred taxation liabilities of US$106.4 million (2017: US$102.0 million) on temporary differences associated with investments in subsidiaries of US$439.3 million (2017: US$430.4 million) have not been recognised as there is no current intention of remitting the retained profit of these subsidiaries to the holding companies in the foreseeable future.

24. PENSION AND RETIREMENT BENEFITS

The Group operates a number of defined benefit and defined contribution pension and retirement schemes in the main countries in which the Group operates. The total charges to the consolidated profit and loss account for the year were US$32.2 million (2017: US$30.5 million).

Defined contribution schemes

The principal defined contribution schemes are operated in Hong Kong, the PRC and the USA. These schemes cover approximately 79% of the Group's employees. Contributions to the defined contribution schemes, all the assets of which are held in trust funds separate from the Group, are based on a percentage of an employee's salary, depending upon the length of service of the employee, but the Group's contributions to certain schemes may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in those contributions.

In 2008, the Group terminated the defined benefit scheme and post-retirement medical plans in the USA at the request of the labour unions. All the pension assets and obligations were transferred to a defined benefit multi-employer pension plan and a defined benefit multi-employer post-retirement medical plan (the "Plans") together with other industry players. Since the Group is not able to identify its share of the underlying financial position and performance of the Plans with sufficient reliability for accounting purposes, accordingly the Plans are accounted for by the Group as defined contribution plans.

The charges for the defined contribution schemes to the consolidated profit and loss account during the year are as follows:

US$'000	**2018**	2017
Contributions to the schemes	**31,022**	29,006
Forfeitures utilised	**(71)**	(92)
	30,951	28,914

Defined benefit schemes

The amounts recognised in the consolidated balance sheet are as follows:

US$'000	**2018**	2017
Funded scheme assets	**–**	243
Funded scheme liabilities	**(3,200)**	–
Unfunded scheme liabilities	**–**	(38)
	(3,200)	(38)
Net scheme (liabilities)/assets	**(3,200)**	205

Net funded scheme (liabilities)/assets

The principal defined benefit scheme is operated in the United Kingdom which was valued by Barnett Waddingham LLP. The defined benefit scheme (the "Scheme") cover less than 1% of the Group's employees and are funded. The assets of the Scheme are held in trust funds separate from the Group. Contributions to the Scheme are assessed in accordance with the advice of qualified actuaries in compliance with local practice and regulations. The actuarial assumptions used to calculate the projected benefit obligations of the Group's pension schemes vary according to the economic conditions of the countries in which they are situated.

24. PENSION AND RETIREMENT BENEFITS (CONTINUED)

Defined benefit schemes (Continued)

Net funded scheme (liabilities)/assets (Continued)

The net scheme assets of the Scheme recognised in the consolidated balance sheet are determined as follows:

US$'000	2018	2017
Fair value of plan assets	190,210	220,490
Present value of funded obligations	(193,410)	(220,247)
(Deficit)/surplus of funded plan	(3,200)	243

Movements in the fair value of the plan assets of the Scheme during the year are as follows:

US$'000	2018	2017
Balance at beginning of year	220,490	200,690
Currency translation adjustments	(13,384)	19,116
Interest income on plan assets	5,326	5,420
Remeasurement (loss)/gain on assets	(13,261)	6,781
Contributions from the Group	2,887	3,074
Contributions from the plan members	105	94
Benefits paid	(11,953)	(14,685)
Balance at end of year	190,210	220,490

Movements in the present value of obligations of the Scheme during the year are as follows:

US$'000	2018	2017
Balance at beginning of year	220,247	212,472
Currency translation adjustments	(13,419)	20,272
Current service cost	1,290	1,251
Interest expense	5,294	5,724
Experience losses/(gains) on liabilities	65	(2,233)
Gains from changes to demographic assumptions	(1,384)	(5,293)
(Gains)/losses from changes to financial assumptions	(6,835)	2,645
Contributions from the plan members	105	94
Benefits paid	(11,953)	(14,685)
Balance at end of year	193,410	220,247

24. PENSION AND RETIREMENT BENEFITS (CONTINUED)

Defined benefit schemes (Continued)

Net funded scheme (liabilities)/assets (Continued)

The charges of the Scheme recognised in the consolidated profit and loss account are as follows:

US$'000	2018	2017
Current service cost	**1,290**	1,251
Interest expense	**5,294**	5,724
Interest income on plan assets	**(5,326)**	(5,420)
Net expense recognised for the year	**1,258**	1,555

Charges of US$1.3 million (2017: US$1.6 million) were included in "business and administrative expenses" in the consolidated profit and loss account.

The main actuarial assumptions made for the Scheme were as follows:

	2018	2017
Discount rate	**2.8%**	2.5%
Inflation rate	**3.5%**	3.4%
Expected future salary increases	**3.5%**	3.4%
Expected future pension increases	**2.6%**	2.6%
Actual return on plan assets (US$'000)	**(7,935)**	12,201

At 31st December 2018, if discount rate had been 0.2% higher/lower, with all other variables held constant, the fair value of the funded obligations would have been US$4.9 million lower/US$5.2 million higher. At 31st December 2018, if inflation rate had been 0.1% higher/lower, with all other variables held constant, the fair value of the funded obligations would have been US$1.7 million higher/US$0.9 million lower. The sensitivities show the likely effect of a single assumption being adjusted while holding all other assumptions constant.

Plan assets of the Scheme comprise the following:

US$'000	2018		2017	
Equity	**60,240**	**32%**	39,041	18%
Debt	**118,333**	**62%**	159,205	72%
Others	**11,637**	**6%**	22,244	10%
	190,210	**100%**	220,490	100%

Expected normal and deficit reduction contributions to the Scheme for the year ending 31st December 2019 is US$2.9 million.

24. PENSION AND RETIREMENT BENEFITS (CONTINUED)

Defined benefit schemes (Continued)

Net funded scheme (liabilities)/assets (Continued)

Through its defined benefit pension plans, the Group is exposed to a number of risks as follows:

- Investment risk. The Scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if deficit emerges.

- Interest rate and market risk. The Scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Scheme holds assets such as equities, the value of the assets and liabilities may not move in the same way.

- Inflation risk. A significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to deficits emerging.

- Longevity and other demographic risk. If members live longer than assumed, a deficit will emerge in the Scheme.

25. RESTRICTED BANK BALANCES

US$'000	2018	2017
Non-current	58,001	60,414
Current	3,121	3,425
Restricted bank balances	61,122	63,839

As at 31st December 2018, the restricted bank balances of US$61.1 million (2017: US$63.8 million) are funds pledged as securities for banking facilities or required to be utilised for specific purposes.

The carrying amounts of the Group's restricted bank balances are mainly denominated in US dollar (2017: US dollar).

The credit quality of restricted bank balances by reference to Standard & Poor's, and/or Moody's credit ratings is as follows:

US$'000	2018	2017
AA	1,522	1,709
A	59,595	62,128
BBB	5	2
	61,122	63,839

26. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE FINANCIAL ASSETS

US$'000	2018	2017
Balance at beginning of year	**45,383**	93,148
Currency translation adjustments	**(6)**	2
Disposals	**(1)**	(60,259)
Disposal of subsidiaries	**(23)**	–
Change in fair value recognised in other comprehensive income	**(20,931)**	12,492
Balance at end of year	**24,422**	45,383

Investments at fair value through other comprehensive income/available-for-sale financial assets include the following:

US$'000	2018	2017
Unlisted equity security	**23,100**	44,200
Others	**1,322**	1,183
	24,422	45,383

The carrying amounts of the Group's investments at fair value through other comprehensive income/available-for-sale financial assets are denominated in the following currencies:

US$'000	2018	2017
Renminbi	**23,129**	44,231
Hong Kong dollar	**1,166**	999
Other currencies	**127**	153
	24,422	45,383

27. INVESTMENTS AT AMORTISED COST/HELD-TO-MATURITY INVESTMENTS

US$'000	2018	2017
Listed debt securities		
Hong Kong	**108,796**	129,043
Overseas	**114,163**	105,886
	222,959	234,929
Less: Current portion included in current assets	**(33,568)**	(17,040)
	189,391	217,889
Market value	**223,530**	242,672

27. INVESTMENTS AT AMORTISED COST/HELD-TO-MATURITY INVESTMENTS (CONTINUED)

Movements in investments at amortised cost/held-to-maturity investments are as follows:

US$'000	2018	2017
Balance at beginning of year	234,929	236,917
Adjustment on adoption of HKFRS 9	(275)	–
Restated balance at beginning of year	234,654	236,917
Currency translation adjustments	–	2,317
Additions	45,576	78,627
Disposals	(38,143)	(40,611)
Redemptions on maturity	(17,000)	(41,881)
Amortisation	(143)	(440)
Impairment	(1,985)	–
Balance at end of year	222,959	234,929

The carrying amounts of investments at amortised cost/held-to-maturity investments are mainly denominated in US dollar (2017: US dollar).

The credit quality of investments at amortised cost/held-to-maturity investments by reference to Standard & Poor's and/or Moody's credit ratings is as follows:

US$'000	2018	2017
AAA	1,982	8,011
AA	6,240	6,292
A	82,621	70,651
BBB	71,717	82,710
Non-ranking	60,399	67,265
	222,959	234,929

The maximum exposure to credit risk at the balance sheet date is the carrying amount of investments at amortised cost/held-to-maturity investments.

28. OTHER NON-CURRENT ASSETS

US$'000	2018	2017
Deposit for container purchase	83,938	20,965
Other deposit	9,590	7,440
Others	10,483	12,458
	104,011	40,863

29. INVENTORIES

US$'000	2018	2017
Bunker	106,835	87,698
Consumable stores	12,875	14,459
	119,710	102,157

30. DEBTORS AND PREPAYMENTS

US$'000	2018	2017
Trade receivables	**379,067**	399,673
Less: provision for impairment	**(29,525)**	(16,061)
Trade receivables – net	**349,542**	383,612
Other debtors	**122,299**	86,291
Other prepayments	**148,493**	107,756
Utility and other deposits	**13,895**	12,277
	634,229	589,936

The credit quality of trade receivables net of provision for impairment, by reference to Standard & Poor's and/or Moody's credit ratings (if available) or to historical information about counterparty default rates is as follows:

US$'000	2018	2017
Counterparties with external credit rating		
A	**18,310**	16,627
BBB	**6,598**	7,384
BB	**4,967**	163
	29,875	24,174
Counterparties without external credit rating		
Group 1	**17,221**	18,035
Group 2	**301,234**	341,178
Group 3	**1,212**	225
	319,667	359,438
	349,542	383,612

Notes:

Group 1 – new customers (less than 6 months).

Group 2 – existing customers (more than 6 months) with no defaults in the past.

Group 3 – existing customers (more than 6 months) with some defaults in the past.

Trade receivables are normally due for payment on presentation of invoices or granted with an approved credit period ranging mainly from 10 to 30 days. Debtors with overdue balances are requested to settle all outstanding balances before any further credit is granted.

30. DEBTORS AND PREPAYMENTS (CONTINUED)

The ageing analysis of the Group's trade receivables, net of provision for impairment, prepared in accordance with the dates of invoices (2017: due dates of invoices), is as follows:

US$'000	2018	2017
Below one month	**269,210**	344,374
Two to three months	**67,182**	27,608
Four to six months	**7,770**	7,523
Over six months	**5,380**	4,107
	349,542	383,612

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers. Other debtors are fully performing.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

US$'000	2018	2017
US dollar	**113,941**	145,868
Canadian dollar	**13,218**	12,978
Euro	**57,088**	61,027
Japanese yen	**18,377**	19,212
Hong Kong dollar	**7,336**	5,692
Renminbi	**42,681**	46,403
Pound sterling	**12,726**	11,025
Australian dollar	**20,609**	24,237
Other currencies	**63,566**	57,170
	349,542	383,612

Movements in the provision for impairment of trade receivables are as follows:

US$'000	2018	2017
Balance at beginning of year	**16,061**	16,313
Adjustment on adoption of HKFRS 9	**12,897**	–
Restated balance at beginning of year	**28,958**	16,313
Provision	**16,742**	3,683
Write off	**(10,576)**	(1,287)
Reversal	**(5,390)**	(2,648)
Classified as assets held for sale (note 16)	**(209)**	–
Balance at end of year	**29,525**	16,061

The provision for impairment has been included in "business and administrative expenses" in the consolidated profit and loss account.

To measure the expected credit losses which are included in the balance of provision for impairment of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and due dates of invoices.

31. AMOUNTS DUE FROM JOINT VENTURES

The amounts receivable are unsecured, interest free and have no specific repayment terms.

32. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts receivable are unsecured, interest free and have no specific repayment terms.

33. AMOUNTS DUE FROM RELATED COMPANIES

The amounts receivable are unsecured, interest free and have no specific repayment terms.

34. PORTFOLIO INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

US$'000	2018	2017
Listed equity securities		
Hong Kong	**40,500**	23,379
Overseas	**9,089**	12,473
Market value of listed equity securities	**49,589**	35,852
Unit trust	**5,720**	6,140
Listed debt securities		
Hong Kong	**209,837**	173,900
Overseas	**113,111**	78,828
	378,257	294,720

The carrying amounts of the Group's portfolio investments at fair value through profit or loss are mainly denominated in US dollar (2017: US dollar).

The credit quality of listed debt securities by reference to Standard & Poor's and/or Moody's credit ratings is as follows:

US$'000	2018	2017
A	**69,328**	40,320
BBB	**127,819**	121,618
BB	**8,800**	9,688
Non-ranking	**117,001**	81,102
	322,948	252,728

The fair value of all listed equity securities and debt securities are based on their current bid prices in active markets.

35. DERIVATIVE FINANCIAL INSTRUMENTS

US$'000	2018	2017
Asset		
Current asset		
Bunker price derivative contracts	**–**	1,825
Liability		
Current liability		
Bunker price derivative contracts	**5,565**	–

35. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The credit quality of derivative financial assets by reference to the Standard & Poor's and/or Moody's credit ratings is as follows:

US$'000	2018	2017
AA	–	589
A	–	1,236
	–	1,825

At 31st December 2018, the Group had entered into contracts covering approximately 11% (2017: 7%) of expected purchase of bunker for the next year through bunker price derivative contracts.

36. CASH AND BANK BALANCES

US$'000	2018	2017
Short-term bank deposits		
– Maturing within three months from the date of placement	1,202,356	1,485,327
Cash at bank and in hand	382,109	455,648
	1,584,465	1,940,975

The carrying amounts of the Group's cash and bank balances are mainly denominated in US dollar (2017: US dollar).

The credit quality of cash at bank and in hand and short-term bank deposits by reference to Standard & Poor's, Moody's and/or Fitch's credit ratings is as follows:

US$'000	2018	2017
AA	538,611	504,840
A	861,272	1,001,437
BBB	170,966	424,027
BB	2,849	6,849
B	4,639	182
Others	6,128	3,640
	1,584,465	1,940,975

37. SHARE CAPITAL

US$'000	2018	2017
Authorised:		
900,000,000 ordinary shares of US$0.10 each	90,000	90,000
65,000,000 convertible redeemable preferred shares of US$1 each	65,000	65,000
50,000,000 redeemable preferred shares of US$1 each	50,000	50,000
	205,000	205,000

37. SHARE CAPITAL (CONTINUED)

	Number of shares (thousands)	Ordinary shares US$'000
Issued and fully paid:		
At 31st December 2017 and 2018	625,793	62,579

38. RESERVES

US$'000	Share premium	Contributed surplus	Capital redemption reserve	Investments revaluation reserve	Foreign exchange translation reserve	Retained profit	Total
Balance at 31st December 2016	172,457	88,547	4,696	30,852	27,079	4,133,076	4,456,707
Total comprehensive income for the year	–	–	–	12,492	15,961	148,162	176,615
Transactions with owners							
2017 interim dividend	–	–	–	–	–	(13,388)	(13,388)
Balance at 31st December 2017	172,457	88,547	4,696	43,344	43,040	4,267,850	4,619,934
Adjustment on adoption of HKFRS 9	–	–	–	–	–	(13,172)	(13,172)
Restated balance at 1st January 2018	172,457	88,547	4,696	43,344	43,040	4,254,678	4,606,762
Total comprehensive income/(loss) for the year	–	–	–	(20,931)	(16,339)	103,059	65,789
Balance at 31st December 2018	**172,457**	**88,547**	**4,696**	**22,413**	**26,701**	**4,357,737**	**4,672,551**

39. BORROWINGS

US$'000	2018	2017
Non-current		
Bank loans		
– Secured	**1,240,877**	1,531,192
– Unsecured	**226,976**	275,974
Finance lease obligations	**2,227,981**	2,122,859
	3,695,834	3,930,025
Current		
Bank loans		
– Secured	**242,126**	256,258
– Unsecured	**48,998**	33,998
Finance lease obligations	**210,798**	333,902
	501,922	624,158
Total borrowings	**4,197,756**	4,554,183

39. BORROWINGS (CONTINUED)

The maturity of borrowings is as follows:

US$'000	Bank loans	Finance leases Present value	Finance leases Minimum payments
As at 31st December 2018			
2019	**291,124**	**210,798**	**286,499**
2020	**450,282**	**174,089**	**242,211**
2021	**315,224**	**467,224**	**524,641**
2022	**264,814**	**224,876**	**270,008**
2023	**154,760**	**307,390**	**342,201**
2024 onwards	**282,773**	**1,054,402**	**1,121,710**
	1,758,977	**2,438,779**	**2,787,270**
As at 31st December 2017			
2018	290,256	333,902	392,262
2019	318,809	192,216	242,516
2020	453,011	155,191	200,140
2021	384,164	447,895	509,969
2022	237,426	150,202	180,958
2023 onwards	413,756	1,177,355	1,247,815
	2,097,422	2,456,761	2,773,660

Borrowings are secured by property, plant and equipment of the Group (note 17 (a)).

The effective interest rates at the balance sheet date were as follows:

	2018	2017
Bank loans	**3.7%**	2.8%
Finance lease obligations	**3.8%**	3.1%

The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
US$'000	**2018**	2017	**2018**	2017
Bank loans	**1,467,853**	1,807,166	**1,467,003**	1,805,997
Finance lease obligations	**2,227,981**	2,122,859	**2,193,394**	2,095,766
	3,695,834	3,930,025	**3,660,397**	3,901,763

The fair values are based on cash flows discounted using rates based on the borrowing rates ranging from 2.4% to 5.4% (2017: 2.0% to 5.1%).

The carrying amounts of short-term borrowings approximate their fair values.

The carrying amounts of the Group's borrowings are denominated in US dollar (2017: US dollar).

The fixed interest rate borrowings of the Group as at 31st December 2018 amounted to US$871.8 million (2017: US$892.3 million). The remaining borrowings of US$3,326.0 million (2017: US$3,661.9 million) were subject to floating interest rates.

40. CREDITORS AND ACCRUALS

US$'000	2018	2017
Trade payables	**193,382**	179,189
Other creditors	**162,251**	113,216
Accrued expenses	**443,200**	420,654
Deferred revenue	**25,923**	27,201
Contract liabilities	**13,429**	–
	838,185	740,260

The ageing analysis of the Group's trade payables, prepared in accordance with the dates of invoices, is as follows:

US$'000	2018	2017
Below one month	**109,641**	138,973
Two to three months	**75,285**	32,483
Four to six months	**2,524**	1,309
Over six months	**5,932**	6,424
	193,382	179,189

The carrying amounts of the Group's trade payables are denominated in the following currencies:

US$'000	2018	2017
US dollar	**72,072**	88,149
Canadian dollar	**7,240**	8,033
Euro	**16,333**	14,007
Japanese yen	**18,977**	16,503
Hong Kong dollar	**16,096**	16,007
Renminbi	**28,072**	27,991
Other currencies	**34,592**	8,499
	193,382	179,189

41. AMOUNTS DUE TO JOINT VENTURES

The amounts payable are unsecured, interest free and repayable on demand.

42. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts payable are unsecured, interest free and repayable on demand.

43. AMOUNTS DUE TO RELATED COMPANIES

The amounts payable are unsecured, interest free and repayable on demand.

44. COMMITMENTS

(a) Capital commitments – Property, plant and equipment

US$'000	2018	Restated 2017
Contracted but not provided for	**91,618**	267,148

(b) Operating lease commitments

The future aggregate minimum lease rental expenses under non-cancellable operating leases are payable in the following years:

US$'000	Vessels and equipment	Land and buildings	Total
At 31st December 2018			
2019	**134,796**	**38,710**	**173,506**
2020	**67,996**	**28,818**	**96,814**
2021	**46,789**	**18,576**	**65,365**
2022	**19,273**	**14,096**	**33,369**
2023	**4,950**	**13,226**	**18,176**
2024 onwards	**3,702**	**28,682**	**32,384**
	277,506	**142,108**	**419,614**
At 31st December 2017			
2018	145,501	32,294	177,795
2019	75,240	29,604	104,844
2020	67,999	19,162	87,161
2021	46,791	11,630	58,421
2022	19,295	8,210	27,505
2023 onwards	8,920	19,381	28,301
	363,746	120,281	484,027

44. COMMITMENTS (CONTINUED)

(c) Operating lease rental receivable

The future aggregate minimum lease rental income under non-cancellable operating leases are receivable in the following years:

US$'000	Vessels and equipment	Land and buildings	Total
At 31st December 2018			
2019	**–**	**23,201**	**23,201**
2020	**–**	**21,999**	**21,999**
2021	**–**	**20,793**	**20,793**
2022	**–**	**18,326**	**18,326**
2023	**–**	**16,487**	**16,487**
2024 onwards	**–**	**45,779**	**45,779**
	–	**146,585**	**146,585**
At 31st December 2017			
2018	1,235	24,000	25,235
2019	–	21,128	21,128
2020	–	19,425	19,425
2021	–	17,278	17,278
2022	–	14,920	14,920
2023 onwards	–	42,889	42,889
	1,235	139,640	140,875

45. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) The reconciliation of liabilities arising from financing activities is as follows:

US$'000	Bank borrowings	Finance lease obligations	Total
At 31st December 2016	2,198,407	1,892,330	4,090,737
Cash flow			
– Inflow from financing activities	447,361	659,521	1,106,882
– Outflow from financing activities	(552,076)	(236,838)	(788,914)
Non-cash changes			
– Inception of finance leases (note 45(c))	–	129,401	129,401
– Finance costs	3,730	12,347	16,077
At 31st December 2017	2,097,422	2,456,761	4,554,183
Cash flow			
– Inflow from financing activities	213,692	262,228	475,920
– Outflow from financing activities	(506,679)	(267,148)	(773,827)
Non-cash changes			
– Classified as liabilities directly associated with assets held for sale (note 16)	(48,411)	(59,189)	(107,600)
– Inception of finance leases (note 45(c))	–	31,720	31,720
– Finance costs	2,953	14,407	17,360
At 31st December 2018	**1,758,977**	**2,438,779**	**4,197,756**

45. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Disposal of subsidiaries

US$'000	2018	2017
Net assets disposed		
Property, plant and equipment	83	–
Investments at fair value through other comprehensive income	23	–
Restricted bank balances	1,062	–
Cash and bank balances	14,363	–
Debtors and prepayments	1,431	–
Creditors and accruals	(822)	–
Current taxation	(280)	–
Amounts payable to group companies	(6,898)	–
	8,962	–
Release of reserve upon disposal	(116)	–
Gain on disposal	3,663	–
Cash consideration	12,509	–
Net cash outflow arising on disposal:		
Cash consideration	12,509	–
Less: Cash and bank balances disposed	(14,363)	–
Net cash outflow	(1,854)	–

(c) Major non-cash transactions

During the year, major non-cash transactions included the inception of finance leases of US$31.7 million (2017: US$129.4 million) and non-cash dividend received from investments at fair value through other comprehensive income/available-for-sale financial assets of US$14.7 million (2017: US$13.3 million).

(d) Analysis of cash and cash equivalents

US$'000	2018	2017
Bank balances and deposits maturing within three months from the date of placement	1,584,465	1,940,975

46. RELATED PARTY TRANSACTIONS

The Company is controlled by COSCO SHIPPING, the ultimate parent company and a state-owned enterprise established in the PRC.

COSCO SHIPPING itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. Government-related entities and their subsidiaries directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include COSCO SHIPPING and its subsidiaries (other than the Group) (collectively referred to as "COSCO SHIPPING Group"), other government-related entities and their subsidiaries, entities in which the Company is able to exercise joint control or significant influence, and key management personnel of the Company and COSCO SHIPPING as well as their close family members.

For the purpose of related party transaction disclosures, the Directors believe that it is meaningful to disclose the related party transactions with COSCO SHIPPING Group companies for the interests of financial statements users, although certain of those transactions which are individually or collectively not significant are exempted from disclosure. The Directors believe that the information of related party transactions has been adequately disclosed in the consolidated financial statements.

In addition to the related party information and transactions disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions conducted in the ordinary course of business between the Group and COSCO SHIPPING Group during the year.

US$'000	2018	2017
Revenues		
Container transport income	55,419	–
Freight forwarding income	471	–
Terminal handling and storage income	12,139	–
IT service income	593	–
Interest income	170	–
Expenses		
Cargo transportation costs	25,110	–
Freight forwarding expenses	2,695	–
Terminal charges	54,558	–
Operating lease rental expenses		
Vessels	10,966	–
Containers	1,473	–
Land and buildings	176	–
Slot hire expenses	20,999	–
Purchase of bunker	133,078	–
Crew expenses	569	–
Others		
Purchase of containers	93,860	–

Note:

These transactions were conducted either (i) based on terms as governed by the master agreements and subsisting agreements entered into between the Group and COSCO SHIPPING Group or (ii) based on terms as set out in the underlying agreements, statutory rates or market prices or actual costs incurred, or as mutually agreed between the Group and COSCO SHIPPING Group.

47. COMPANY BALANCE SHEET

As at 31st December 2018

US$'000	2018	2017
ASSETS		
Non-current asset		
Subsidiaries	**169,487**	169,487
Current assets		
Prepayments	**149**	48
Amounts due from subsidiaries	**2,855,975**	2,876,770
Restricted bank balances	**335**	345
Cash and bank balances	**9,297**	93
	2,865,756	2,877,256
Total assets	**3,035,243**	3,046,743
EQUITY		
Equity holders		
Share capital	**62,579**	62,579
Reserves (note)	**996,630**	1,015,718
Total equity	**1,059,209**	1,078,297
LIABILITIES		
Non-current liability		
Amount due to a subsidiary	**1,589,229**	1,589,229
Current liabilities		
Creditors and accruals	**10,288**	1,829
Amounts due to subsidiaries	**376,517**	377,388
	386,805	379,217
Total liabilities	**1,976,034**	1,968,446
Total equity and liabilities	**3,035,243**	3,046,743

Note:

Movements of reserves

US$'000	Share premium	Contributed surplus	Capital redemption reserve	Retained profit	Total
Balance at 31st December 2016	172,457	88,547	4,696	725,680	991,380
Total comprehensive income for the year	–	–	–	37,726	37,726
Transactions with owners					
2017 interim dividend	–	–	–	(13,388)	(13,388)
Balance at 31st December 2017	172,457	88,547	4,696	750,018	1,015,718
Total comprehensive loss for the year	–	–	–	(19,088)	(19,088)
Balance at 31st December 2018	**172,457**	**88,547**	**4,696**	**730,930**	**996,630**

Under the Companies Act of Bermuda and the Bye-laws of the Company, the contributed surplus is also distributable. Accordingly, total distributable reserves of the Company amount to US$819.5 million as at 31st December 2018 (2017: US$838.6 million).

48. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 22nd March 2019.

Principal Subsidiaries, Associated Companies and Joint Ventures

as at 31st December 2018

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/ contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries					
Cargo System Warehouse and Transport Ltd.	100	3,000 ordinary shares HK$300,000	Investment holding and container transport	Hong Kong	Hong Kong
Consolidated Leasing & Terminals, Inc.	100	1 common stock US$100	Investment holding, equipment owning and leasing	USA	USA
Containers No. 1 Inc.	100	10,000 ordinary shares US$100,000	Equipment owning and leasing	Marshall Islands	Worldwide
Containers No. 2 Inc.	100	10,000 ordinary shares US$100,000	Equipment owning and leasing	Marshall Islands	Worldwide
Dongguan Orient Container Co. Ltd.	100	Registered capital HK$29,000,000	Container depot and warehousing	China *	China
Far Gain Investment Ltd.	100	10,000 ordinary shares HK$10,000	Investment holding	Hong Kong	Hong Kong
Glory Top Investment Ltd.	100	10,000 ordinary shares HK$10,000	Portfolio investment	Hong Kong	Hong Kong
Goodrich Limited	100	500 ordinary shares US$5,000	Commodity instruments for Group	Marshall Islands	Marshall Islands
Hai Dong Transportation Co. Ltd.	100	100,000 ordinary shares HK$100,000	Container transport	Hong Kong	Hong Kong
Kenwake Ltd.	100 100	1,600,000 ordinary shares 520,000 5% cumulative preference shares £2,120,000	Investment holding	United Kingdom	United Kingdom
Laronda Company Ltd.	100	5,000 ordinary shares US$5,000	Portfolio investment	British Virgin Islands	Worldwide
LBCT LLC	100	Capital of US$500,000	Terminal operating	USA	USA
Long Beach Container Terminal, Inc.	100	5,000 common stock US$500,000	Maintenance of union office workers and provision of labour services	USA	USA
Maritime Delivery Services Inc.	100	1,000 common stock US$10,000	Trucking service	USA	USA
Newcontainer 1370A Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1371A Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1420 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide

Principal Subsidiaries, Associated Companies and Joint Ventures

as at 31st December 2018

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/ contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries (Continued)					
Newcontainer 1421 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1484 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1564A Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1565A Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1584A Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1585A Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1667A Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1668A Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2002 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2004 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2005 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2007 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2009 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2010 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2011 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2172 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2173 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 4090 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/ contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries (Continued)					
Newcontainer No. 5 Shipping Inc.	100	500 ordinary shares US$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No. 6 Shipping Inc.	100	500 ordinary shares US$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No. 9 (Marshall Islands) Shipping Inc.	100	500 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 10 (Marshall Islands) Shipping Inc.	100	500 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 15 (Marshall Islands) Shipping Inc.	100	500 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 51 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 52 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 67 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 69 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 73 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 75 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 81 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 82 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 83 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 85 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 87 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 88 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 89 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide

Principal Subsidiaries, Associated Companies and Joint Ventures

as at 31st December 2018

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/ contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries (Continued)					
Newcontainer No. 90 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 93 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 95 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 96 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 97 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 98 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 99 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 100 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 101 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 102 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 103 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 106 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Investment holding	Marshall Islands	Worldwide
Newcontainer No. 107 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
OLL Logistics (Malaysia) Sdn Bhd	100	10,000 ordinary shares RM10,000	Logistics, cargo consolidation and forwarding	Malaysia	Malaysia
OOCL (Agencies) Holdings Inc.	100	5,000 ordinary shares US$5,000	Investment holding	Marshall Islands	Worldwide
OOCL (Asia Pacific) Ltd.	100	2 ordinary shares HK$2	Transportation	Hong Kong	Asia Pacific
OOCL (Assets) Holdings Inc.	100	500 ordinary shares US$5,000	Investment holding	Liberia †	Worldwide
OOCL (Assets USA) Holdings Inc.	100	50,000 ordinary shares US$50,000	Investment holding	Liberia †	USA

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/ contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries (Continued)					
OOCL (Australia) Pty Ltd.	100	200,000 ordinary shares A$200,000	Liner agency	Australia	Australia
OOCL BENELUX	100	226,271 ordinary shares €609,799	Liner agency	Belgium	Belgium
OOCL (Cambodia) Ltd.	100	50,000 ordinary shares Riel200,000,000	Liner agency	Cambodia	Cambodia
OOCL (Canada) Inc.	100	10,000 common stock C$91,000	Liner agency	Canada	Canada
OOCL (China) Investment Ltd.	100	2 ordinary shares HK$2	Investment holding	Hong Kong	China
OOCL (Corporate Services) Limited	100	2 ordinary shares HK$2	Provision of corporate services	Hong Kong	Hong Kong
OOCL (Denmark) A/S	100	1,000 ordinary shares DKK500,000	Liner agency	Denmark	Northern Europe
OOCL (Europe) Ltd.	100	5,000,000 ordinary shares £5,000,000	Container transport, investment holding and liner territorial office	United Kingdom	Worldwide
OOCL (Finland) Ltd. Oy	100	150 ordinary shares €2,522.82	Liner agency	Finland	Finland
OOCL (India) Private Ltd.	100	1,000 equity shares Rupees100,000	Liner agency	India	India
OOCL (Infotech) Holdings Ltd.	100	2 ordinary shares US$2	Investment holding	British Virgin Islands	Worldwide
OOCL (Italy) S.r.l.	100	1 quota €10,000	Liner agency	Italy	Italy
OOCL (Korea) Ltd.	100	16,000 common stock Won160,000,000	Liner agency	Korea	Korea
OOCL (Liners) Holdings Ltd.	100	2 ordinary shares HK$2	Investment holding	Hong Kong	Hong Kong
OOCL (Logistics) Holdings Ltd.	100	10,000 ordinary shares US$10,000	Investment holding	British Virgin Islands	Worldwide
OOCL (Mexico), S.A. de CV	100	600,000 ordinary shares Peso600,000	Liner agency	Mexico	Mexico
OOCL (New Zealand) Ltd.	100	100 ordinary shares NZD1,000	Liner agency	New Zealand	New Zealand
OOCL Pakistan (Private) Ltd.	100	1,350,000 ordinary shares PKR13,500,000	Liner agency	Pakistan	Pakistan

Principal Subsidiaries, Associated Companies and Joint Ventures

as at 31st December 2018

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/ contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries (Continued)					
OOCL (Philippines) Inc.	100	55,000 common stock Peso5,500,000	Liner agency	Philippines	Philippines
OOCL (Poland) Ltd sp. z o.o.	100	1,000 ordinary shares PLN50,000	Liner agency	Poland	Poland
OOCL (Portugal), Lda	100	2 quotas €25,000	Liner agency	Portugal	Portugal
OOCL (Russia) Ltd.	100	1 participatory share Rub10,000	Liner agency	Russia	Russia
OOCL (Singapore) Pte Ltd.	100	100,000 ordinary shares S$100,000	Liner agency	Singapore	Singapore
OOCL (Sweden) AB	100	100,000 ordinary shares SEK100,000	Liner agency	Sweden	Sweden
OOCL (Terminals) Investment Ltd.	100	500 ordinary shares US$500	Investment holding	British Virgin Islands	Worldwide
OOCL (USA) Inc.	100	1,030 common stock US$1,030	Liner agency	USA	USA
OOCL (Vietnam) Co. Ltd.	100	Legal capital US$500,000	Liner agency	Vietnam	Vietnam
OOCL China Domestics Ltd.	100	Registered capital RMB21,250,000	Transportation and freight agency	China ±	China
OOCL GEMİ ACENTELİĞİ HİZMETLERİ VE TİCARET ANONİM ŞİRKETİ	100	100,000 shares TL.100,000	Liner agency	Turkey	Turkey
OOCL LLC	100	Capital of US$500,000	Investment holding and equipment owning	USA	USA
OOCL Logistics Limited	100	10,000 ordinary shares US$10,000	Investment holding	British Virgin Islands	Hong Kong
OOCL Logistics (Asia Pacific) Ltd.	100	200 ordinary shares US$20,000	Investment holding, management of international transportation and logistics	Bermuda	Worldwide
OOCL Logistics (Australia) Pty. Limited	100	200,000 ordinary shares A$200,000	Logistics, cargo consolidation and forwarding	Australia	Australia
OOCL Logistics (Cambodia) Ltd.	100	1,250 ordinary shares Riel5,000,000	Logistics, cargo consolidation and forwarding	Cambodia	Cambodia
OOCL Logistics (Canada) Ltd.	100	1,000 common stock C$1,000	Logistics, cargo consolidation and forwarding	Canada	Canada

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/ contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries (Continued)					
OOCL Logistics (China) Ltd.	100	Registered capital US$4,840,000	Logistics, cargo consolidation and forwarding	China *	China
OOCL Logistics (Europe) Ltd.	100	2 ordinary shares £2	Logistics, cargo consolidation and forwarding territorial office	United Kingdom	Europe
OOCL Logistics (Hong Kong) Ltd.	100	50,000 ordinary shares HK$500,000	Logistics, cargo consolidation and forwarding	Hong Kong	Hong Kong
OOCL Logistics (India) Private Ltd.	100	35,000 equity shares Rupee3,500,000	Logistics, cargo consolidation and forwarding	India	India
OOCL Logistics (Japan) Ltd.	100	6,200 ordinary shares Yen10,000,000	Logistics, cargo consolidation and forwarding	Japan	Japan
OOCL Logistics (Korea) Ltd.	100	30,000 common stock Won300,000,000	Logistics, cargo consolidation and forwarding	Korea	Korea
OOCL Logistics Mexico, S.A. de CV	100	500,000 ordinary shares Peso500,000	Logistics, cargo consolidation and forwarding	Mexico	Mexico
OOCL Logistics Pakistan (Pvt) Limited	100	1,300,000 ordinary shares PKR13,000,000	Logistics, cargo consolidation and forwarding	Pakistan	Pakistan
OOCL Logistics (Russia) Limited	100	1 share Rub10,000	Logistics, cargo consolidation and forwarding	Russia	Russia
OOCL Logistics (Singapore) Pte Ltd.	100	2 ordinary shares S$2	Logistics, cargo consolidation and forwarding	Singapore	Singapore
OOCL Logistics (USA) Inc.	100	100 common stock US$200	Logistics, cargo consolidation, forwarding and investment holding	USA	Worldwide
OOCL Logistics Line Limited	100	2 ordinary shares HK$2	Transportation and freight forwarding	Hong Kong	Worldwide
OOCL Logistics Warehousing and Transportation (Shanghai) Co. Ltd.	100	Registered capital US$1,000,000	Warehousing and logistics services	China *	China
OOCL Logistics Warehousing and Transportation (Tianjin) Co. Ltd.	100	Registered capital US$4,700,000	Warehousing, transportation and logistics services	China *	China
OOCL Transport & Logistics Holdings Ltd. #	100	169,477,152 ordinary shares US$169,477,152	Investment holding	Bermuda	Worldwide
OOCL Warehousing (Shanghai) Limited	100	Registered capital US$10,000,000	Warehousing and depot services	China *	China
OOIL (Investments) Inc. #	100	500 ordinary shares US$5,000	Investment holding	Liberia †	Worldwide
Orient Overseas Associates	100	Limited partnership	Property owning	USA	USA

Principal Subsidiaries, Associated Companies and Joint Ventures

as at 31st December 2018

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/ contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries (Continued)					
Orient Overseas Building Corp.	100	10 common stock US$150,000	Property owning	USA	USA
Orient Overseas Container Line (China) Co. Ltd.	100	Registered capital US$3,400,000	Liner agency	China *	China
Orient Overseas Container Line (Europe) Ltd.	100	66,000,000 ordinary shares £66,000,000	Investment holding	United Kingdom	United Kingdom
Orient Overseas Container Line (Malaysia) Sdn Bhd	100	500,000 ordinary shares RM500,000	Liner agency	Malaysia	Malaysia
Orient Overseas Container Line (Spain), S.L.	100	3,100 ordinary shares €3,100	Liner agency	Spain	Spain
Orient Overseas Container Line (UK) Ltd.	100	5,000 ordinary shares US$5,000	Ship management and vessel operator	Cayman Islands	Worldwide
Orient Overseas Container Line Inc.	100	500 ordinary shares US$25,000,000	Investment holding	Liberia †	Worldwide
Orient Overseas Container Line Ltd.	100	10,000 ordinary shares HK$1,000,000	Container transport	Hong Kong	Worldwide
Soberry Investments Ltd.	100	5,000 ordinary shares US$5,000	Portfolio investment	British Virgin Islands	Worldwide
The Speed Limited	100	5,000 ordinary shares US$5,000	Provision of financing to Group	Marshall Islands	Worldwide
Union Faith (H.K.) Limited	100	1 ordinary share HK$1	Ship owning	Hong Kong	Worldwide
Wall Street Plaza, Inc.	100 100 100 100 100 100	40 class A common stock 160 class B common stock 20,000 series A non-cumulative non-voting preferred stock 18,000 series B non-cumulative non-voting preferred stock 19,500 series C non-cumulative non-voting preferred stock 19,000 series D non-cumulative non-voting preferred stock US$76,500,200	Investment holding	USA	USA
Wealth Capital Corporation	100	500 ordinary shares US$5,000	Investment holding	Liberia †	Worldwide

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/ contributed cash capital	Principal activities	Place of incorporation	Area of operations
Associated companies					
Ningbo Yuan Dong Terminal Ltd.	20	Registered capital RMB2,500,000,000	Terminal operating	China §	China
Tianjin Port Alliance International Container Terminal Co. Ltd.	20	Registered capital US$160,000,000	Terminal operating	China §	China
Joint ventures					
OOCL (Egypt) Shipping Agency S.A.E.	49	20,000 ordinary shares EGP2,000,000	Liner agency	Egypt	Egypt
OOCL (UAE) LLC	49	300 ordinary shares AED300,000	Liner agency	Dubai	Dubai
Tan Cang – OOCL Logistics Company Limited	50	Legal capital US$308,000	Container depot	Vietnam	Vietnam
Qingdao Orient International Container Storage & Transportation Co. Ltd.	55	Registered capital RMB69,900,000	Container depot	China §	China

\# *Direct subsidiaries of the Company.*
† *Companies incorporated in Liberia but redomiciled to the Marshall Islands.*
* *Wholly foreign-owned enterprise.*
§ *Sino-foreign equity joint venture enterprise.*
± *Domestic joint venture enterprise.*

Fleet and Container Information

Fleet

The following table sets out the Group's vessels as at 31st December 2018.

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	FLAG
OOCL America	5,344	Owned	Intra-Asia	1995	Hong Kong
OOCL Asia	8,063	Owned	Trans-Atlantic	2006	Hong Kong
OOCL Bangkok	13,208	Owned	Trans-Pacific	2013	Hong Kong
OOCL Beijing	8,888	Owned	Trans-Pacific	2011	Hong Kong
OOCL Belgium	2,992	Owned	Trans-Atlantic	1998	Hong Kong
OOCL California	5,344	Owned	Intra-Asia	1995	Hong Kong
OOCL Canada	8,888	Owned	Trans-Pacific	2011	Hong Kong
OOCL Charleston	4,578	Owned	Asia-Australia	2010	Hong Kong
OOCL Chicago	5,714	Owned	Intra-Asia	2000	Hong Kong
OOCL Chongqing	13,208	Owned	Trans-Pacific	2013	Hong Kong
OOCL Dalian	4,578	Owned	Asia-Australia	2009	Hong Kong
OOCL Europe	8,063	Owned	Trans-Atlantic	2006	Hong Kong
OOCL Guangzhou	4,578	Owned	Intra-Asia	2010	Hong Kong
OOCL Jakarta	4,578	Owned	Intra-Asia	2010	Hong Kong
OOCL Le Havre	4,578	Owned	Asia-Australia	2010	Hong Kong
OOCL London	8,063	Owned	Trans-Pacific	2010	Hong Kong
OOCL Luxembourg	8,063	Owned	Trans-Pacific	2010	Hong Kong
OOCL Nagoya	4,578	Owned	Intra-Asia	2009	Hong Kong
OOCL New York	5,770	Owned	Trans-Pacific	1999	Hong Kong
OOCL Norfolk	4,578	Owned	Asia-Australia	2009	Hong Kong
OOCL San Francisco	5,714	Owned	Trans-Pacific	2000	Hong Kong
OOCL Savannah	4,578	Owned	Intra-Asia	2010	Hong Kong
OOCL Scandinavia	21,413	Owned	Asia-Europe	2017	Hong Kong
OOCL Seoul	8,063	Owned	Asia-Australia	2010	Hong Kong
OOCL Shanghai	5,770	Owned	Intra-Asia	1999	Hong Kong
OOCL Tokyo	8,063	Owned	Trans-Pacific	2007	Hong Kong
OOCL United Kingdom	21,413	Owned	Asia-Europe	2017	Hong Kong
OOCL Washington	8,063	Owned	Trans-Pacific	2010	Hong Kong
OOCL Atlanta	8,063	Finance Lease	Intra-Asia	2005	Hong Kong
OOCL Australia	4,583	Finance Lease	Intra-Asia	2006	Hong Kong
OOCL Berlin	13,208	Finance Lease	Trans-Pacific	2013	Hong Kong
OOCL Brisbane	4,578	Finance Lease	Intra-Asia	2009	Hong Kong
OOCL Brussels	13,208	Finance Lease	Trans-Pacific	2013	Hong Kong
OOCL Busan	4,578	Finance Lease	Intra-Asia	2008	Hong Kong
OOCL Egypt	13,208	Finance Lease	Intra-Asia	2013	Hong Kong
OOCL France	13,208	Finance Lease	Asia-Europe	2013	Hong Kong
OOCL Genoa	8,888	Finance Lease	Trans-Pacific	2015	Hong Kong
OOCL Germany	21,413	Finance Lease	Asia-Europe	2017	Hong Kong
OOCL Hamburg	8,063	Finance Lease	Intra-Asia	2004	Hong Kong
OOCL Ho Chi Minh City	8,888	Finance Lease	Trans-Pacific	2015	Hong Kong
OOCL Hong Kong	21,413	Finance Lease	Asia-Europe	2017	Hong Kong

Fleet and Container Information

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	FLAG
OOCL Houston	4,578	Finance Lease	Asia-Australia	2007	Hong Kong
OOCL Indonesia	21,413	Finance Lease	Asia-Europe	2018	Hong Kong
OOCL Japan	21,413	Finance Lease	Asia-Europe	2017	Hong Kong
OOCL Kobe	4,578	Finance Lease	Intra-Europe	2007	Hong Kong
OOCL Korea	13,208	Finance Lease	Trans-Pacific	2014	Hong Kong
OOCL Malaysia	13,208	Finance Lease	Trans-Pacific	2013	Hong Kong
OOCL Memphis	8,888	Finance Lease	Trans-Pacific	2013	Hong Kong
OOCL Miami	8,888	Finance Lease	Trans-Pacific	2013	Hong Kong
OOCL Montreal	4,402	Finance Lease	Trans-Atlantic	2003	Hong Kong
OOCL New Zealand	4,578	Finance Lease	Intra-Asia	2009	Hong Kong
OOCL Panama	4,578	Finance Lease	Intra-Asia	2008	Hong Kong
OOCL Poland	13,208	Finance Lease	Trans-Pacific	2013	Hong Kong
OOCL Rotterdam	8,063	Finance Lease	Asia-Australia	2004	Hong Kong
OOCL Singapore	13,208	Finance Lease	Asia-Europe	2014	Hong Kong
OOCL Southampton	8,063	Finance Lease	Trans-Pacific	2007	Hong Kong
OOCL Taipei	8,888	Finance Lease	Trans-Pacific	2015	Hong Kong
OOCL Texas	4,578	Finance Lease	Asia-Australia	2008	Hong Kong
OOCL Utah	8,888	Finance Lease	Trans-Pacific	2015	Hong Kong
OOCL Yokohama	4,578	Finance Lease	Asia-Australia	2007	Hong Kong
OOCL Zhoushan	4,583	Finance Lease	Intra-Asia	2006	Hong Kong
Apollon D	2,554	Chartered	Intra-Asia	2008	Liberia
Cape Tainaro	11,037	Chartered	Intra-Asia	2016	Malta
Cardiff Trader	2,526	Chartered	Intra-Asia	2003	Malta
Cimbria	2,824	Chartered	Intra-Asia	2002	Liberia
Conmar Bay	1,036	Chartered	Intra-Europe	2012	Antigua and Barbuda
Cosco Boston	5,089	Chartered	Trans-Pacific	2007	Panama
Cosco New York	5,089	Chartered	Asia-Australia	2007	Panama
Cosco Philippines	8,501	Chartered	Trans-Atlantic	2010	Hong Kong
CSCL Neptune	14,074	Chartered	Intra-Asia	2012	Hong Kong
Green Horizon	1,736	Chartered	Intra-Asia	2013	Panama
Iberian Express	1,118	Chartered	Intra-Asia	2008	Gibraltar
King Crimson	1,710	Chartered	Intra-Asia	2007	Marshall Island
Kyoto Tower	1,708	Chartered	Intra-Asia	2007	United Kingdom
Maersk Sarnia	8,450	Chartered	Asia-Europe	2005	Singapore
Molly Schulte	2,345	Chartered	Intra-Asia	2018	Singapore
Moonchild	1,710	Chartered	Intra-Asia	2008	Liberia
Mount Gough	1,756	Chartered	Intra-Asia	2016	Hong Kong
Navi Baltic	1,421	Chartered	Intra-Europe	2009	Portugal
Olivia	1,714	Chartered	Intra-Asia	2013	Portugal
OOCL Antwerp	5,888	Chartered	Trans-Pacific	2006	Panama
OOCL Dubai	5,888	Chartered	Asia-Australia	2006	Singapore
OOCL Italy	5,888	Chartered	Asia-Australia	2007	Singapore
OOCL Kaohsiung	5,888	Chartered	Trans-Pacific	2006	Singapore
OOCL Kuala Lumpur	5,888	Chartered	Asia-Australia	2007	Singapore
OOCL Oakland	5,888	Chartered	Trans-Pacific	2007	Panama
OOCL Qingdao	8,063	Chartered	Intra-Asia	2004	Hong Kong
OOCL Rauma	1,421	Chartered	Intra-Europe	2009	Netherlands

Fleet and Container Information

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	FLAG
OOCL Vancover	5,888	Chartered	Trans-Pacific	2006	Panama
Ornella	1,714	Chartered	Intra-Asia	2012	Portugal
Protostar N	2,741	Chartered	Intra-Asia	2007	Cyprus
Pucon	6,541	Chartered	Asia-Europe	2006	Marshall Island
San Lorenzo	1,708	Chartered	Intra-Asia	2014	Cyprus
Santa Loukia	1,704	Chartered	Intra-Asia	2014	Malta
ST Blue	2,535	Chartered	Intra-Asia	2011	Liberia
ST Green	2,535	Chartered	Intra-Asia	2011	Liberia
Teng Yun He	1,702	Chartered	Intra-Asia	2000	China
Tzini	1,756	Chartered	Intra-Asia	2013	Malta
Vega Fynen	1,118	Chartered	Intra-Asia	2006	Liberia
Vermont Trader	4,992	Chartered	Trans-Atlantic	2004	Malta
Warnow Chief	1,500	Chartered	Intra-Asia	2009	Cyprus
TOTAL 101 VESSELS	**701,463**				

Container Information

The Group owned, purchased on finance lease terms or leased under operating lease agreements 671,006 units (1,132,281 TEU) as of 31st December 2018. Approximately 90.5% of the container fleet in TEU capacity was owned or purchased under finance leases with the remainder leased under operating lease agreements.

In addition, at 31st December 2018 the Group owned, purchased on finance lease terms or leased under operating lease terms 37 trailer chassis.

10-Year Financial Summary

US$'000	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Consolidated Profit and Loss Data										
Revenue	4,350,195	6,033,402	6,011,836	6,459,059	6,231,583	6,521,589	5,953,444	5,297,693	5,981,676	**6,572,655**
Operating profit/(loss)	(332,237)	918,807	174,598	327,904	90,314	329,147	353,068	(138,227)	238,155	**262,935**
Finance costs	(35,347)	(29,091)	(26,179)	(32,877)	(41,019)	(54,000)	(63,642)	(79,393)	(97,418)	**(143,191)**
Profit/(loss) before taxation	(361,870)	898,776	162,457	310,134	66,999	294,583	307,208	(199,667)	159,871	**134,068**
Profit/(loss) for the year from continuing operations	(376,104)	869,817	139,354	296,317	47,133	270,438	283,851	(219,221)	147,438	**75,448**
Profit/(loss) for the year from discontinued operations	(24,501)	1,004,554	43,000	–	–	–	–	–	(9,782)	**32,718**
Profit/(loss) for the year	(400,605)	1,874,371	182,354	296,317	47,133	270,438	283,851	(219,221)	137,656	**108,166**
Profit/(loss) attributable to ordinary shareholders	(402,294)	1,866,780	181,645	295,387	47,036	270,538	283,851	(219,221)	137,656	**108,166**
Per Ordinary Share										
Earnings/(loss) (US cents)										
from continuing operations	(60.4)	137.8	22.1	47.2	7.5	43.2	45.4	(35.0)	23.6	**12.1**
from discontinued operations	(3.9)	160.5	6.9	–	–	–	–	–	(1.6)	**5.2**
Dividends (US cents)	–	283.80	7.00	11.84	1.88	10.90	11.45	–	2.14	**7.70**
Weighted average number of ordinary shares in issue ('000)	625,793	625,793	625,793	625,793	625,793	625,793	625,793	625,793	625,793	**625,793**
Consolidated Balance Sheet Data										
Property, plant and equipment	3,798,048	3,860,367	4,205,194	4,664,773	5,320,251	5,608,929	6,020,744	6,076,673	6,251,457	**5,880,057**
Liquid assets	1,354,387	4,132,897	2,413,132	2,339,531	2,411,085	2,689,754	2,548,976	2,186,946	2,534,463	**2,246,803**
Assets held for sale	1,268,254	–	–	–	–	53,047	–	–	–	**472,732**
Liabilities directly associated with assets classified as held for sale	(142,406)	–	–	–	–	–	–	–	–	**(141,048)**
Other net current liabilities	(582,807)	(475,304)	(543,133)	(654,625)	(473,105)	(628,393)	(622,964)	(738,046)	(671,309)	**(596,779)**
Total assets	7,330,174	9,075,183	7,711,478	8,231,039	8,990,218	9,633,455	9,731,574	9,404,590	10,069,296	**10,053,860**
Long-term debt	2,135,967	2,416,367	2,233,095	2,325,777	3,265,555	3,595,625	3,663,100	3,489,272	3,930,025	**3,695,834**
Total long and short-term debt	2,568,022	2,664,122	2,672,206	2,881,530	3,533,865	3,984,502	4,101,719	4,090,737	4,554,183	**4,197,756**
Net debt/(liquid assets)	1,213,635	(1,468,775)	259,074	541,999	1,122,780	1,294,748	1,552,743	1,903,791	2,019,720	**1,950,953**
Ordinary shareholders' equity	3,944,684	5,548,446	4,233,468	4,481,815	4,470,807	4,634,752	4,797,510	4,519,286	4,682,513	**4,735,130**
Other Financial Information										
Depreciation	207,275	255,010	242,534	235,346	302,884	323,482	315,426	400,351	428,482	**385,622**
Capital expenditure	380,161	345,255	744,603	784,562	999,451	848,769	796,720	478,637	618,690	**412,901**
Consolidated Financial Ratios/Percentages										
Debt to equity ratio	0.65	0.48	0.63	0.64	0.79	0.86	0.85	0.91	0.97	**0.89**
Net debt/(cash) to equity ratio	0.31	(0.26)	0.06	0.12	0.25	0.28	0.32	0.42	0.43	**0.41**
Return on average ordinary shareholders' equity (%)	(9.7)	39.3	3.7	6.8	1.1	5.9	6.0	(4.7)	3.0	**2.3**
Accounts payable as a % of revenue	13.8	12.6	11.8	12.1	14.5	14.5	12.6	13.1	12.4	**12.8**
Accounts receivable as a % of revenue	8.7	7.5	7.8	8.4	8.9	8.8	8.4	9.0	9.9	**9.7**
Net asset value per ordinary share (US$)	6.30	8.87	6.76	7.16	7.14	7.41	7.67	7.22	7.48	**7.57**

Note:

(1) The accounting policy on HKAS 12 "Income taxes" was changed in 2012 and the figures prior to 2010 have not been restated to reflect this change.

(2) The accounting policy on HKAS 19 (Amendment) "Employee Benefits" was changed in 2013 and the figures prior to 2011 have not been restated to reflect this change.

(3) The results of discontinued operation prior to 2017 have not been restated or reclassified.

Corporate Information

EXECUTIVE DIRECTORS

Mr. Xu Lirong *(Chairman)*
Mr. Huang Xiaowen
(Chief Executive Officer)
Mr. Wang Haimin
Mr. Zhang Wei
Mr. Tung Lieh Cheung Andrew

NON-EXECUTIVE DIRECTORS

Mr. Yan Jun
Ms. Wang Dan
Mr. Ip Sing Chi
Ms. Cui Hongqin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Philip Yiu Wah
Professor Wong Yue Chim Richard
Dr. Chung Shui Ming Timpson
Mr. Yang Liang Yee Philip
Ms. Chen Ying

COMPANY SECRETARY

Ms. Lammy Lee

AUTHORISED REPRESENTATIVES

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The Stock Exchange of Hong Kong
Limited
Stock Code: 316

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Australia and New Zealand Banking
Group Limited
Bank of America, N.A.
Bank of China (Hong Kong) Limited
Bank of Communications Company
Limited
China Construction Bank
Corporation
Citibank, N.A.
DBS Bank Limited
HSBC Holdings plc
Industrial and Commercial Bank
of China (Asia) Limited
MUFG Bank, Ltd
National Australia Bank
Oversea-Chinese Banking
Corporation Limited
Shanghai Pudong Development Bank
Company Limited
Société Générale
Standard Chartered Bank
(Hong Kong) Limited
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Design and Production by: A.Plus Financial Press Limited

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