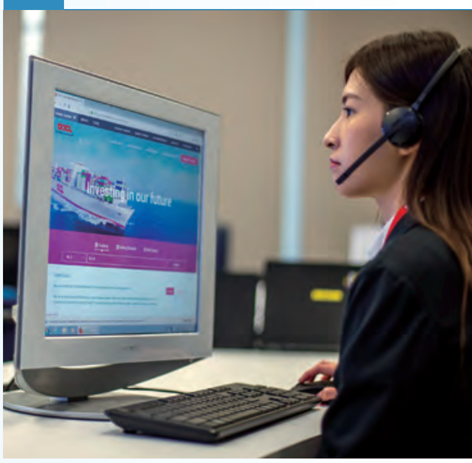
Orient Overseas (International) Limited

(Incorporated in Bermuda with members' limited liability)
Stock code: 0316.HK

ANNUAL REPORT 2019

Corporate Profile



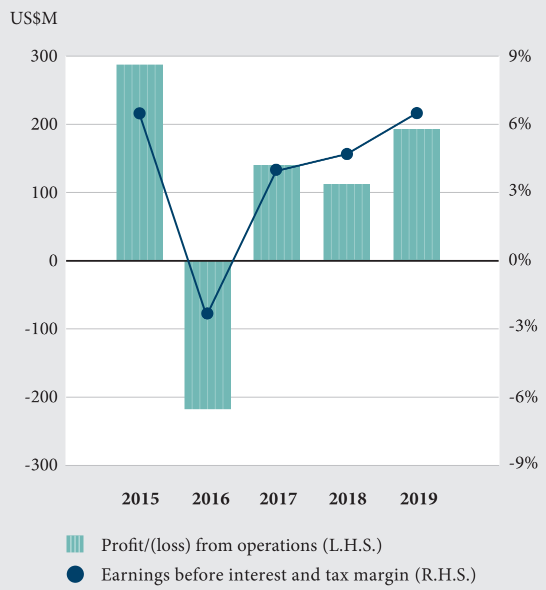
Orient Overseas (International) Limited ("OOIL"), a company with US$6.9 billion in total revenues, has principal business activities in container transport and logistics services. Listed on The Stock Exchange of Hong Kong, the OOIL Group has more than 410 offices in over 85 countries/regions.

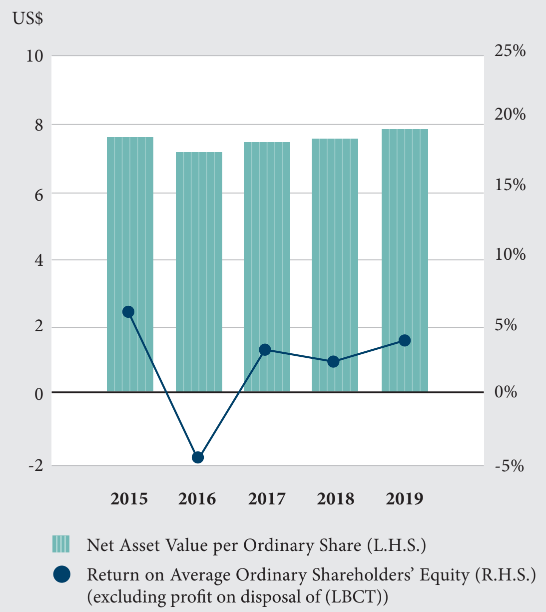
Orient Overseas Container Line and OOCL are trade names for transportation provided separately by Orient Overseas Container Line Limited ("OOCLL") and OOCL (Europe) Limited respectively and both are wholly-owned subsidiaries of OOIL. OOCL is one of the world's largest integrated international transportation and logistics 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.

Contents

Financial Highlights

US$M	2019	2018	Increase/ (decrease) %
Consolidated Profit and Loss			
Revenue	**6,879**	6,573	5%
Operating profit	**361**	263	37%
Finance costs	**(152)**	(143)	6%
Profit before taxation	**224**	134	67%
Profit from continuing operations	**154**	75	104%
Profit from discontinued operation (excluding profit on disposal of Long Beach Container Terminal ("LBCT"))	**41**	33	26%
Profit from operations	**195**	108	80%
Profit on disposal of LBCT	**1,154**	–	N/M
Profit for the year	**1,349**	108	1,147%
Consolidated Balance Sheet			
Liquid assets	**2,859**	2,247	27%
Property, plant and equipment	**3,162**	5,880	(46%)
Right-of-use assets	**2,831**	–	N/M
Total assets	**11,202**	10,054	11%
Borrowings and lease liabilities	**3,991**	4,198	(5%)
Total liabilities	**6,275**	5,319	18%
Ordinary shareholders' equity	**4,927**	4,735	4%
Consolidated Net Cash Flow			
Net cash from operating activities	**660**	453	46%
Net cash from/(used in) investing activities	**702**	(451)	N/M
Net cash used in financing activities	**(726)**	(298)	144%
Net increase/(decrease) in cash and cash equivalents	**636**	(296)	N/M
Key Ratios			
Earnings before interest and tax margin	**6.5%**	4.7%	2%
Gross debt to equity	**0.81**	0.89	(8%)
Net debt to equity	**0.23**	0.41	(18%)
Return on average ordinary shareholders' equity	**27.9%**	2.3%	26%
Return on average ordinary shareholders' equity (excluding profit on disposal of LBCT)	**4.0%**	2.3%	2%
Earnings per ordinary share (US cents)	**215.5**	17.3	1,146%
Earnings per ordinary share (US cents) (excluding profit on disposal of LBCT)	**31.2**	17.3	80%
Net asset value per ordinary share (US dollar)	**7.87**	7.57	4%





JANUARY 1 2

OOCL was proud to announce a renewed set of industry-leading products in the third phase of the OCEAN Alliance product line scheduled to roll out from April 2019. The OCEAN Alliance members also extended their cooperation agreement for the duration of ten years, until 31st March, 2027. Since the introduction of the Day One products in 2017, the OCEAN Alliance members had constantly set high quality standards and maintained very competitive schedule reliability levels while offering the most comprehensive network as possible.

OOCL received the "Social Capital Builder Logo Award" 2018 that recognises our contributions to building social capital in Hong Kong. This Award program was organised by the Hong Kong Productivity Council and the Community Investment and Inclusion Fund set up by Hong Kong SAR Government. It was the second time that OOCL received this bi-yearly award.

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For the third time in a row, OOCL received a rating of Level A, the highest ranking in the BICEPS (Boosting Initiatives for Collaborative Emissions-reduction with the Power of Shippers) assessment, for our excellent sustainability efforts and performance. BICEPS is a report card used by shippers in their global procurement process of ocean freight container carriers and OOCL was one of the only two carriers to have received an A rating.

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FEBRUARY 3

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On 18th February, OOCL was very proud to receive the "Digital Transformation Award" from ESCP Europe – a leading European business school celebrating its 200th anniversary this year. The awards program recognised outstanding achievements and success in the organisation's digital transformation journey.

MARCH 4 5 6

On 25th March, Orient Overseas (International) Limited and its subsidiaries (the "Group") announced a profit attributable to equity holders for 2018 of US$108.2 million, compared to a profit of US$137.7 million in 2017.

On 26th March, OOCL Logistics held an opening ceremony to commemorate the launch of a new warehouse in the Shanghai Yangshan Free Trade Zone. This new warehouse serves as a distribution center to facilitate the process of cross-docking and order fulfillment with the support of information technology. With the establishment of the new facility, the overall performance and efficiency of domestic distribution can be substantially improved.

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MAY 7 8 9 10

OOCL introduced the new Middle East/Indian Subcontinent – North Europe Services (IP1 and IP2) to strengthen our North Europe service network with the Middle East and Indian Subcontinent. The IP1 and IP2 provide direct linkage between the Middle East, Pakistan, India, United Kingdom, France, Belgium, Netherlands and Germany, offering more competitive and reliable services than transshipment options.

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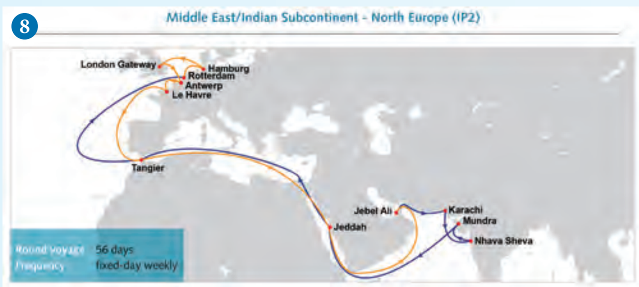
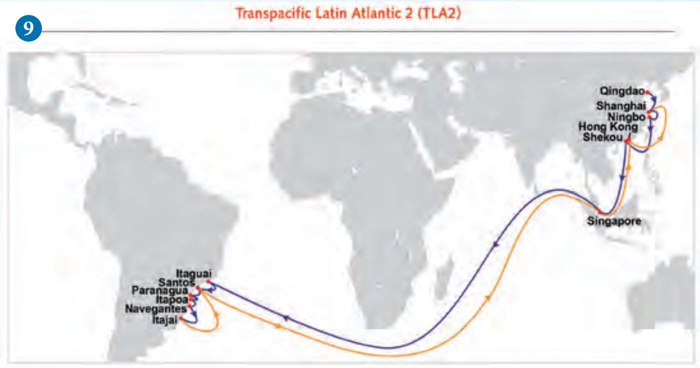
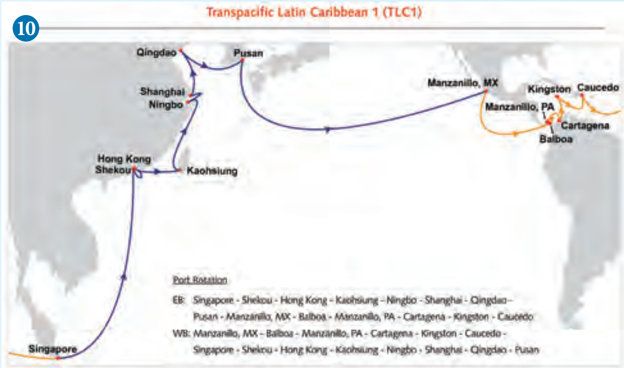


With our focus to expand our business network in the Latin America market and to meet the growing demand for quality services in this region, OOCL announced two new services, namely the Transpacific Latin Atlantic 2 (TLA2) and Transpacific Latin Caribbean 1 (TLC1), beginning in June. These new products provide customers with competitive and reliable services from Asia to South America East Coast and the Caribbean.





OOCL Logistics was pleased to announce that Southatlantic Maritima, S.A. and RWT Cargo Peru had been appointed as the company's agents in Argentina and Peru respectively. As of 15th May 2019, the business network of OOCL Logistics had expanded to over 140 offices in more than 40 countries around the world.

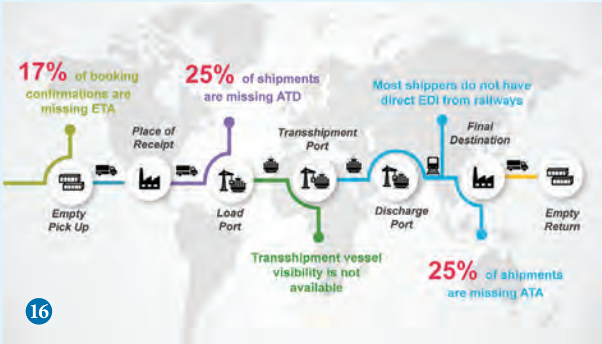
JUNE 11 12 13 14

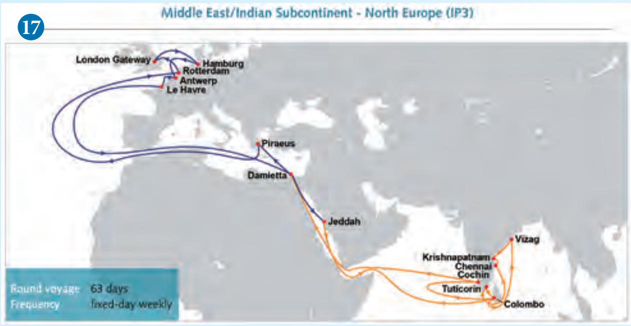
OOCL received the Top Ranked Carrier 2019 award from the Agriculture Transportation Coalition (AgTC) members who participated in the 14th AgTC Ocean Carrier Performance Survey. Over the last ten years, this was the fourth time that OOCL had been ranked at the top spot by AgTC members which comprised a broad and diverse cross-section of US agricultural and forest products exporters and importers from all geographic regions.

With our commitment to environmental excellence, OOCL was proud to receive the Green Shipping Award at the Seatrade Maritime Awards Asia ceremony on 28th June 2019. Highly recognised as one of the most important events in the industry, this distinguished award celebrated and recognised our exceptional accomplishments in environmental sustainability.

JULY 15 16 17 18 19

CargoSmart announced the execution of the Global Shipping Business Network (GSBN) Services Agreements with maritime industry operators CMA CGM, COSCO SHIPPING Lines, COSCO SHIPPING Ports, Hapag-Lloyd, Hutchison Ports, OOCL, Port of Qingdao, PSA International and Shanghai International Port Group. Under these agreements, each signatory commits to provide resources to support preparatory work required to establish the GSBN, a not-for-profit joint venture to accelerate the digital transformation of the shipping industry.





OOCL announced the extension of its North Europe service network to the East Indian Subcontinent by introducing the new Middle East/Indian Subcontinent – North Europe Service (IP3) to be launched in October, 2019. The IP3 product is the first of its kind in the industry, providing extensive coverage of India's East Coast with direct linkage between the Middle East, India, Sri Lanka, Egypt, Greece, Netherlands, United Kingdom, Germany, Belgium and France.

OOCL Logistics introduced a revolutionary interface which has reshaped the current manual process of documentation by enabling frontline colleagues to share shipping information electronically with trucking vendors through scanned QR codes. Without the need to submit physical documents, this IT solution reduces manual input, minimises waiting time, accelerates the container pick up process and reduces lead time. The simplified workflow in the supply chain process also enables our customers to invest more time on their core business activities.

On 25th July, the *OOCL Hong Kong* made her maiden call to the Port of Hong Kong and was warmly welcomed by the community who went to marvel at one of the world's largest containerships with a carrying capacity of 21,413 TEU.

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AUGUST 20 21 22 23

In response to the growing demand for transport services in Russia, OOCL Logistics announced the launch of a fleet of trucks in the country to serve the booming import/export business. The first phase of the project introduced eight trucks with new fuel-efficient engines and over the long-term, the fleet will help enhance distribution management capabilities, efficiency, and performance.

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On 26th August, Orient Overseas (International) Limited and its subsidiaries (the "Group") announced a profit attributable to equity holders of US$139.0 million for the six-month period ended 30th June 2019, compared to a loss of US$10.3 million for the same period in 2018.

OOCL Logistics launched a new automated robotic warehouse that deploys Automated Guided Vehicles, (or Electric Vehicles called EVE), to streamline warehouse processes and maximise productivity. The newly developed smart warehouse in Ibaraki, Japan, serves as a major logistics hub for OOCL Logistics in the region.

OOCL once again won the 2019 Singapore Environmental Achievement Award (Regional) this year, an award that recognises persistence and dedication to achieving environmental sustainability in all aspects of the business operation. This would be OOCL's third time winning this award in the same category which is a testament of OOCL's outstanding environmental stewardship.

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SEPTEMBER 24 25 26 27 28 29

OOCL Logistics and business partner Yum! China held a grand opening ceremony at the new jointly operated Kunshan Supply China Support Center in Jiangsu China. This logistics Center has independent loading and unloading platforms with a state-of-the-art automation system and advanced IT to help optimise product order to shipment processes, minimise cost, improve inventory accuracy, and enhance flexibility and responsiveness in the supply chain.

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CargoSmart and the Shanghai Shipping Exchange signed a Memorandum of Cooperation to develop a new shipping index for ocean carrier schedule reliability and for the industry as a whole to improve service quality.

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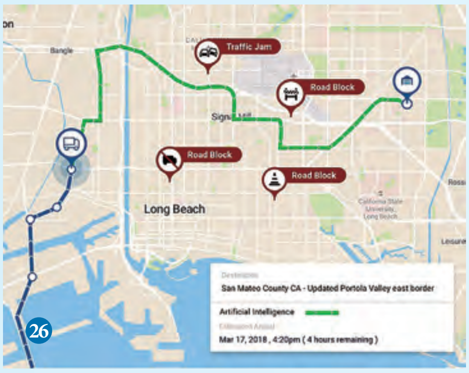

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OOCL introduced new advances to MyOOCLReefer (MOR) services which leverages the latest technologies such as Artificial Intelligence (AI), Internet of Things (IoT), mobile and telematic devices. The upgraded MOR brings an unprecedented level of transparency, visibility and convenience to shippers when they manage their reefer cargo shipments with OOCL.


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Orient Overseas (International) Limited announced the appointment of new executive officer positions. Effective from 18th September 2019, Mr. Haimin Wang, Co-Chief Executive Officer of OOCL, has been appointed as Chief Executive Officer of OOIL to succeed Mr. Xiaowen Huang. Mr. Zhijian Yang, General Manager of COSCO SHIPPING Holdings and Managing Director of COSCO SHIPPING Lines, has been appointed as Co-Chief Executive Officer of OOCL to succeed Mr. Haimin Wang.

OOCL Logistics completed its ISO 14064-1 Greenhouse Gas (GHG) data reporting and verification process for the year 2018. Accredited by Lloyd's Register Quality Assurance Ltd (LRQA), this achievement is part of the company's long-term commitment to sustainable performance and emissions data integrity.

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OCTOBER 30 31

OOCL Logistics announced the launch of a new digital chatbot assistant named ACE on the company's VendorPodium system. The ACE chatbot is an "Artificial Clever Entity" and its mission is to be accessible, convenient, and efficient for customers as an interactive communication channel that greatly enhances the user experience on the OOCL Logistics VendorPodium platform.

CargoSmart proudly received the Lloyd's List 2019 Excellence in Supply Chain Management Asia Pacific Award that recognised the company's commitment and contributions to continuous improvement in the shipping industry. The award recognised CargoSmart's success in developing advanced solutions to improve operational efficiency and service reliability in the supply chain by leveraging latest technologies such as artificial intelligence and Internet of Things.

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NOVEMBER 32 33 34 35 36 37

CargoSmart announced the successful completion of a proof-of-concept with eTradeConnect, a multi-bank blockchain consortium in Hong Kong facilitated by the Hong Kong Monetary Authority. The engagement explored ways to improve global trade through enhanced collaboration among shippers, banks, terminal operators, and ocean carriers with applications to be further developed once the GSBN is formed.


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OOCL held a 50th Anniversary Free Family Fun Day event at the Hong Kong Maritime Museum to celebrate the company's fifty years anniversary with the Hong Kong community. Specially designed 50th anniversary postcard sets were available on charity sale at the museum where all proceeds were directly donated to the development fund of the museum.


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OOCL was presented with the Liner Trade Award: Australia-South East Asia and the Customer Service Award at the DCN Australian Shipping & Maritime Industry Awards 2019. The Liner Trade Award: Australia-South East Asia highlighted OOCL's outstanding performance in meeting customer requirements through our AAA1, AAA2, and ASA service network.

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OOCL proudly received the Hong Kong Sustainability Award and Special Recognition for Outstanding Sustainability Initiative: Environmental Dimension at the Hong Kong Sustainability Award 2018/19 ceremony on 11th November 2019. Receiving the two awards from the Hong Kong Management Association (HKMA), OOCL was pleased to be recognised for its achievements and dedication to sustainability and green initiatives.

CargoSmart announced the brand-new "CargoSmart Connected Reefer Solution", a one-stop reefer cargo management solution for ocean carriers and shippers. The AI and IoT-enabled solution features end-to-end information transparency, including enhanced reefer container Pre-Trip Inspection (PTI) support, real-time container status monitoring updates, and predictive cargo arrival status.

DECEMBER 38 39

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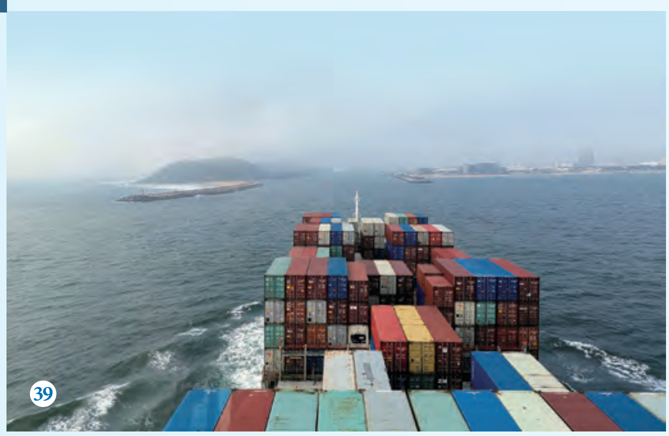
OOCL was very honored to receive the Excellence in Environmental Management award at the 2019 Lloyd's List Europe Awards, (formerly known as the Global Awards), ceremony in London on 10th December 2019. This award pays tribute to a company that has made significant contributions to minimizing marine environment pollution.

On 21st December 2019, the *OOCL Nagoya* made her maiden call to the Port of Durban, marking the first OOCL vessel to Africa.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Chairman's Statement

I would once again like to express my sincere gratitude to all our shareholders and customers around the world for their continuous attention and support to our group. Meanwhile, I would also like to thank our entire staff, both onshore and offshore, for their diligence, tenacity and team spirit in helping OOIL achieve such good results in 2019.

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 once again like to express my sincere gratitude to all our shareholders and customers around the world for their continuous attention and support to our group. Meanwhile, I would also like to thank our entire staff, both onshore and offshore, for their diligence, tenacity and team spirit in helping OOIL achieve such good results in 2019.

I am pleased to report that OOIL recorded a net profit attributable to shareholders for 2019 of US$1,348.8 million (2018: US$108.2 million). This result includes a gain from the sale of our interests in the Long Beach Container Terminal of US$1,153.6 million. However, even setting aside this one-off gain, our underlying performance was pleasing, with profit for the year of US$195.2 million (2018: US$108.2 million).

On 6th December 2019, the Board was pleased to announce a special dividend of US$1.6 (HK$12.48) per ordinary share of the Company, which was paid on 3rd February 2020.

In addition to this special dividend, it is proposed that a final dividend of US2.69 cents (HK$0.210) per ordinary share be paid for 2019 and a special dividend of US24.0 cents (HK$1.872) per ordinary share (2018 final dividend: US7.7 cents (HK$0.601)).

It is particularly pleasing to note that this solid performance was achieved in a context of an uncertain global economic and trade environment. Economic growth in most major economies continued to be relatively low, and seemingly escalating trade frictions gave rise to uncertainty throughout the year. It is a tribute to the professionalism and the "*We take it personally*" spirit of our staff that we managed to navigate these challenging times so smoothly. I believe that it is also further proof of the success of the entry of OOIL into the wider China COSCO SHIPPING Group, combining the strengths of both sides in one momentous step forward.

We continued to enjoy significant synergy benefits in 2019. Indeed, our original synergy targets established during the acquisition process have already been exceeded, and our teams continue to work hard to identify and exploit further areas where synergy benefits may be obtained. These highly tangible benefits, achieved through effective network planning, equipment management, joint procurement and co-operation in IT, will be a key success factor for our group in 2020 and beyond.

For many years, the OOIL balance sheet has been one of the most robust in the container shipping industry. This strength has been boosted in 2019 by year-on-year improvements in operating cash inflow, which increased from US$589.7 million in 2018 to US$753.4 million in 2019, and in our EBIT, which increased from US$313.7 million in 2018 to US$452.3 million in 2019.

In combination with this healthy revenue generation and operating cash flow, the proceeds of the sale of our Long Beach Container Terminal have added considerable further resources to the group. We applied some of these funds to a program of early repayment of debt during the period, such that we were able to reduce our net debt from US$1,951.0 million as at 31st December 2018 to US$1,132.3 million as at 31 December 2019.

OOCL has been growing its business in a measured and intelligent way for a number of years. This pattern continued in 2019, with total liftings growing by 3.8% and total revenue growing by 5.2%. We will continue this steady growth, and it is in this context that we have decided to implement the ship renewal plan that was made five years ago, by ordering five new building vessels. These are the first vessels to be ordered by the OOIL Group since 2015. Not only will these modern, efficient vessels improve our cost structure, fill the capacity gap caused by the future expiry of chartered-in capacity, and further improve the Group's environmental protection and green operation level, but they will also serve as clear evidence of the entire group's continuing commitment to our very successful dual brand strategy.

The Group has long enjoyed a reputation for being at the forefront of digital technology advances in the sector. We continue to build on this strength, promoting digital development in the information era. In July 2019, CargoSmart, a subsidiary of OOIL, announced the execution of the Global Shipping Business Network ("GSBN") service agreements with the following leading industry participants, CMA CGM, COSCO SHIPPING Lines, COSCO SHIPPING Ports, Hapag-Lloyd, Hutchison Ports, OOCL, Port of Qingdao, PSA International and Shanghai International Port Group. GSBN aims to promote the establishment and information sharing of digital standards, and thereby to improve the operational efficiency of the industry, and the quality of its customer service.

Our logistics business, OOCL Logistics, in line with the wider environment in which it operates, grew more slowly than in some recent years. However, it laid good foundations for 2020, with new customer contracts and an ongoing strong commercial effort. We will continue to grow this business at a steady pace, bringing diversification to our overall activities, and thereby involving the Group in all parts of the end-to-end supply chain, which is becoming of greater and greater strategic importance.

The Group has a long history of taking environmental and social responsibility very seriously. As described elsewhere in this report, we regularly receive environmental rewards, and we constantly take opportunities to play our part in society as a whole. In recent times, environmental issues have deservedly received more and more focus, and we fully acknowledge the importance of managing the environmental impact of shipping, not simply by respecting applicable regulations, but also by striving to find innovative solutions for future advances.

In terms of the new International Maritime Organisation (IMO) 2020 regulations, which require vessels to use fuel with a sulphur content of no more than 0.5%, the group successfully prepared to make the necessary switches in good time. As at the end of 2019, we had retrofitted one vessel with a so-called "scrubber", which extracts sulphur from higher sulphur fuel, but all of our other vessels were using low-sulphur fuel directly. In 2020, we will continue to monitor the efficiency of scrubber technology, as well as the price gap between higher and lower sulphur fuel, to see if the cost of installation of further scrubber units can be justified.

Looking forward into 2020 more broadly, we see the market is becoming increasingly complex, with two conflicting signals.

On the one hand, the signing of the first-phase trade agreement between China and the United States has removed some of the uncertainty in the escalation of trade frictions, and the narrowing of the gap between demand and supply in container shipping market has led to reasonably positive expectations for the industry at the start of 2020.

On the other hand, the sudden outbreak of COVID-19 creates a tremendous amount of uncertainty. Since February, we have witnessed the rapid control of the epidemic in China with the joint efforts of the Chinese government and the people, which made us believe that the economic growth may be massively reduced for a short period of time, accompanied by supply chain interruptions, but quite quickly a combination of catch-up demand and economic stimulus could help the global economy recover swiftly. In March, the outlook has become more pessimistic as the virus spreads around the world. If the epidemic is further escalated globally and lasts for a long time, the medium and long-term impact will be more extensive and significant, and the growth of the global economy and container shipping demand will decline.

In general, the impact of the epidemic in 2020 may be longer, and market uncertainty is further increasing. We expect the governments of many countries and regions may launch further stimulus packages to alleviate the downward pressure on the global economy. We firmly believe that China's economy will continue to maintain stable growth in the medium and long term, and will continue to be an important stabiliser for global economic growth, thereby supporting global trade demand and the development of the shipping industry.

The current situation of our industry is very challenging. Nevertheless, we can say that OOIL is well prepared to resist any potential headwinds, and has a good track record of adapting quickly to changes in demand and in the operating environment. We have introduced special working procedures to protect our staff, and have been in regular communication with our customers and vendors. We stand ready to work with all our stakeholders to deal with the situation as it evolves.

More than 18 months have passed since OOIL became part of the China COSCO SHIPPING Group. Together, we have made tremendous progress, as the results for 2019 attest. We will continue to work pro-actively and diligently to be at the forefront of our industry, in technology, in environmental efficiency, in customer service, as an employer, and in profitability and financial health. We will continue to create greater value for our shareholders and for all our stakeholders.

Captain Xu Lirong
Chairman
Hong Kong, China, 20th March 2020

Operations Review

The financial outturn for 2019 was a tremendous improvement upon the result generated in 2018.

CONTAINER TRANSPORT

In 2019, global economy had only 2.9% growth, which was the lowest level since 2008-09. The uncertainties of the on-going US-China trade discussions and Brexit further hampered economic growth.

In container shipping industry, global demand growth in 2019 was only 2.6%, half of the growth in 2018. The global supply growth was 4%. However, effective supply growth was contained during the year because of few new vessels entering the market and the increase in the number of idled vessels, some of which were idled for the purpose of retrofitting scrubbers. Therefore, the market equilibrium of supply and demand was stable, which was favourable to freight rate stabilisation.

In the cautiously optimistic environment of 2019, benefiting from the synergy arising from the "dual-brand" strategy of COSCO SHIPPING Holdings, we expanded our presence into new trade lanes, not only to benefit from the dynamic growth seen in many emerging markets, but also in order to further build up our global coverage.

On the basis of an increase in liftings as well as an even higher increase in revenue levels, the financial outturn for 2019 was a tremendous improvement upon the result generated in 2018. Even if trade growth had been slow in some trade lanes in the second half of 2019, especially in the fourth quarter last year, this slowdown was outpaced by improving freight rates.

Our group continued our long-standing practice of effective cost management, which indeed has been considerably enhanced by a full year of synergy benefits from the "dual-brand" strategy achieved through our acquisition by COSCO SHIPPING Holdings. The group's initial synergy targets have been more than achieved, which we expect will enhance our ability to serve all of our stakeholders, whether customers, shareholders, creditors or employees.

Traditional heavy oil prices declined towards the end of 2019, and remained within a relatively stable band throughout most of the year. We expect that one of the major factors driving the performance of the industry in 2020 will be the impact of the introduction of the IMO 2020 regulations that require vessels only to use fuel with a level of sulphur below 0.5%. The price of IMO 2020 compliant fuel in the last one to two months of 2019 fluctuated at between US$200-US$300 per ton above the price of the higher sulphur previous market standard fuel. The extent to which IMO 2020 compliant fuel prices can be transmitted along the supply chain will certainly be a key factor in any analysis of the outcome of 2020.

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. We have been members of the Ocean Alliance for three years, and look forward to attaining further benefit from our continued membership into a fourth year.

Continuing the pattern of the last few years, 2019 was a year of measured and intelligent growth for OOCL. For the full year 2019, OOCL's liftings were up 3.8% overall. This growth outpaced the volume growth seen in the market as a whole.

We concluded the sale of our terminal in Long Beach, California. Recognising the high quality of the terminal, a good sales price was achieved, resulting in a profit of US$1,153.6 million. The new buyer has thereby acquired a very attractive asset, and as part of the overall arrangements, OOCL will continue to have access to the terminal to service the requirements of our Trans-Pacific trade.

	Growth in 2019		
OOCL Liner	**TEU**	**Revenue**	**Revenue/TEU**
1Q19 v 1Q18	**1.6%**	5.9%	4.2%
2Q19 v 2Q18	**4.6%**	7.1%	2.4%
3Q19 v 3Q18	**4.1%**	5.8%	1.6%
4Q19 v 4Q18	**4.8%**	2.3%	(2.4%)
Total	**3.8%**	5.2%	1.3%

	LIFTING ('000 TEU)			REVENUE (US$ million)		
Trade	2019	2018	Variance	2019	2018	Variance
Trans-Pacific	**1,967**	1,974	(0.4%)	**2,513**	2,437	3.1%
Asia-Europe	**1,423**	1,302	9.3%	**1,233**	1,187	3.9%
Trans-Atlantic	**478**	426	12.0%	**593**	514	15.3%
Intra-Asia/Australasia	**3,086**	2,995	3.1%	**1,937**	1,825	6.1%
Total	**6,954**	6,697	3.8%	**6,276**	5,963	5.2%

Trans-Pacific – For the year as a whole growth for the industry was marginally negative. The first three quarters had seen more or less flat growth, but strong negative growth in the fourth quarter meant that the industry's figures, according to Alphaliner, were at minus 2.5%. As mentioned above, this may be partly a basis effect, given that the growth figures of late 2018 were very good, driven by a rapidly improving US economy and, to some extent, advance ordering of goods to avoid tariffs. The US economy was more stable in late 2019, and there was no front loading of orders, not even to avoid the potential impact of higher fuel costs driven by IMO2020.

Although there appears to be continuing strength in the US economy, it is right to be cautious about our prospects in the Trans-Pacific trade in 2020, notwithstanding the agreement of a first phase trade deal between the US and China. As the Trans-Pacific remains one of our key trades, we will continue to monitor developments closely, and will be ready to adapt to the evolving market situation.

Asia-Europe – The overall economic performance of the European economies was less solid that of the US, but in general held steady, with sentiment being more positive than in most recent years. Indeed, certain European countries performed reasonably well, including the United Kingdom (UK) and France.

Liftings increased significantly. This, coupled with much lower supply side growth, helped to generate a broadly healthy rate environment for much of the period.

Over the years since the UK's 2016 referendum on leaving the European Union, much has been written about the potential effect of Brexit on international trade. Following the UK General Election in December 2019, and the UK's subsequent exit from the European Union in January 2020, the doubt about whether Brexit would happen or not has at least been removed, and this certainty is preferable, even if much detail remains unknown. However, more broadly, and throughout the long period of uncertainty, we have felt that as a global container shipping company engaged in trade between countries with all manner of trading arrangements, we would likely have relatively little direct exposure to any negative impacts, if indeed there were to be 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 European Union and the UK.

Trans-Atlantic – A generally healthier economic situation on both sides of the Atlantic drove a better performance in the Trans-Atlantic market. In this positive context, we were able to grow our participation in this market, and to increase both liftings and revenues by significant percentages. As trade discussions start between the EU and the US, we will monitor the situation carefully for any potential impact on our business. More positively, the EU Canada free trade agreement, and perhaps eventually a UK US free trade agreement, could bring some benefit to our Transatlantic operations.

Intra-Asia and Australasia – The market conditions in the Intra-Asia trade were improved. It is true that US-China trade discussions have not dramatically changed the nature of the market, although we note that there are increasing levels of business in South East Asia and other parts of our Intra-Asia network. Like most industry participants, we have worked hard to provide additional network and capacity to serve our customers where they do business, including in fast growing economies such as Vietnam.

Australian trade performed relatively well for much of the period, while Middle Eastern and Indian Sub-Continent routes were generally much healthier than they had been in recent years.

MAJOR CUSTOMERS AND SUPPLIERS

Approximately 7.8% and 20.8% 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 1.5% and 5.8% 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

In October 2019, under a National Security Agreement with the US Government associated with COSCO SHIPPING Holdings' acquisition of OOIL, the Long Beach Container Terminal in California was divested from the Group and purchased by the Macquarie Infrastructure Partners, an Australia based investment fund.

OOCL's other terminal, the Kaohsiung Container Terminal had a volume of 1.3 million TEU, slightly higher than 2018. Tianjin Port Alliance International Container Terminal Co., Ltd. and Ningbo Yuandong Terminal Ltd., where OOCL has a 20% interest in each, together handled about 5.0 million TEU, about 3% increase over 2018.

SHIP OPERATIONS

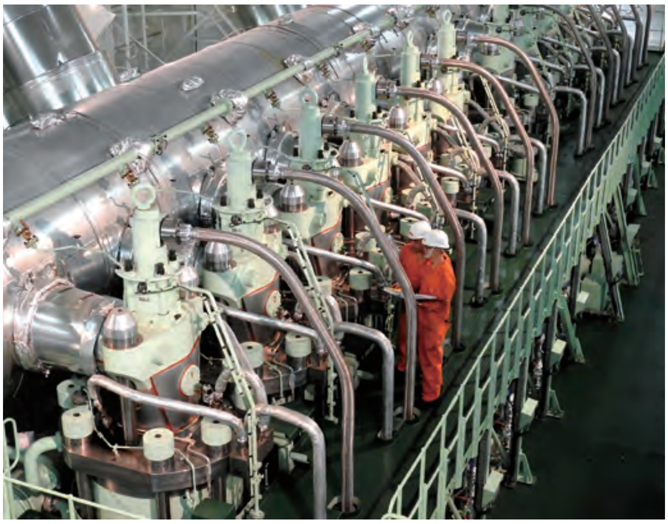
As at 31st December, 2019, the OOCL fleet composition was as follows:

Fleet	No. of Vessels	TEU Capacity
Owned/ Long Term Lease	68	585,035
Short Term Lease	36	148,545
Operating Capacity	104	733,580

During the year, the Group did not take delivery of nor did it place any order for new building vessels. On 10th March 2020, the Group entered into contracts to construct five units of 23,000 TEU container vessels at a consideration of US$778.4 million which are expected to deliver in year 2023.

As of the end of 2019, the average age of OOCL's fleet of owned vessels was 9.77 years and the average size was 8,915 TEU.

Bunker Cost/Saving



The fuel price trend in 2019 was quite stable. Throughout the year, we have constantly been focusing intensely on bunker and engine lubricant oil saving programs for cost saving. These programs include constantly maintaining optimal routing and speeds for our vessels, efficient use of shaft generator, and achieving minimum ballast and optimal trim.

When the IMO 2020 regulation is in effect, it is expected that higher bunker expenses will be incurred in year 2020 because the use of Low Sulphur Fuel oil is OOCL's primary approach to comply with the new regulation.

To date, the *OOCL Singapore* is the only vessel in our fleet that is installed with scrubber using the lower priced High Sulphur fuel oil and she meets the IMO 2020 Sulphur cap requirement. The payback period from the investment on scrubber depends on the price difference between high and low sulphur fuel oil. The larger the difference, the shorter the payback time.

Other than *OOCL Singapore*, all the fuel tanks in our own vessels had been cleaned and successfully transitioned to using Low Sulphur fuel oil by 31st December 2019.

To ensure our bunker and cost saving efforts are effective, the excellent effort, teamwork, and close coordination and collaboration by all the concerned parties both on-shore and off-shore are very important to our success.

All our M-Class vessels completed the retrofitting of the Panama chock and bollard so that they can save fuel by transiting through the shortest route via the Panama Canal when they are being deployed to serve the US East Coast.

Environmental Protection

In addition to the compliance of international and local emission control regulations, we remain very supportive of international efforts to measure and control shipboard emissions.

Apart from the installation of Alternative Maritime Power (AMP) systems that allows for shore-based power alternatives, a number of our vessels are also equipped with Ballast Water Treatment Systems (BWTS) and more BWTS installations are being scheduled for our entire fleet. In addition to complying with the IMO and USCG regulations on ballast treatment, our initiatives have consistently been in line with our environmental policy to improve fuel efficiency and reduce emissions.

In OOCL's fleet, four 4,500 TEU vessels, two 5,500 TEU vessels and three 8,063 TEU vessels have been installed with BWTS during their drydocking period and all of them are able to sail into the US, allowing for more flexibility in fleet deployment.

In addition to regulatory compliance, we have also been participating in various initiatives including the Green Flag Program at the Port of Long Beach, Vessel Speed Reduction Program at the Port of Los Angeles, and the Shenzhen Port Green Convention initiated by the Shenzhen Transportation Commission (SZMOT) in China.

With the IMO 2020 Low Sulphur regulation in effect, we expect a markedly lower level of sulphur emissions will be achieved in the industry and a very positive direction forward to protecting our environment.

LOGISTICS

In 2019, OOCL Logistics had a negative growth of 0.1%, 8.0% and 61.3% in revenue, gross profit and net profit after tax respectively.

For our International Supply Chain Management services, the volume of cargo we handled for our existing customers dropped in 2019, mainly because of the increasing market competition. We continued to exert our utmost efforts to help our clients enhance their supply chain visibility and efficiency, optimise operation network, and reduce supply chain cost through the use of our innovative solutions and systems such as the powerful features from our Podium platform and the Intelligent Report System. Despite the slight drop in our revenue and contribution in 2019 as a result of the volume drop, we secured a few significant contracts which will commence in 2020.

While operating in such a challenging economic and market environment, our Non-Vessel Operating Common Carrier (NVOCC) business in 2019 still managed to achieve moderate growth, thanks to our strong business performance in Russia and West Asia. 2019 was another record-breaking year in our air-freight forwarding business which has continued to be on a growth trajectory since it was first launched in 2016.

INFORMATION TECHNOLOGY

To strengthen our competitive edge in 2019, much emphasis was put into enhancing our IT capabilities on all fronts – from infrastructure, cyber security, enterprise digital workspace, Artificial Intelligence (AI) enabled applications to industry wide blockchain platform.

As part of our office digitalisation strategy to build up the enterprise digital workspace and digital collaboration hub so that we may improve our productivity and efficiency, we rolled out Microsoft Teams under the Office 365 suite to form the integrated Enterprise Social Collaboration platform and integrated digital workspace for the enterprise. We adopted a hybrid cloud strategy that provides us with agility, improves our infrastructure resilience, strengthens our cyber security protection and empowers enterprise digital collaboration to deliver further productivity and efficiency gains. It also enables the dynamic application environment to support the analytics platform and provide the foundation of distributed systems anywhere as a service mode. With the new STMC (Global Cyber Security Threat Monitoring Center) launched in the Zhuhai ISDC in December 2019, and in addition to the implementation of other preventive protection measures, the STMC builds on top of many different big data cyber security analytics with a different level of actionable monitoring dashboard in order to improve the proactive discovery, monitoring advancement, and ability to respond to cyber security incidents more quickly.

In order to improve cost efficiency in our equipment management, we continued to strengthen the IT support in the areas of container inventory and empty repositioning. Apart from the Equipment Pool System that helps realise the synergy from managing a pooled container inventory between OOCL and COSCO SHIPPING Lines, advanced machine learning and optimisation techniques have been applied to more accurately forecast empty container inventory and provide optimal empty repositioning plans. Moreover, the vessel network control capability has been strengthened by providing total visibility of the global network for traffic control and disruption recovery, thus resulting in better overall vessel utilisation and proactive disruption management that is more effective. On the customer service front, the Innovative Centers have been set up in the regions to champion innovative ideas that may help improve customer experience and differentiate OOCL's customer service from its competitors.

CargoSmart

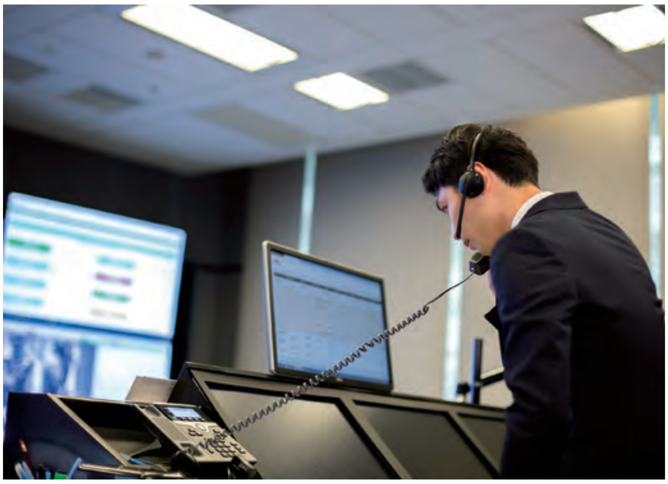
In 2019, CargoSmart signed Global Shipping Business Network (GSBN) Services Agreements with nine maritime industry operators, which includes carriers and terminals, to establish a not-for-profit joint venture to accelerate the digital transformation of the shipping industry. CargoSmart leverages existing shipping domain knowledge as well as expertise in developing software architecture and application solutions with blockchain technologies to establish the foundation of the platform and build applications. The proof-of-concept with eTradeConnect was an important milestone that demonstrates the value in cross-network collaboration for trade finance.

CargoSmart and Shanghai Shipping Exchange also joined forces to establish a new shipping index for ocean carrier schedule reliability in late 2019. By tapping into CargoSmart's comprehensive database and applying data analytics, the new index provides an effective, accurate and standardised measurement of ocean carriers' schedule reliability performance. It not only increases transparency to ocean carrier performance, but also helps improve service quality in the industry as a whole.

By using Internet of Things (IoT) and Deep Learning technologies, real-time tracking of cargo for enriched visibility of cargo conditions, disruption detection, smart alerts, predictive analysis and container image interpretation can be achieved. The IoT solution provided by CargoSmart helps protect cargo value and loss of shelf life through better exception management and also reduce reefer inspection costs. Both OOCL and COSCO SHIPPING Lines have adopted the solution, and all new build reefer containers will be installed with the new IoT devices starting from 2020.

By establishing a digital version of the complex and dynamic network that carriers operate in, the vessels, terminals and even the weather can be tracked in real-time with situation awareness capability. This AI enabled capability through the use of our intelligent Robo-Advisor offers carriers a solution that predicts competing vessels' routes, arrival times, port stays and berthing priorities to optimise their bunker consumption, vessel sea time and port waiting time to improve operational efficiency. Schedule recovery simulation capability allows for better control of bunker consumption with various schedule recovery strategies.

CargoSmart has also extended its solution offerings to feeder and ocean rail management, providing a visibility and collaboration platform that facilitates efficient feeder slot and rail planning to meet cargo demand. It also supports timely management of the profit and loss of the business.



One IT Model

Over the past year, we continued to create synergy for both OOCL and COSCO SHIPPING Lines in areas such as IT infrastructure, cyber security, technology, system development and implementation by adopting the One IT resources deployment model. Working as one team, the implementation of IRIS-4 and the Network Control Center for COSCO SHIPPING Lines, Equipment Pool System and global cyber security projects for OOCL and COSCO SHIPPING Lines progressed very smoothly and expected to improve the internal operating efficiency of the "dual-brand" strategy and provide a better service experience to customers.

PROPERTY

Based on an independent valuation as at 31st December 2019, Wall Street Plaza was included in the consolidated balance sheet at US$310.0 million. As at 31st December 2018, Wall Street Plaza was valued at US$310.0 million with a net fair value gain of US$39.5 million in 2018.

Corporate Responsibility

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.

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 Maritime Anti-Corruption Network. 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 program 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 NOx, diesel particulate matter and greenhouse gases. Port officials estimate that if all vessels comply with the Program, the amount of NOx 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 Organisation (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) program. 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.

Stop Shipping Shark, Whale, Dolphin, and Their Related Products – OOCL commits 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.

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 2019, the verification scope had been expanded to cover consumption and emissions data of our vessels, global offices and OOCL Logistics. 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 sixth 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 Honoured with Distinguished Green Shipping Award – With our commitment to environmental excellence, OOCL was proud to receive the "Green Shipping Award" at the Seatrade Maritime Awards Asia ceremony on 28th June 2019. Highly recognised as one of the most important events in the industry, this distinguished award celebrates and recognises our exceptional accomplishments in environmental sustainability.

OOCL Once Again Wins the Singapore Environmental Achievement Award (Regional) – OOCL was proud to receive the 2019 Singapore Environmental Achievement Award (Regional) at a ceremony held at the Singapore Environment Council's (SEC) Conference Day event on 27th August 2019. 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 other ASEAN countries to take part in the awards scheme.

OOCL Wins Two HKMA Hong Kong Sustainability Award Trophies – OOCL proudly received the "Hong Kong Sustainability Award" and "Special Recognition for Outstanding Sustainability Initiative: Environmental Dimension" at the Hong Kong Sustainability Award 2018/19 ceremony on 11th November 2019. Organised by the Hong Kong Management Association (HKMA), the Hong Kong Sustainability Award aims at recognising organisations which have demonstrated outstanding sustainability practices in economic, social, and environmental aspects while achieving good business and organisational performance within their industry sectors. The awards program also advocates for cross-sector sharing of best practices while inspiring organisations to entrench sustainability into their operation and culture for more impactful and long-term business sustainability results.

OOCL honoured with Excellence in Environmental Management in 2019 Lloyd's List Europe Awards – OOCL was very honoured to receive the "Excellence in Environmental Management" award at the 2019 Lloyd's List Europe Awards ceremony in London on 10th December 2019. Formerly known as the Lloyd's List Global Awards, this awards program is one of the most anticipated events in the industry, recognising excellence across the maritime sector. The "Excellence in Environmental Management" award pays tribute to a company which has made significant contributions to minimising marine environment pollution. The assessment covers several areas such as environmentally friendly ship designs and operation, reductions in fossil fuel use, and the green impact from corporate sustainability policies.

United Nations Global Compact (UNGC) – OOIL took 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. Since 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 6th July and 4th October 2019 to study how to reduce the cumulative effects of shipping on at-risk whales throughout the southern coast of British Columbia in Canada. For the 13 weeks of this Program, 69% of our vessels voluntarily sailed at slower speeds in the research region. 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.

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 program 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 55% 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 NOx-controlled propulsive engines while advanced slide fuel injection valves are adopted to help reduce NOx 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 SOx 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 2019, OOCL achieved an average sulphur content of 2.12%.

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) program, 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 programs 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 Group'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 programs 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 Hong Kong, China to Ukraine in 2019 to care for those who live in remote mountain area.

In keeping with the Group's long tradition in supporting education, the Group, in partnership with The Tung Foundation, committed more than US$433,000 in 2019 to scholarships through The Tung OOCL Scholarship for University students and our employees' children.

Up to 31st December 2019, a total of fifty OOCL vessels participated in the Hong Kong Voluntary Observing Ship (HKVOS) program organised by the Hong Kong Observatory (HKO). The program aims to gather important marine climatology data to identify prevailing weather conditions for preparing forecasts and warnings to the maritime community.

To recognise our outstanding efforts to help improve maritime safety in 2018, the HKO presented the "Diamond Award" to our vessel *OOCL France*, two "Platinum Award" to vessels *OOCL Luxembourg* and *OOCL Berlin*, and also a "Gold Award" to vessel *OOCL Tokyo* on 27th June 2019. In addition, two OOCL vessels, namely *OOCL Savannah* and *OOCL Nagoya*, had been presented the certificate of appreciation for their assistance in deploying two drifting buoys in the western Pacific Ocean and the South China Sea respectively to take measurements of atmospheric pressure and temperature over the sea surface during the typhoon season in 2018.

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 2019, OOCL had approximately 27,200 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 2019, OOCL had approximately 18,300 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 programs 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 programs 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 and OOCL Channel, have become very effective in the global sharing of information and knowledge as well as facilitating 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.

As at 31st December 2019, the Group had 10,677 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 2019 was US$306.1 million better than that of 2018, representing an increase of 5%.

Analysis of Consolidated Profit and Loss Account

Summary of Group Results

US$'000	2019	2018	Change	Favourable/ (unfavourable) %
Operating revenue by activity:				
Container Transport and Logistics	**6,851,974**	6,546,964	305,010	5%
Other Activities	**26,766**	25,691	1,075	4%
Group operating revenue	**6,878,740**	6,572,655	306,085	5%
Operating profit by activity:				
Container Transport and Logistics	**279,281**	195,998	83,283	42%
Other Activities	**82,000**	66,937	15,063	23%
Group operating profit	**361,281**	262,935	98,346	37%
Finance costs	**(151,599)**	(143,191)	(8,408)	(6%)
Share of profits of joint ventures and associated companies	**14,144**	14,324	(180)	(1%)
Profit before taxation	**223,826**	134,068	89,758	67%
Taxation	**(69,839)**	(58,620)	(11,219)	(19%)
Profit for the year from continuing operations	**153,987**	75,448	78,539	104%
Profit from discontinued operation (excluding profit on disposal of LBCT)	**41,172**	32,718	8,454	26%
Profit from operations	**195,159**	108,166	86,993	80%
Profit on disposal of LBCT	**1,153,634**	–	1,153,634	N/M
Profit attributable to shareholders	**1,348,793**	108,166	1,240,627	1,147%

Revenue for 2019 was US$306.1 million better than that of 2018, representing an increase of 5%. This increase in revenue 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 2019 and 2018, represented rental income from the Group's investment property, Wall Street Plaza, in New York.

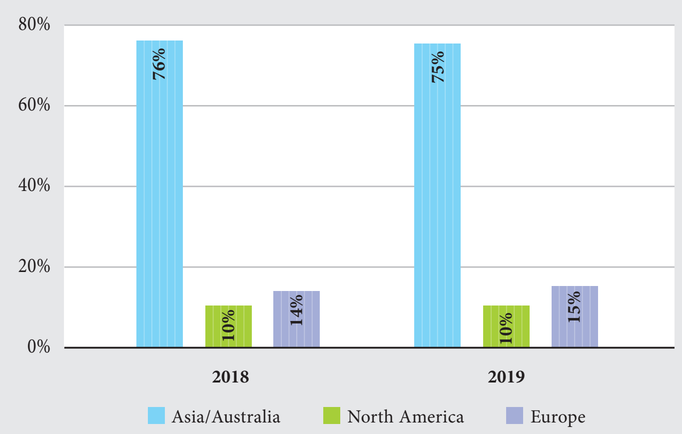
Container Transport and Logistics

Summary of Operating Results

US$'000	2019	2018	Change	Favourable/ (unfavourable) %
Liftings (TEUs)	**6,954,142**	6,696,919	257,223	4%
Revenue per TEU (US$)	**902**	890	12	1%
Operating revenue by location from continuing operations:				
Asia/Australia	**5,120,052**	4,939,679	180,373	4%
North America	**688,217**	670,225	17,992	3%
Europe	**1,043,705**	937,060	106,645	11%
Operating revenue from continuing operations	**6,851,974**	6,546,964	305,010	5%
Operating costs by items from continuing operations:				
Cargo costs	**(3,270,251)**	(3,169,113)	(101,138)	(3%)
Bunker costs	**(839,115)**	(844,390)	5,275	1%
Vessel and voyage costs (excluding Bunker)	**(1,207,429)**	(1,053,866)	(153,563)	(15%)
Equipment and repositioning costs	**(736,833)**	(777,105)	40,272	5%
Operating costs from continuing operations	**(6,053,628)**	(5,844,474)	(209,154)	(4%)
Gross profit	**798,346**	702,490	95,856	14%
Business and administrative expenses	**(564,083)**	(525,878)	(38,205)	(7%)
Other income, net	**45,018**	19,386	25,632	132%
Operating profit from continuing operations	**279,281**	195,998	83,283	42%

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 2019. 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



Asia/Australia

Overall revenue from the Asia/Australia area increased from US$4,939.7 million in 2018 to US$5,120.1 million in 2019 as a result of increased cargo volumes and improved freight rates. Liftings improved by 3% and revenue per TEU is improved by 2%.

Revenues of the Trans-Pacific eastbound services increased by 1% despite a drop in 3% in liftings, which resulted in a 4% increase in Revenue per TEU. The westbound legs of the Asia/Northern Europe services recorded a 12% growth in volumes amid a 5% drop in rates. Intra-Asia achieved a rise of 3% in liftings and a 7% increase in rates. Liftings of the Australia and New Zealand services increased by 3% despite a 5% reduction in New Zealand liftings and a 3% cut in loadable capacity.

North America

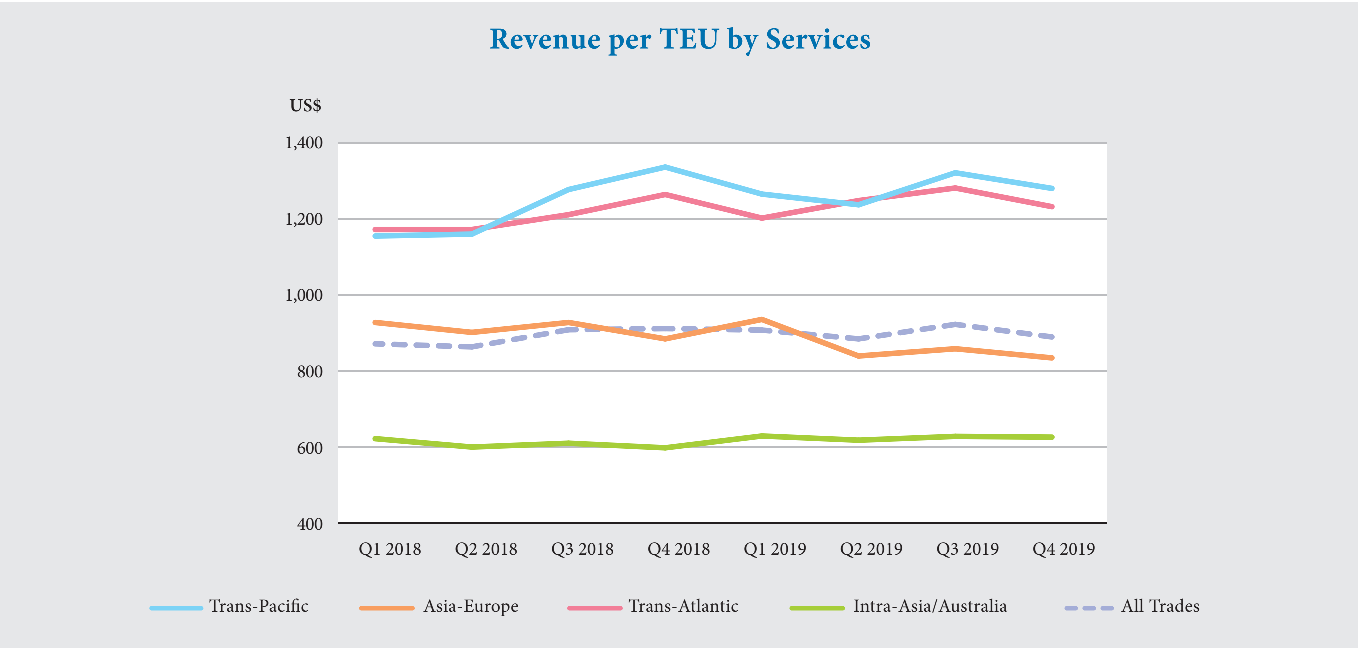
Revenue increased by 3% or US$18.0 million for this area in 2019 as well as a slight increase of 1% in liftings resulting in a 1% increase in freight rates on overall level.

Westbound liftings of the North America West Coast/Asia service and the US East Coast/Asia service via the Panama Canal decreased by 3% compared with last year but changes in revenues remained flat. The eastbound Canada/Northern Europe and US East Coast/Northern Europe services recorded a 8% increase in volumes, and a 2% increase in revenue.

Europe

Overall revenue for this area was up by US$106.6 million in 2019, recording an 11% revenue increase. The eastbound leg of the Northern Europe/Asia services recorded a 2% fall in revenue in 2019 while the westbound trades of the Trans-Atlantic routes showed a 22% increase. Intra-Europe market showed remarkable revenue growth of 24%.

The eastbound leg of the Asia/Europe Central services saw a 13% increase in volume in 2019 at the expenses of a 14% drop in freight rates. Liftings for the westbound sectors to North America increased by 15% compared to 2018 while the average revenue per TEU was higher from last year.



Operating Costs

The principal operating costs of the container transport business, including cargo costs, vessel costs, voyage costs, equipment and repositioning costs, increased from 2018 mainly as a result of higher liftings and the surge in cargo, vessel and voyage costs.

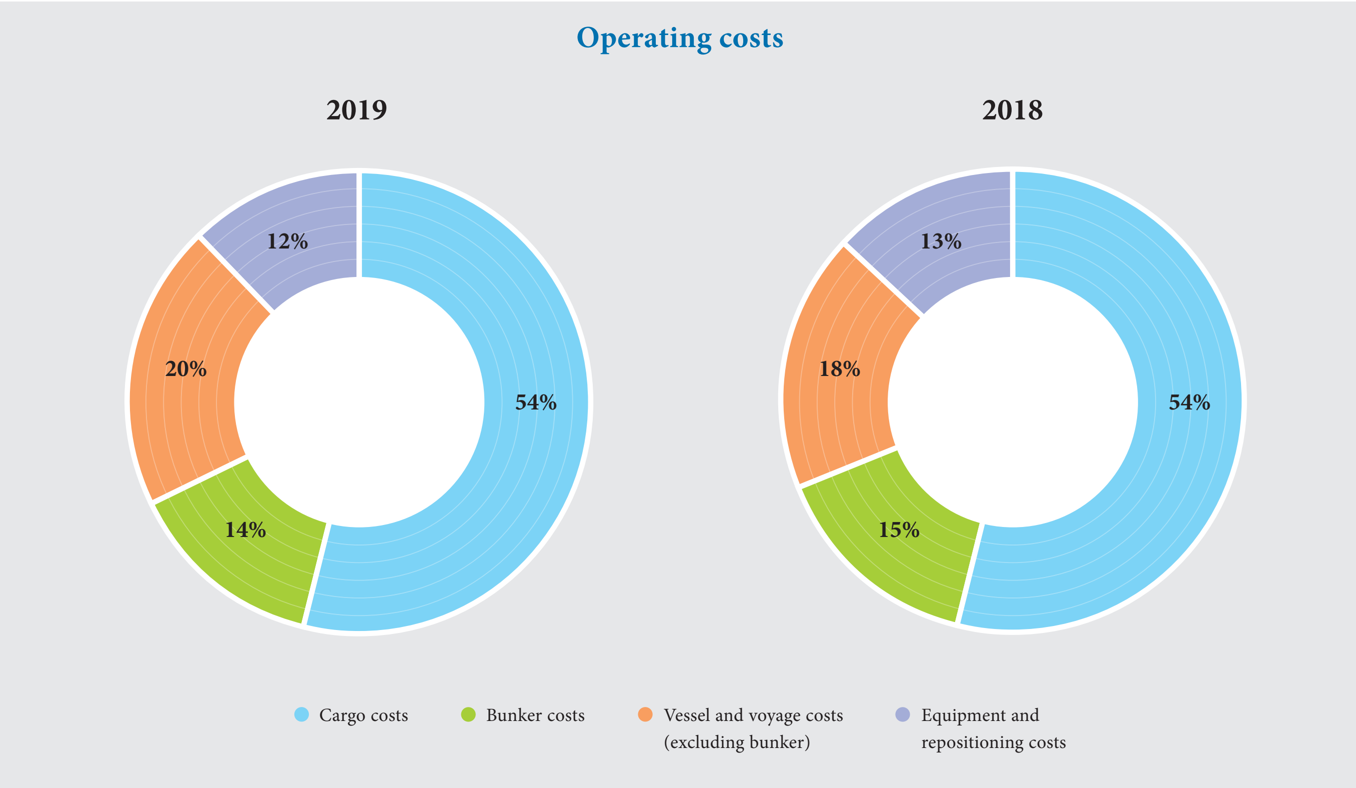
Cargo costs mainly consist of terminal charges, inland transportation costs, commission and brokerage, cargo assessment and freight tax, all of which are largely paid in the local currencies of the areas in which the activities take place. Cargo cost increased by 3% against 2018 level, approximating 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$436 per ton in 2018 to an average of US$442 per ton in 2019. However, the increase in unit cost is outweighed by the decrease in bunker consumption, resulting in a slight decrease in bunker costs by 1% 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 operating capacity grew slightly from 701,463 TEU as at the end of 2018 to 733,580 TEU at the year end in 2019 as the total number of vessels operated by OOCL, both owned and chartered-in, increased from 101 to 104.

During 2019, the increase in vessel and voyage costs was mainly due to the increase in slot hire expenses for the expansion of services. As a result, total vessel and voyage costs, other than bunker costs, for 2019 increased by 15% as compared with 2018.

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 in 2019 while the total equipment and repositioning costs decreased by 5%. It was mainly due to cost saving arising from the equipment pool arrangement with COSCO SHIPPING Lines.



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$38.2 million, or 7% when compared with 2018 which was mainly attributable to the increase in staff cost and computer software expenses.

Other income, net

Other income, net, 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 2019 increased by US$25.6 million when compared with 2018 mainly due to increase in interest income from banks.

Other Activities

Summary of Operating Results

US$'000	2019	2018	Change	Favourable/ (unfavourable) %
Rental income	**26,766**	25,691	1,075	4%
Operating costs	**(15,573)**	(15,365)	(208)	(1%)
Gross profit	**11,193**	10,326	867	8%
Investment income	**40,959**	2,457	38,502	1,567%
Interest income	**26,838**	24,025	2,813	12%
Income from investment in Hui Xian	**9,143**	23,380	(14,237)	(61%)
Fair value (loss)/gain from an investment property	**(703)**	39,500	(40,203)	N/M
Others	**(5,430)**	(32,751)	27,321	83%
Operating profit	**82,000**	66,937	15,063	23%

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 interests in Hui Xian Holdings Ltd and Hui Xian REIT.

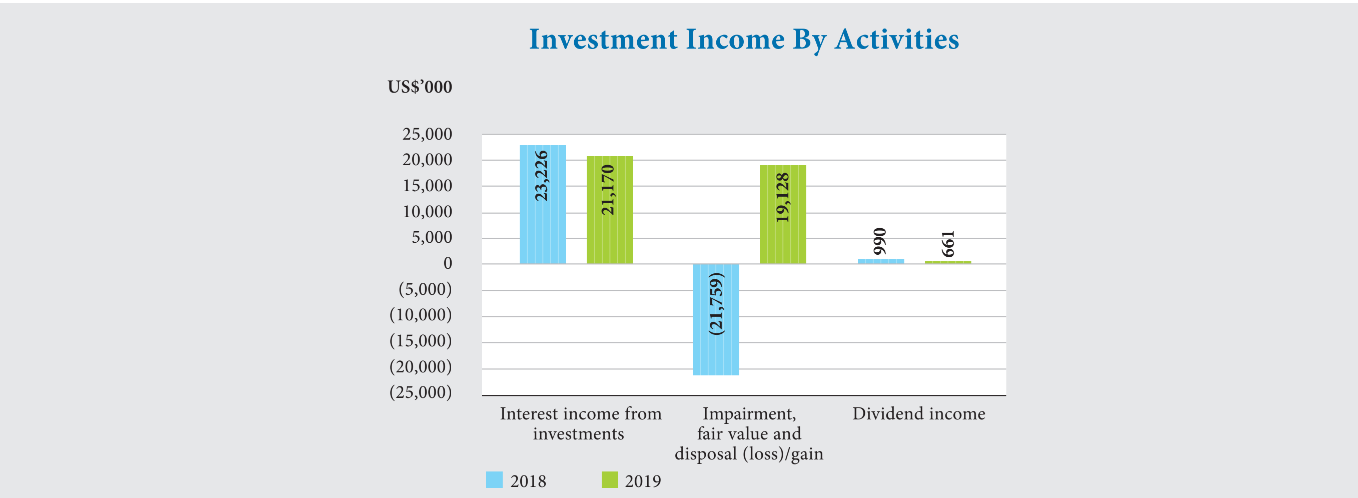
The operating profit from Other Activities for 2019 was US$15.1 million higher than that of 2018 mainly as a result of fair value gain on portfolio investments and reduction in one-off professional fees, partly offset by the decrease in fair value gain from an investment property and reduction in income from investment in Hui Xian.

Rental Income

Rental income from Wall Street Plaza was US$1.1 million higher than that of last year, with an occupancy rate of 89% as at the end of 2019.

Investment Income

Investment activities recorded a profit of US$41.0 million for the year compared with US$2.5 million in 2018. Interest income from bond investments amounted to US$21.2 million for 2019 which was US$2.1 million lower than last year. Fair value gain of US$16.9 million in 2019 as compared with a net loss of US$19.1 million for 2018.



Interest Income

Interest income in 2019 was US$2.8 million more than that of 2018 as a result of rising interest rates.

Income from Investment in Hui Xian

Hui Xian Holdings Ltd declared and paid cash dividends in 2019, of which the Group shared a total of US$7.9 million. The Group also received US$1.1 million distribution from its holdings of Hui Xian REIT to add up a total of US$9.0 million income from investment in Hui Xian. In 2018, a total of US$22.6 million from Hui Xian Holdings Ltd, in terms of cash dividends and dividends in specie, and a US$1.2 million distribution from Hui Xian REIT were received.

Fair Value (Loss)/Gain on Investment Property

As at 31st December 2019, the Group's investment property, Wall Street Plaza, was valued at US$310.0 million by an independent valuer which remained at the same level as at 2018 year end. In 2018, the property recorded a valuation gain of US$40.0 million which was offset against capital improvements of US$0.5 million to result in a net fair value gain of US$39.5 million.

Others

Other items include business and administration expenses for property management, exchange differences and other miscellaneous items. The decrease was mainly due to the reduction in one-off professional fees.

Finance Costs

The Group incurs interest expenses on bank loans and lease liabilities. These long-term 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$8.4 million as compared with 2018, mainly due to the additional finance costs arising from the lease liabilities recognised upon the first adoption of Hong Kong Financial Reporting Standard 16 ("HKFRS 16") "Leases".

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 a 20% stake in two terminals in Tianjin and Ningbo. Other investments include depot, agency and supply chain management company. The share of US$14.1 million profit from joint ventures and associated companies in 2019 was US$0.2 million less than that of 2018.

Profit before Taxation

Pre-tax profit for the year was US$223.8 million compared with last year of US$134.1 million. There was US$83.3 million increase in earnings by the Container Transport and Logistics segment and the earnings by the Other Activities segment increased by US$15.1 million due to fair value gain on portfolio investments. Fair value loss from an investment property and the increase in finance cost partly offset current year operating profit.

Earnings before Interest and Tax

EBIT increased from US$313.7 million in 2018 to US$452.3 million in 2019 and EBIT margin improved from 4.7% in 2018 to 6.5% in 2019. The improvement in freight rates, coupled with the lifting growth helped offsetting the negative impact from rising cargo, vessel and voyage costs, leading to increased profitability for the Group in 2019.

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 Sale and Purchase Agreement ("SPA") was entered on 29th April 2019 and the sale was completed on 24th October 2019.

On 29th April 2019, the Group entered into the SPA with Olivia Holdings, LLC relating to the sale and purchase of the entire interests in LBCT LLC, a wholly owned subsidiary of the Company which operates the U.S. Terminal Business, for the consideration of US$1,780.0 million (subject to certain post-completion adjustments).

The transaction was completed on 24th October 2019. After transaction costs and taxation, the net profit arising on the disposal was approximately US$1,153.6 million which has been recognised in the consolidated profit and loss account for the year ended 31st December 2019.

The U.S. Terminal Business is accounted for as discontinued operation under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Details of the transaction and analysis of the results, cash flows, assets and liabilities of the U.S. Terminal Business are presented in note 16 to the consolidated financial statements.

Capital Expenditure

US$'000	2019	2018	Change	Increase/ (decrease) %
Container vessels and capitalised dry-docking costs	**24,590**	30,794	(6,204)	(20%)
Vessels under construction	**–**	31,935	(31,935)	N/M
Containers and chassis	**216,469**	301,646	(85,177)	(28%)
Terminal equipment and improvement	**17,157**	23,745	(6,588)	(28%)
Terminal leases	**582**	–	582	N/M
Land and buildings	**59,254**	3	59,251	N/M
Computer software	**21,831**	1,724	20,107	1,166%
Investment property	**703**	500	203	41%
Others	**46,606**	22,554	24,052	107%
	387,192	412,901	(25,709)	(6%)

Capital expenditure decreased from US$412.9 million in 2018 to US$387.2 million in 2019, mainly due to the decrease in capital outlays on container equipment.

Vessels

No newbuilding order was placed during the year. On 10th March 2020, the Group entered into contracts to construct five units of 23,000 TEU container vessels at a consideration of US$778.4 million which are expected to deliver in year 2023.

Review of Consolidated Balance Sheet

Summary of Consolidated Balance Sheet

US$'000	2019	2018	Change	Increase/ (decrease) %
Property, plant and equipment	**3,162,424**	5,880,057	(2,717,633)	(46%)
Prepayments of lease premiums	**–**	7,452	(7,452)	N/M
Right-of-use assets	**2,830,674**	–	2,830,674	N/M
Investment property	**310,000**	310,000	–	0%
Joint ventures and associated companies	**147,828**	148,616	(788)	(1%)
Intangible assets	**30,824**	32,428	(1,604)	(5%)
Liquid assets	**2,858,824**	2,246,803	612,021	27%
Cash and bank balances set aside for special dividend payment	**1,001,269**	–	1,001,269	N/M
Accounts receivable and other assets	**805,568**	799,464	6,104	1%
Assets held for sale	**–**	472,732	(472,732)	N/M
Other non-current assets	**54,454**	156,308	(101,854)	(65%)
TOTAL ASSETS	**11,201,865**	10,053,860	1,148,005	11%
Accounts payable and other liabilities	**(1,072,605)**	(862,405)	(210,200)	24%
Dividend payable	**(1,001,269)**	–	(1,001,269)	N/M
Current taxation	**(47,522)**	(7,494)	(40,028)	534%
TOTAL ASSETS LESS TRADING LIABILITIES	**9,080,469**	9,183,961	(103,492)	(1%)
Long-term borrowings	**1,033,141**	3,695,834	(2,662,693)	(72%)
Current portion of long-term borrowings	**394,996**	501,922	(106,926)	(21%)
Lease liabilities	**2,562,952**	–	2,562,952	N/M
Total debt	**3,991,089**	4,197,756	(206,667)	(5%)
Liabilities directly associated with assets classified as held for sale	**–**	141,048	(141,048)	N/M
Deferred liabilities	**161,973**	110,027	51,946	47%
Ordinary shareholders' equity	**4,927,407**	4,735,130	192,277	4%
CAPITAL EMPLOYED	**9,080,469**	9,183,961	(103,492)	(1%)
Debt to equity ratio	**0.81**	0.89		
Net debt to equity ratio	**0.23**	0.41		
Accounts payable as a % of revenue	**15.04**	12.75		
Accounts receivable as a % of revenue	**9.54**	9.65		
% return on average ordinary shareholders' equity	**27.92**	2.30		
% return on average ordinary shareholders' equity (excluding profit on disposal of LBCT)	**4.04**	2.30		
Net asset value per ordinary share (US$)	**7.87**	7.57		
Liquid assets per ordinary share (US$)	**4.57**	3.59		
Share price at 31st December (US$)	**4.85**	6.79		
Price to book ratio based on share price at 31st December	**0.62**	0.90		

Property, Plant and Equipment, Prepayments of Lease Premiums and Right-of-Use Assets

US$'000	2019	2018	Change	Increase/ (decrease) %
Container vessels and capitalised dry-docking costs	**4,129,481**	4,275,875	(146,394)	(3%)
Containers and chassis	**1,587,991**	1,471,264	116,727	8%
Terminal equipment and improvement	**23,432**	51,346	(27,914)	(54%)
Terminal leases	**18,708**	–	18,708	N/M
Land and buildings	**161,161**	30,502	130,659	428%
Prepayments of lease premiums	**–**	7,452	(7,452)	N/M
Others	**72,325**	51,070	21,255	42%
	5,993,098	5,887,509	105,589	2%

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

The increase in property, plant and equipment and right-of-use assets in 2019 was mainly due to the addition of containers and capitalisation of long-term operating lease of land and buildings.

Investment Property

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 2019 by an independent valuer (2018: US$310.0 million).

Joint Ventures and Associated Companies

US$'000	2019	2018	Change	Increase/ (decrease) %
Joint ventures	**10,163**	8,940	1,223	14%
Associated companies	**137,665**	139,676	(2,011)	(1%)
	147,828	148,616	(788)	(1%)

The decrease in the investment value in joint ventures and associated companies for 2019 was a result of dividends received partly offset by the share of results from joint ventures and associated companies.

Liquid Assets

US$'000	2019	2018	Change	Increase/ (decrease) %
Container Transport and Logistics	**2,652,851**	585,199	2,067,652	353%
Other Activities	**18,245**	54,361	(36,116)	(66%)
Cash and portfolio funds	**997,691**	1,384,284	(386,593)	(28%)
Investments at amortised cost	**191,306**	222,959	(31,653)	(14%)
Less: cash and bank balances set aside for special dividend payment	**(1,001,269)**	–	(1,001,269)	N/M
Total liquid assets	**2,858,824**	2,246,803	612,021	27%

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 are entirely bonds intended to be held until maturity.

The Group's total liquid assets at the end of 2018 and 2019 are further analysed as follows:

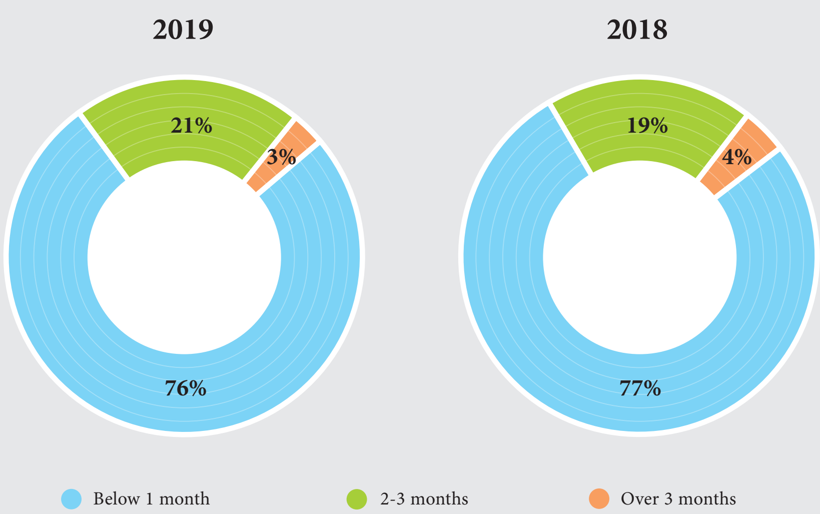
US$'000	2019	2018	Change	Increase/ (decrease) %
Cash and bank balances	**3,455,570**	1,584,465	1,871,105	118%
Restricted bank balances	**60,294**	61,122	(828)	(1%)
Portfolio investments	**152,923**	378,257	(225,334)	(60%)
Investments at amortised cost	**191,306**	222,959	(31,653)	(14%)
Less: cash and bank balances set aside for special dividend payment	**(1,001,269)**	–	(1,001,269)	N/M
Total liquid assets	**2,858,824**	2,246,803	612,021	27%

Accounts Receivable and Other Assets

US$'000	2019	2018	Change	Increase/ (decrease) %
Container Transport and Logistics	**764,731**	752,806	11,925	2%
Other Activities	**40,837**	46,658	(5,821)	(12%)
	805,568	799,464	6,104	1%

Accounts receivable and other assets for Container Transport and Logistics increased by US$11.9 million to US$764.7 million at the end of 2019. The increase was mainly attributable to the higher revenue achieved for the year.

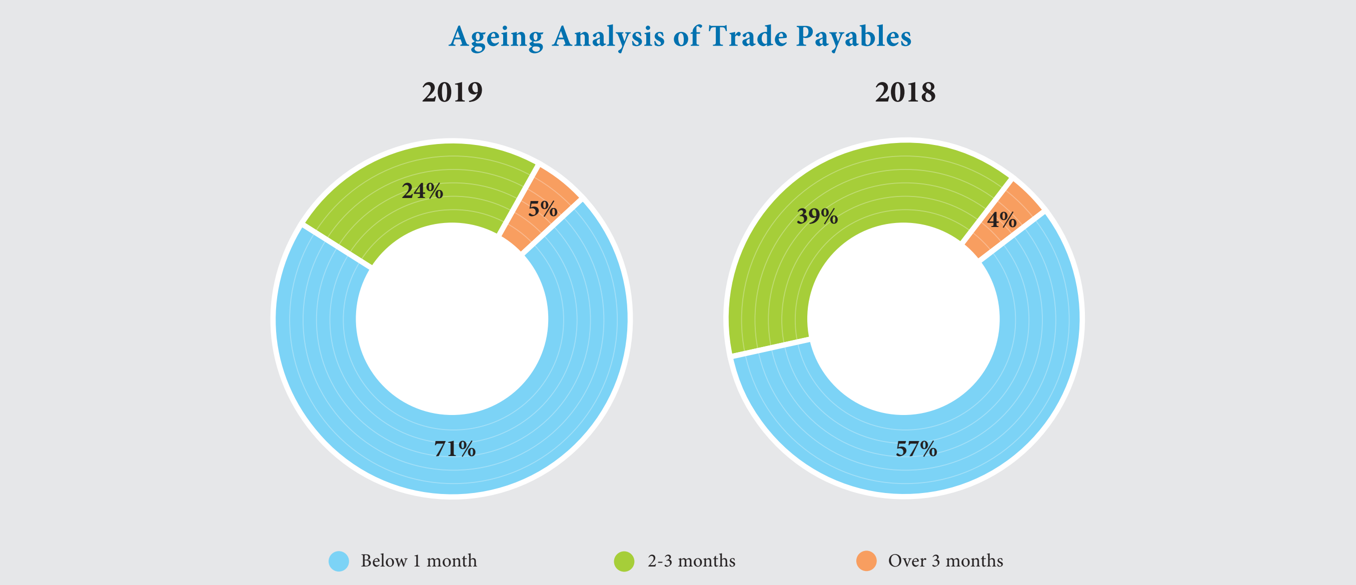
Ageing Analysis of Trade Receivables



Accounts Payable and Other Liabilities

US$'000	2019	2018	Change	Increase/ (decrease) %
Container Transport and Logistics	**1,065,256**	847,083	218,173	26%
Other Activities	**7,349**	15,322	(7,973)	(52%)
	1,072,605	862,405	210,200	24%

Accounts payable and other liabilities at the end of 2019 were US$210.2 million higher than that of 2018, mainly due to increase in cost provisions to cope with the growth in business volume.



Total Debt

US$'000	2019	2018	Change	Increase/ (decrease) %
Bank loans	**1,428,137**	1,758,977	(330,840)	(19%)
Finance lease obligations	**–**	2,438,779	(2,438,779)	N/M
Lease liabilities	**2,562,952**	–	2,562,952	N/M
	3,991,089	4,197,756	(206,667)	(5%)

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". For leases previously classified as finance leases, the Group recognised the carrying amount of the finance lease obligations immediately before transition as the carrying amount of the lease liabilities at the date of initial application. Details on the first adoption of HKFRS 16 are set out in Notes 2.1(b) to the Consolidated Financial Statements.

Total debt decreased by US$206.7 million compared with 2018, mainly as a result of net repayment of bank loans and lease liabilities during the year, being partly offset with the recognition of lease liabilities under HKFRS 16 as mentioned above.

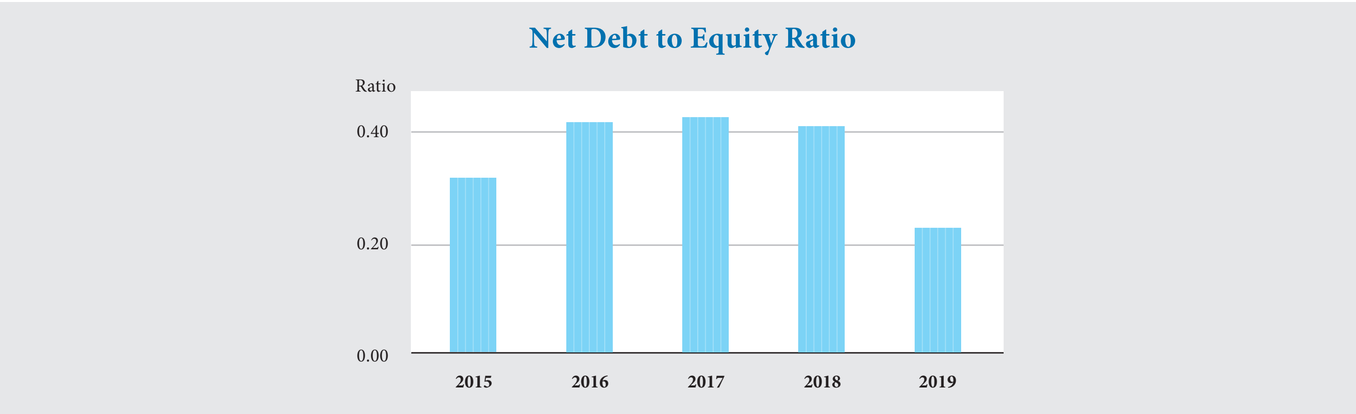
Total scheduled debt repayment between 2020 and 2024 is US$2,779.0 million, being equivalent to 70% of the total outstanding debt as at 31st December 2019. Details of the repayment profile of the Group's borrowings and lease liabilities are set out in Notes 40 and 41 to the Consolidated Financial Statements respectively.

Debt Profile

Of the total US$3,991.1 million debt outstanding at the end of 2019, US$1,088.9 million was fixed-rate debt and the remaining US$2,902.2 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 2019 was 3.1% (2018: 3.7%).

Net Debt to Equity Ratio

This ratio changed to 0.23: 1 at the end of 2019 from 0.41: 1 at the end of 2018 mainly due to decrease in net debts and increase in ordinary shareholders' equity in 2019. 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 2019, the Company had 625,793,297 shares in issue, consisting entirely of ordinary shares. With profit recorded for the year netted off with special dividend declared, the Group's consolidated shareholders' equity increased by US$192.3 million to US$4,927.4 million as at the end of 2019 with a net asset value per ordinary share of US$7.87 (2018: US$7.57). Return on average ordinary shareholders' equity is a key measure for the Group's objective to continuously enhance shareholders' value. Excluding the effect of the one-off profit on disposal of LBCT, this ratio increased to 4.0% in 2019 (2018: 2.3%).

Operating Leases and Commitments

In addition to the owned operating assets and long-term leases, the Group employs assets through short-term operating lease arrangements as detailed in Note 47(c) to the Consolidated Financial Statements. Assets under short-term operating lease arrangements consist primarily of container vessels.

At the end of 2019, the Group had outstanding capital commitments amounting to US$6.6 million, representing mostly the investment in an associated company, the outstanding orders for vessel equipment and leasehold improvement.

Analysis of Change in Liquid Assets

US$'000	2019	2018	Change	Favourable/ (unfavourable) %
Net inflow from operations	**948,131**	597,760	350,371	59%
Other inflow:				
Interest and investment income	**71,425**	66,373	5,052	8%
Sale of property, plant and equipment	**26,311**	34,745	(8,434)	(24%)
New financing	**400,455**	475,920	(75,465)	(16%)
Cash from joint ventures and associated companies	**14,913**	19,852	(4,939)	(25%)
Fair value gain on financial assets at fair value through profit or loss	**17,027**	–	17,027	N/M
Disposal of subsidiaries	**1,709,248**	–	1,709,248	N/M
Others	**–**	13,625	(13,625)	N/M
	2,239,379	610,515	1,628,864	267%
Other outflow:				
Interest and financing charges paid	**(170,123)**	(129,261)	(40,862)	(32%)
Dividends paid to shareholders	**(89,859)**	–	(89,859)	N/M
Taxation paid	**(118,404)**	(15,837)	(102,567)	(648%)
Increase in property, plant and equipment, investments, and non-current assets	**(208,958)**	(495,549)	286,591	58%
Loan repayments	**(1,036,768)**	(773,827)	(262,941)	(34%)
Fair value loss on financial assets at fair value through profit or loss	**–**	(19,500)	19,500	N/M
Disposal of subsidiaries	**–**	(1,854)	1,854	N/M
Others	**(2,430)**	–	(2,430)	N/M
	(1,626,542)	(1,435,828)	(190,714)	(13%)
Net inflow/(outflow)	**1,560,968**	(227,553)	1,788,521	N/M
Beginning liquid asset balances	**2,246,803**	2,534,463	(287,660)	(11%)
Net change in liquid asset balances of disposal group classified as held for sale	**53,733**	(53,733)	107,466	N/M
Cash and bank balances set aside for special dividend payment	**(1,001,269)**	–	(1,001,269)	N/M
Changes in exchange rates	**(1,411)**	(6,374)	4,963	78%
Ending liquid asset balances	**2,858,824**	2,246,803	612,021	27%
Represented by:				
Unrestricted bank balances and deposits	**3,455,570**	1,584,465	1,871,105	118%
Restricted bank balances and deposits	**60,294**	61,122	(828)	(1%)
Portfolio investments	**152,923**	378,257	(225,334)	(60%)
Investments at amortised cost	**191,306**	222,959	(31,653)	(14%)
Less: cash and bank balances set aside for special dividend payment	**(1,001,269)**	–	(1,001,269)	N/M
	2,858,824	2,246,803	612,021	27%

A net inflow of US$1,561.0 million was recorded in 2019 compared with a net outflow of US$227.6 million in 2018. Operating inflow of US$948.1 million for the year was US$350.4 million higher than that of 2018 with improved operating results. Increase in other inflow was mainly due to the net proceed of US$1,709.2 million generated from the disposal of the U.S. Terminal Business. The capital payments in 2019 mainly reflected the outlays for the acquisition of container. The net increase in financing cash outflow was mainly due to the increase in loan repayments during the year. Total liquid asset balances increased to US$2,858.8 million at the end of 2019, against US$2,246.8 million in 2018.

Liquidity

As at 31st December 2019, the Group had total liquid asset balances of US$2,858.8 million compared with debt obligations of US$648.9 million repayable in 2020. Total current assets at the end of 2019 amounted to US$4,445.8 million against total current liabilities of US$2,770.3 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 62, has been an Executive Director and the Chairman of the Board of the Company, and the chairman of the Executive Committee and the Nomination Committee of the Company since 3rd August 2018. He had been a director, the chairman of the board and a member of the Executive Committee of Orient Overseas Container Line Limited ("OOCLL"), a wholly-owned subsidiary of the Company, from 3rd August 2018 to 28th February 2020. Mr. Xu holds a master degree in Business Administration 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 ("COSCO SHIPPING"), and an executive director and the chairman of the board of COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings", a company listed in both Shanghai and Hong Kong).

Mr. Xu started his career in March 1975, and 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. ("Shanghai Ocean Shipping"), 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, the Party Committee member and the Deputy Party Secretary of COSCO SHIPPING Lines Co., Ltd. ("COSCO SHIPPING Lines"), the deputy general manager, the Party Committee member and the Deputy Party Secretary of COSCO SHIPPING Holdings, the vice president, the chairman of labour union and the Party Committee member of China Ocean Shipping Company Limited ("China Ocean Shipping"), the general manager, the director, the chairman of the board, the Party Committee member and the Party Secretary of China Shipping Group Company Limited.

Wang Haimin

Mr. Wang Haimin, aged 47, has been an Executive Director of the Company and a member of the Executive Committee of the Company since 3rd August 2018, and the Chief Executive Officer of the Company, and the chairman of the Inside Information Committee and the Risk Committee of the Company since 18th September 2019. He had been a director, the co-Chief Executive Officer and a member of the Executive Committee of OOCLL from 3rd August 2018 to 17th September 2019. Mr. Wang graduated from Shanghai Maritime University, major in Transport Economics, and holds a master degree in Business Administration from Fudan University and is an engineer. Mr. Wang is currently the executive vice president and the Party Committee member of COSCO SHIPPING, the vice chairman of the board and an executive director of COSCO SHIPPING Holdings (a company listed in both Shanghai and Hong Kong), a director of Faulkner Global Holdings Limited and Shanghai International Port (Group) Co., Ltd. (a company listed in Shanghai).

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 Ocean Shipping, the deputy general manager and a non-executive director of COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports"), the deputy general manager, the general manager, a director and the Deputy Party Secretary of COSCO SHIPPING Lines, and the deputy general manager, the general manager and the Deputy Party Secretary 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.

Yang Zhijian

Mr. Yang Zhijian, aged 55, 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 18th September 2019. He has been a director, the co-Chief Executive Officer and a member of the Executive Committee of OOCLL since 18th September 2019. Mr. Yang has been re-designated from the co-Chief Executive Officer to the Chief Executive Officer of OOCLL since 1st January 2020 and appointed as the chairman of the board and the Executive Committee of OOCLL since 28th February 2020. He is also a director of certain subsidiaries of the Company. Mr. Yang holds an executive master degree in Business Administration from Shanghai Maritime University and is an economist. Mr. Yang is currently the employee representative director of COSCO SHIPPING, the general manager, the executive director and the Deputy Party Secretary of COSCO SHIPPING Holdings (a company listed in both Shanghai and Hong Kong), the general manager, the chairman of the board and the Deputy Party Secretary of COSCO SHIPPING Lines.

Mr. Yang had been the head of ocean transportation division of Shanghai Ocean Shipping, the head of corporate planning division and the deputy general manager of marketing department of COSCO SHIPPING Lines, the deputy general manager of Hong Kong Ming Wah Shipping Co., Ltd., the general manager of the trade service division and the general manager of the Asia-Pacific trade division of COSCO SHIPPING Lines, the general manager and the Deputy Party Secretary of Shanghai PANASIA Shipping Company Limited, an assistant to the general manager and the deputy general manager of COSCO SHIPPING Logistics Co., Ltd., the deputy general manager, the general manager and the Deputy Party Secretary of COSCO SHIPPING Bulk Co., Ltd. Mr. Yang has over 30 years of experience in the maritime industry and has extensive experience in container shipping, logistics and bulk shipping.

Feng Boming

Mr. Feng Boming, aged 50, 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 18th September 2019. Mr. Feng holds a master degree in Business Administration from The University of Hong Kong and is an economist. Mr. Feng is currently the chairman of the board of directors and an executive director of COSCO SHIPPING Ports (a company listed in Hong Kong), an executive director of COSCO SHIPPING Holdings (a company listed in both Shanghai and Hong Kong), a non-executive director of COSCO SHIPPING Development Co., Ltd., COSCO SHIPPING Energy Transportation Co., Ltd. and COSCO SHIPPING International (Hong Kong) Co., Ltd. (all companies are listed in Hong Kong) and Piraeus Port Authority S.A. (a company listed in Athens), and a director of COSCO SHIPPING (Hong Kong) Co., Limited, COSCO SHIPPING Bulk Co., Ltd., COSCO SHIPPING Financial Holding Co., Ltd. and certain subsidiaries of COSCO SHIPPING.

Mr. Feng had been the general manager of the strategic and corporate management department of COSCO SHIPPING, the manager of the commercial section of the ministry of trade protection of COSCO SHIPPING Lines, the general manager of COSCO Container Hong Kong Mercury Co., Ltd., the general manager of the management and administration department of COSCO Holdings (Hong Kong) Limited, the general manager of COSCO International Freight (Wuhan) Co., Ltd. and COSCO Logistics (Wuhan) Co., Ltd., the director of the strategic management implementation office of China Ocean Shipping and COSCO SHIPPING Holdings, and a non-executive director of COSCO SHIPPING Holdings. Mr. Feng has over 20 years' working experience in the shipping industry. He has extensive experience in port management and operation, enterprise strategy management, business management, container shipping and management.

Tung Lieh Cheung Andrew

Mr. Tung Lieh Cheung Andrew, aged 55, has been a Non-Executive Director of the Company since 1st January 2020 and is a member of the Finance Committee, the Inside Information Committee and the Risk Committee of the Company. He has been an advisor to the Chief Executive Officer of OOCLL since 1st January 2020. Mr. Tung holds a bachelor degree from Princeton University and a master degree in Business Administration from Stanford University in the USA. He is currently 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 also a member of the Hong Kong Logistics Development Council and a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development.

Mr. Tung was an Executive Director of the Company from 2nd November 2011 to 31st December 2019. He was a director and a member of the Executive Committee of OOCLL from March 2006 to 31st December 2019. He was the Chief Executive Officer and Senior Managing Director of OOCLL from 1st July 2012 to 2nd August 2018, and had been re-designated as the co-Chief Executive Officer of OOCLL since 3rd August 2018 until 31st December 2019. He was also a director of various subsidiaries of the Company. Between 1993 and 1998, he 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. He was the vice-chairman of the International Chamber of Commerce Commission for Transport & Logistics, a member of the executive committee of Hong Kong Shipowners Association, a member of the Hong Kong Maritime and Port Board and the chairman of the Maritime and Port Development Committee.

Yan Jun

Mr. Yan Jun, aged 52, 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 a master degree in Business Management from Antai College of Economics and Management of Shanghai Jiaotong University. Mr. Yan is currently the Deputy Party Secretary, a director and the president of Shanghai International Port (Group) Co., Ltd. ("SIPG") (a company listed in Shanghai).

Mr. Yan had been a Party Committee member of Shanghai Port Container Terminal Co., Ltd ("SPCT"); the Branch Party Secretary and the general manager of SPCT, Waigaoqiao Terminal Branch; the Party Secretary and the general manager of SIPG Zhendong Container Terminal Branch; the Party Secretary, a director and the general manager of SIPG Jiujiang Port Co., Ltd; the assistant to president, the vice president and the Deputy Party Secretary of SIPG.

Ms. Wang Dan, aged 50, 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 Tsinghua University PBC School of Finance (formerly the Graduate School of the People's Bank of China).

Ms. Wang is both executive vice president of Silk Road Fund Co., Ltd. ("SRF") and director of SIBUR Holding (a public joint stock company in Russia with its bonds traded at Moscow Exchange and Irish Stock Exchange). Ms. Wang 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.

Wang Dan

Mr. Ip Sing Chi, aged 66, 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 from Coventry University. 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 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. (a company listed in Athens), 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). Mr. Ip has over 35 years of experience in the maritime industry.

Ip Sing Chi

Cui Hongqin

Ms. Cui Hongqin, aged 46, 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. ("SDIC"), the general manager and director of Rongshi International Holding Company Limited, SDIC Leasing Co., Ltd., Rongshi International Treasury Management Company Limited and SDIC Leasing of Hainan Co., Ltd., the director of China SDIC International Trade Co., Ltd., and a non-executive director of China Water Environment Group Limited.

Ms. Cui held various positions in SDIC, including assistant to the director of the finance and accounts department, head of the funds department, the deputy director and the business head of the accounts department, and the senior business manager of the planning and finance department.

Chow Philip Yiu Wah

Mr. Chow Philip Yiu Wah, aged 72, has been an Independent Non-Executive Director of the Company since 2nd January 2015. He is the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee, the Finance Committee, the Share Committee, the Risk Committee and the Independent Board 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 degree in Business Administration 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.

Dr. Chung Shui Ming Timpson, *GBS, JP*, aged 68, 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.

Chung Shui Ming Timpson

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 companies are listed in Hong Kong); and China Railway Group Limited and Postal Savings Bank of China Co., Ltd. (companies listed in both Shanghai and Hong Kong); and an external director of COSCO SHIPPING.

Dr. Chung had been an audit supervisor I of Coopers & Lybrand, an independent non-executive director of China Construction Bank Corporation (a company listed in both Shanghai and Hong Kong), an independent director of China State Construction Engineering Corporation Limited (a company listed in Shanghai), an independent non-executive director of Henderson Land Development Company Limited (a company listed in Hong Kong), 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 organisations, 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 71, has been an Independent Non-Executive Director of the Company since 3rd August 2018. He is the chairman of the Share Committee and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. Mr. Yang is currently an independent non-executive director of COSCO SHIPPING Holdings (a company 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, the Korean Commercial Arbitration Board, the General Committee of Singapore Chamber of Maritime Arbitration, and the expert committee of China International Commercial Court of the Supreme People's Court of China.

Yang Liang Yee Philip

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 Mainland China 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.

Chen Ying

Ms. Chen Ying, aged 49, 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, a master degree in Business Administration, major in Finance from Maastricht College in the Netherlands and graduated from the School of Finance of Renmin University of China. She is a certified public accountant in Australia, CIMA (registered management accountant) and a senior accountant in China. Ms. Chen is an external director of COSCO SHIPPING Lines and an independent non-executive director of Pingdingshan Tianan Coal Mining Co., Ltd. (a company listed in Shanghai with bonds listed in Hong Kong).

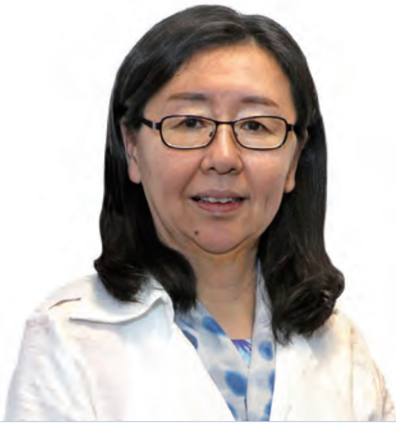
Ms. Chen had been the vice chairman of Shanghai Chongyang Investment Co., Ltd. from March 2016 to June 2018. During the period from 1993 to 2016, she had been the deputy general manager and the secretary of the board of directors of Baoshan Iron Steel Co., Ltd, the secretary of the board of directors, 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.

So Gregory Kam Leung

Mr. So Gregory Kam Leung, *GBS, JP*, aged 61, has been an Independent Non-Executive Director and a member of the Audit Committee of the Company since 17th May 2019, and a member of the Independent Board Committee of the Company since 23rd August 2019. Mr. So holds a bachelor of Arts degree in Economics from Carleton University, Canada and a bachelor degree in Law and a master degree in Business Administration from the University of Ottawa, Canada. Mr. So has been a member of the Law Society of Alberta, Canada since June 1985, a member of the Law Society of Upper Canada in November 1988, a member of the Law Society (England and Wales) in January 1989 and a member of the Hong Kong Law Society in March 1989. Since 1984, Mr. So provided legal services in Canada. He continued his legal practice upon returning to Hong Kong in 1989 and has over 25 years of practice experience as a lawyer. Mr. So is currently an independent non-executive director of China Overseas Property Holdings Limited (a company listed in Hong Kong), Investcorp Holdings B.S.C. (a company listed in Bahrain) and Aviva Life Insurance Company Limited, and a consultant in So, Lung and Associates, Solicitors.

Mr. So was appointed as the Undersecretary for the Commerce and Economic Development of the third term Government of the Hong Kong Special Administrative Region on 1st June 2008, the Secretary for the Commerce and Economic Development on 28th June 2011 and was again appointed as the Secretary for the Commerce and Economic Development of the fourth term Government of the Hong Kong Special Administrative Region on 1st July 2012 until 30th June 2017. The Commerce and Economic Development Bureau is responsible for various policy matters including Hong Kong's external commercial relations, inward investment promotion, intellectual property protection, industry and business support, tourism, consumer protection, competition, information technology, telecommunications, broadcasting, development of innovation and technology (until November 2015), and film and creative industries related issues. Mr. So had been the vice-chairman of the Democratic Alliance for the Betterment and Progress of Hong Kong, a board member of Hong Kong Hospital Authority, a council member of Lingnan University, a member of Commission on Strategic Development and a member of the District Council of Wong Tai Sin District.



Kenny Ye

Mr. Ye, aged 56, has been a Director of OOCL since June 2018 and a member of Executive Committee since November 2015. He was appointed Chief Operating Officer of OOCL in January 2020 and Chief Executive Officer of OOCL Logistics in November 2015. He joined the Group in 1994 and has served the Group in various capacities for 25 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, Director of Corporate Human Resources and Administration, Director of Fleet Management 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.

Xiang Chen

Ms. Chen, aged 56, has been a 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 COSCO Container Lines Co., Ltd. She was a Deputy Managing Director of COSCO Container Lines Co., Ltd. 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 63, has been a Director and a member of Executive Committee of OOCL since January 2010, and the Director of Corporate Operations, Corporate Marketing and Regions Management since April 2019 and also of Network Control Center since November 2019. He joined the Group in 1993 and has served the Group in various capacities for 26 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, President of OOCL (USA) Inc., Director of Corporate Planning and Corporate Administration of OOCL. Mr. Yao holds a Bachelor of Arts from Toronto/Fudan University joint program and a Master of International Affairs from Columbia University.

Mingwen Zhang

Mr. Zhang, aged 41, has been a 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 21 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.

Senior Management

Steve Siu

Mr. Siu, aged 62, has been a Director and a member of Executive Committee of OOCL since November 2006 and was appointed Chief Information Officer. He has been the Chief Executive Officer of CargoSmart since January 2002. He joined the Group in 1987 and has served the Group in various capacities for 32 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 organised by Northwestern University and The Hong Kong University of Science and Technology.

Shuai Chen

Mr. Chen, aged 45, has been a Director and a member of Executive Committee of OOCL since October 2019. He is currently the Deputy General Manager of COSCO SHIPPING Holdings, the Deputy General Manager of COSCO SHIPPING Lines. Mr. Chen joined COSCO Group in July 1995, had served in various capacities, including the Assistant to Manager and the Deputy Manager of Container Shipping Division I of China Shipping Container Lines Co., Ltd., the Assistant to General Manager of China Shipping Container Lines (Hong Kong) Co., Ltd., the General Manager of America Division of China Shipping Container Lines Co., Ltd., and the Assistant to General Manager and Deputy General Manager of China Shipping Container Lines Co., Ltd.. Mr. Chen graduated from Shanghai Maritime Academy with major in Marine Engineering Management.

Lammy Lee

Ms. Lee, aged 58, has been a 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 31 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 46, has been a 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.

Raymond Fung

Mr. Fung, aged 61, has been a 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 36 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 59, has been a Director of OOCL since June 2018 and a member of Executive Committee since November 2015. He was appointed Director of Trades since April 2019, and Director of Regions Management since January 2016 and Director of Corporate Operation since September 2013 until March 2019. He joined the Group in 1994 and has served the Group in various capacities for 25 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 2019	26th August 2019
Despatch of 2019 Interim Report to shareholders	19th September 2019
Closure of the Register of Members (to ascertain the shareholders qualified to receive the proposed interim dividend in respect of the six months ended 30th June 2019)	20th September 2019 to 24th September 2019 (Both days inclusive)
2019 Special General Meeting	17th December 2019
Closure of the Register of Members (to ascertain the shareholders qualified to receive the special dividend)	23rd December 2019 to 27th December 2019 (Both days inclusive)
Announcement of results for the year ended 31st December 2019	20th March 2020
Despatch of 2019 Annual Report to shareholders	22nd April 2020
Closure of the Register of Members (to ascertain the shareholders eligible to attend and vote at the Annual General Meeting)	11th May 2020 to 15th May 2020 (Both days inclusive)
2019 Annual General Meeting	15th May 2020
Closure of the Register of Members (to ascertain the shareholders qualified to receive the proposed final and special dividends in respect of the year ended 31st December 2019)	22nd May 2020 to 26th May 2020 (Both days inclusive)

Shareholder Information

ORDINARY SHARES

Issued shares	625,793,297 shares (as at 31st December 2019)
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 2019:

Type of shareholders

Type of shareholders	Shareholders Number	Shareholders Percentage	Shares of US$0.10 each Number	Shares of US$0.10 each Percentage
Corporate	19	3.2986%	624,715,637	99.8278%
Individual	557	96.7014%	1,077,660	0.1722%
	576	100%	625,793,297	100%

Distribution of shareholdings

Size of shareholdings	Shareholders Number	Shareholders Percentage	Shares of US$0.10 each Number	Shares of US$0.10 each Percentage
1 – 10,000	558	96.8750%	510,106	0.0815%
10,001 – 100,000	14	2.4306%	422,703	0.0675%
100,001 – 1,000,000	1	0.1736%	259,000	0.0414%
1,000,001 or above	3	0.5208%	624,601,488	99.8096%
	576	100%	625,793,297	100%

Ten largest ordinary shareholders

At 31st December 2019, 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	50.4606%
HKSCC Nominees Limited	246,868,907	39.4490%
Shanghai Port Group (BVI) Development Co., Limited	61,953,536	9.9000%
Mok Kwun Cheung	259,000	0.0414%
Po Leung Kuk	70,500	0.0113%
Ho Fuk Chuen	52,000	0.0083%
Fung Sun Kwan U/D	45,022	0.0072%
Ho Hin Kwong	40,454	0.0065%
Leung Wong Kit Ling	35,000	0.0056%
Chow Mung Ha	32,420	0.0052%

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 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 2019, the Company complied with the SEHK Code, save for the following:

- **Code Provision**
  - Mr. Xu Lirong, the Chairman of the Board, did not attend the annual general meeting of the Company held on 17th May 2019 (the "Last AGM") due to prior business engagement and delegated to Mr. Tung Lieh Cheung Andrew to chair the Last AGM.
- **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 2019:

A. BOARD OF DIRECTORS

1. Board Composition

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

Executive Directors

Mr. Xu Lirong *(Chairman)*
Mr. Wang Haimin *(Chief Executive Officer)*
Mr. Yang Zhijian
Mr. Feng Boming

Non-Executive Directors

Mr. Tung Lieh Cheung Andrew
Mr. Yan Jun
Ms. Wang Dan
Mr. Ip Sing Chi
Ms. Cui Hongqin

Independent Non-Executive Directors

Mr. Chow Philip Yiu Wah
Dr. Chung Shui Ming Timpson
Mr. Yang Liang Yee Philip
Ms. Chen Ying
Mr. So Gregory Kam Leung

The biographical details of the Directors are set out on the Company's website at http://www.ooilgroup.com and on pages 50 to 56 of this annual report.

The Directors have formal letters of appointment setting out the key terms and conditions of their appointments, 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 his/her 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 2019, 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 strategy 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 strategy, policies and objectives by the Group pursuant to the resolutions of the Board.

The Board also delegates certain specific responsibilities to nine committees of the Company (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). For the efficient management and operation of the Group's principal division, the Board also delegates and confers certain powers, authorities and discretions on such terms as it thinks fit to the board of directors and the executive committee of the Group's principal division, which in turn are supported by four sub-committees, each having its own terms of reference setting out its authorities and responsibilities. The final decision rests with the Board, unless otherwise provided for in the terms of reference of the relevant committees of the Company.

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 2019.

3. Chairman and Chief Executive Officer

Mr. Xu Lirong is the Chairman of the Company and Mr. Wang Haimin 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 a 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 programs 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 strategy, 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 program to develop and refresh their knowledge and skills to help ensure that their contribution to the Board remains informed and relevant.

The program 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 program by the Directors of the Company in year 2019 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	✓	
Mr. Wang Haimin	✓	
Mr. Yang Zhijian *(Note 1)*	✓	
Mr. Feng Boming *(Note 1)*	✓	
Mr. Huang Xiaowen *(Note 2)*	✓	
Mr. Zhang Wei *(Note 2)*	✓	✓
Non-Executive Directors		
Mr. Tung Lieh Cheung Andrew *(Note 3)*	✓	
Mr. Yan Jun	✓	
Ms. Wang Dan	✓	
Mr. Ip Sing Chi	✓	
Ms. Cui Hongqin	✓	
Independent Non-Executive Directors		
Mr. Chow Philip Yiu Wah	✓	
Dr. Chung Shui Ming Timpson	✓	
Mr. Yang Liang Yee Philip	✓	
Ms. Chen Ying	✓	✓
Mr. So Gregory Kam Leung *(Note 4)*	✓	✓
Professor Wong Yue Chim Richard *(Note 5)*	✓	

Notes:

1. appointed as Executive Directors of the Company with effect from 18th September 2019.
2. resigned as Executive Directors of the Company with effect from 18th September 2019.
3. re-designated from an Executive Director to a Non-Executive Director of the Company with effect from 1st January 2020.
4. appointed as an Independent Non-Executive Director of the Company with effect from 17th May 2019.
5. retired as an Independent Non-Executive Director of the Company with effect from 17th May 2019.

Ms. Lammy Lee, the Company Secretary of the Company, undertook no less than fifteen hours of professional training in year 2019 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 of the Company 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/her 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 Last AGM, 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, all appointed as Directors of the Company on 3rd August 2018, retired and were re-elected as Directors of the Company in accordance with bye-law 86(2) of the Bye-laws of the Company (the "Bye-laws").

Professor Wong Yue Chim Richard retired as an Independent Non-Executive Director of the Company on 17th May 2019 and did not offer himself for re-election pursuant to bye-laws 87(2) and 87(4)(c) of the Bye-laws.

At the special general meeting of the Company held on 17th December 2019 (the "SGM"), Mr. So Gregory Kam Leung, appointed as an Independent Non-Executive Director of the Company on 17th May 2019, and Mr. Yang Zhijian and Mr. Feng Boming, appointed as Executive Directors of the Company on 18th September 2019, all retired and were re-elected as Directors of the Company pursuant to code provision A.4.2 of Appendix 14 to the Listing Rules.

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 of the Company are comprised 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 websites of the Company and the Stock Exchange. 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 the Executive Directors of the Company. It is currently comprised of Mr. Xu Lirong (chairman of the Executive Committee), Mr. Wang Haimin, Mr. Yang Zhijian and Mr. Feng Boming (both Mr. Yang and Mr. Feng were appointed as members of the Executive Committee on 18th September 2019), 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 strategy 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) 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 the Independent Non-Executive Directors. It is currently comprised of Mr. Chow Philip Yiu Wah (appointed as the chairman of the Audit Committee on 17th May 2019), Dr. Chung Shui Ming Timpson, Mr. Yang Liang Yee Philip, Ms. Chen Ying and Mr. So Gregory Kam Leung (appointed as a member of the Audit Committee on 17th May 2019), 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. With effect from 1st April 2020, Mr. Fung Yee Chung Vincent will retire and Ms. Lai Yuen Ying Vivian will succeed him as the Head of Internal Audit Department and the 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 query 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 judgment contained in them, with particular focus on changes in accounting policies and practices, major judgmental areas, any significant audit adjustment, the going concern assumption and any qualification, compliance with any applicable legal requirement and accounting standard, and compliance with the requirements of the Listing Rules and other legal requirements in relation to financial reporting;

– consider any significant or unusual item that is, 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 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 programs 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 fraud or irregularity or failure of risk management and internal control or infringement 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 program; 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 2019, the Audit Committee received no complaint from employees.

The Audit Committee held two meetings during the year ended 31st December 2019. The following is a summary of work performed by the Audit Committee during the year 2019:

(i) reviewed and discussed the annual financial statements for 2018 and the interim financial statements for 2019 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 2018 annual financial statements and issues arising from the review of the 2019 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 2018;

(vi) met with the external auditor without the presence of 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 2018;

(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 2018 concerning the Audit Committee;

(xi) reviewed the adequacy of the resources, staff qualifications and experience, training programs 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; and

(xiii) reviewed the continuous implementation of the whistleblowing policy.

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 Audit Committee members and the Board members.

c. Remuneration Committee

The Remuneration Committee was established in 2005. A majority of its members are the Independent Non-Executive Directors. It is currently comprised of Mr. Chow Philip Yiu Wah (chairman of the Remuneration Committee), Mr. Feng Boming (appointed as a member of the Remuneration Committee on 18th September 2019) and Mr. Yang Liang Yee Philip (appointed as a member of the Remuneration Committee on 17th May 2019), 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 the 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 the contractual terms and is otherwise fair and not excessive;

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

– ensure that no Director or any of his/her associates or senior management (including the chief executive officer of the principal division of the Group) is involved in deciding his/her 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 and passed resolutions by way of written resolution during the year ended 31st December 2019. The works performed by the Remuneration Committee during the year 2019 include:

(i) reviewed the Company's remuneration policy and 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 the Company's 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 2018;

(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 2019;

(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 Cheung Andrew following his re-designation from an Executive Director to a Non-Executive Director of the Company; and

(vi) reviewed the share option incentive scheme offered by the intermediate controlling shareholder of the Company to certain employees of the Group.

No Director was involved in determining his/her own remuneration.

d. Nomination Committee

The Nomination Committee was established in 2012. A majority of its members are the 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 the selection criteria of the potential candidates for the 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 the 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 the 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;

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

- assess the performance of the Executive Directors and conduct a regular evaluation of the Board's performance by members of the Nomination Committee, who are the Independent Non-Executive Directors of the Company, and report results of the evaluation to the Board; and to

- review the appointment of the chairman of the board and 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 and passed resolutions by way of written resolution during the year ended 31st December 2019. The works performed by the Nomination Committee during the year 2019 include:

(i) reviewed the Nomination Policy of the Company;

(ii) reviewed the procedures for appointment of new Directors of the Company 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 and the changes in the membership of certain committees of the Company;

(vi) recommended re-election of the retiring directors at the Last AGM and the SGM;

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

(viii) reviewed the contribution of the Directors of the Company for the year 2018; and

(ix) evaluated performance of the Board and assessed performance of the Executive Directors of the Company by members of the Nomination Committee, who are the Independent Non-Executive Directors 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 Company'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 the 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 following:

  – structure, size and composition of the current Board;

  – time commitment to the Board;

  – diversity of the Board in all its aspects 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. Wang Haimin (appointed as the chairman of the Risk Committee on 18th September 2019), Mr. Yang Zhijian, Mr. Feng Boming (both Mr. Yang and Mr. Feng were appointed as members of the Risk Committee on 18th September 2019), 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. With effect from 1st April 2020, Mr. Ye Jianping Kenny will be appointed as a member 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 objectives 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 objectives, 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") strategy 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 during the year ended 31st December 2019. The works performed by the Risk Committee during the year 2019 include:

(i) reviewed and recommended to the Board the Group's risk appetite, risk management strategy, 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 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. Yang Zhijian (appointed as a member of the Compliance Committee on 18th September 2019), Mr. Zhang Mingwen, Mr. Michael Fitzgerald, Mr. Lam Tuen Pei Pius and Mr. Fung Yee Chung Vincent. With effect from 1st April 2020, Ms. Lau Siu Ping Karen and Ms. Lai Yuen Ying Vivian will be appointed as members of the Compliance Committee and Mr. Fung Yee Chung Vincent will retire from the Compliance Committee. 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 of the Company 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 2019. The works performed by the Compliance Committee during the year 2019 include:

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

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

(iii) 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;

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

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

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

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

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

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. Yang Zhijian (appointed as a member of the Finance Committee on 18th September 2019), 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, China or vice versa;

– deal with the 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 the shareholders of the Company 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. Wang Haimin (appointed as the chairman of the Inside Information Committee on 18th September 2019), Mr. Yang Zhijian, Mr. Feng Boming (both Mr. Yang and Mr. Feng were appointed as members of the Inside Information Committee on 18th September 2019), 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 comprising Mr. Chow Philip Yiu Wah and Mr. So Gregory Kam Leung was established in 2019 for the purpose of advising the independent shareholders of the Company (i) on the terms of the Non-exempt Transactions (as defined in the circular of the Company dated 28th November 2019) and on how the independent shareholders should vote in relation to the ordinary resolutions proposed for approving each of the Non-exempt Transactions at the SGM; and (ii) on the terms of the Transaction (as defined in the circular of the Company dated 9th April 2020) and on how the independent shareholders should vote in relation to the ordinary resolution proposed for approving the Transaction at the annual general meeting to be held on 15th May 2020, respectively.

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

The attendance records of each Director and each member of the Board Committees of the Company at the relevant meetings held in year 2019 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	General Meetings
No. of meetings held during the year	5	5	2	3	2	2	3	1	0	0	2
Executive Directors											
Mr. Xu Lirong *(Chairman)*	2/5	0/5	–	–	1/2	–	–	–	–	–	0/2
Mr. Wang Haimin *(Chief Executive Officer)* *(Note 1)*	4/5	5/5	–	–	–	2/2	0/2	0/1	–	N/A	0/2
Mr. Yang Zhijian *(Note 2)*	2/2	1/1	–	–	–	N/A	0/1	N/A	–	N/A	0/1
Mr. Feng Boming *(Note 2)*	1/2	1/1	–	N/A	–	N/A	–	–	–	N/A	0/1
Mr. Huang Xiaowen *(Note 3)*	3/3	3/4	–	–	–	1/2	–	–	–	N/A	0/1
Mr. Zhang Wei *(Note 3)*	1/3	0/4	–	2/3	–	0/2	–	–	–	N/A	0/1
Non-Executive Directors											
Mr. Tung Lieh Cheung Andrew *(Note 4)*	5/5	5/5	–	–	–	2/2	–	1/1	–	N/A	2/2
Mr. Yan Jun	3/5	–	–	–	1/2	2/2	–	–	–	–	0/2
Ms. Wang Dan	5/5	–	–	–	–	2/2	–	–	–	–	0/2
Mr. Ip Sing Chi	4/5	–	–	–	–	2/2	–	–	–	–	2/2
Ms. Cui Hongqin	5/5	–	–	–	–	2/2	–	–	–	–	0/2
Independent Non-Executive Directors											
Mr. Chow Philip Yiu Wah	5/5	–	2/2	3/3	2/2	2/2	–	1/1	N/A	–	2/2
Dr. Chung Shui Ming Timpson	4/5	–	0/2	–	2/2	–	–	1/1	–	–	2/2
Mr. Yang Liang Yee Philip	4/5	–	2/2	N/A	2/2	–	–	–	N/A	–	2/2
Ms. Chen Ying	5/5	–	2/2	–	–	–	–	1/1	N/A	–	2/2
Mr. So Gregory Kam Leung *(Note 5)*	3/3	–	1/1	–	–	–	–	–	–	–	1/1
Professor Wong Yue Chim Richard *(Note 6)*	2/2	–	1/1	3/3	–	–	–	–	–	–	1/1
Others											
Mr. Zhang Mingwen	–	–	–	–	–	2/2	3/3	1/1	–	–	–
Ms. Lammy Lee	–	–	–	–	–	2/2	3/3	–	–	N/A	–
Mr. Lam Tuen Pei Pius	–	–	–	–	–	–	3/3	–	–	–	–
Mr. Fung Yee Chung Vincent	–	–	–	–	–	–	3/3	–	–	–	–
Mr. Michael Fitzgerald	–	–	–	–	–	–	3/3	–	–	–	–
Average attendance rate	82.55%	67.86%	83.33%	88.89%	80%	86.36%	71.43%	83.33%	N/A	N/A	50%

Notes:

1. appointed as the Chief Executive Officer of the Company with effect from 18th September 2019.
2. appointed as Executive Directors of the Company with effect from 18th September 2019.
3. resigned as Executive Directors of the Company with effect from 18th September 2019.
4. re-designated from an Executive Director to a Non-Executive Director of the Company with effect from 1st January 2020.
5. appointed as an Independent Non-Executive Director of the Company with effect from 17th May 2019.
6. retired as an Independent Non-Executive Director of the Company with effect from 17th May 2019.

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 of the Company 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 2019.

11. Share Interests of Directors and Senior Management

a. Directors

Directors' interests in the ordinary shares of the Company are set out on pages 91 and 92 of this annual report.

b. Senior Management *(Note)*

As at 31st December 2019, the number of ordinary shares of the Company held by the senior management of the Group are as follows:

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

Note: Biographical details of senior management as at 31st December 2019 are set out on pages 57 to 59 of this annual report.

12. Emoluments of Directors and Senior Management

a. Emoluments of Directors

The emoluments of the Directors of the Company for the year ended 31st December 2019 are set out on pages 150 and 151 of this annual report.

b. Emoluments of Senior Management

The emoluments of the senior management of the Group for the year ended 31st December 2019 are set out below:

Emolument bands (US$)	Number of individuals 2019
0 – 64,102	1
128,202 – 192,300	1
192,301 – 256,400	1
256,401 – 320,500	0
320,501 – 384,600	1
384,601 – 448,700	1
448,701 – 512,800	0
512,801 – 576,900	2
576,901 – 641,000	2
641,001 – 705,100	0
705,101 – 769,200	0
769,201 – 833,300	0
833,301 – 897,400	2
897,401 – 961,500	1
Total	12 *(Note)*

Note: Inclusive of two senior management who ceased as senior management during the year 2019.

B. ACCOUNTABILITY AND AUDIT

1. External Auditor

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

The Company has established a policy on the 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 2019 is set out on page 153 note 11 to the consolidated financial statements of this annual report.

2. Directors' and Auditor's Acknowledgement

All Directors of the Company acknowledged their responsibilities for preparing the consolidated financial statements for the year ended 31st December 2019.

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 2019.

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 of the Company and the board of directors, 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 of the Company 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 2019 Internal Audit report, the Group's internal control system was functioning effectively, there was no significant weakness found in the course of the audits carried out during the year, and there was 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 the shareholders of the Company. 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 2019.

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 programs 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 strategy 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 strategy and upward reporting of risk monitoring progress;

b) Second line of defence – The Risk Management Department monitors the risk management system and internal control systems to ensure its effectiveness and facilitates the development and setting of policies and guidelines and its effective implementation of the risk management and internal control systems. It also 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 strategy; 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 2019, 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 2019.

C. COMMUNICATION WITH SHAREHOLDERS

The Company attaches great importance to communications with the shareholders of the Company. Extensive information on the Group's activities, business strategy and developments is provided in the Company's annual reports and interim reports. Shareholders of the Company are encouraged to attend the general meetings of the Company which offer a valuable forum for dialogue and interaction with management of the Company. 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, other members of the relevant committees, are available at the annual general meetings to answer questions from shareholders on the business of the Group. A separate resolution would be 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.

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 31st 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 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 special general meeting by serving sufficient notice in accordance with the statutory requirements to all the registered shareholders of the Company.

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 31st 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 has 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 the shareholders of the Company 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 2019 are set out on page 155 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 2019:

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 2019 are as follows:

Type of Shareholders	Number of Shareholders	Shareholders % of total	Number of Shares
Corporate	19	3.2986%	624,715,637
Individual	557	96.7014%	1,077,660
Total	576	100%	625,793,297

Details of the shareholding of the ordinary shares of the Company by range as at 31st December 2019 are as follows:

Size of shareholdings	Number of Shareholders	Shareholders % of total
1 – 10,000	558	96.8750%
10,001 – 100,000	14	2.4306%
100,001 – 1,000,000	1	0.1736%
1,000,001 or above	3	0.5208%
Total	576	100%

2. Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company maintained at least 25% of public float as at 31st December 2019.

3. Financial Calendar

Important dates for the coming financial year are set out on page 60 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 during the year 2019, and the consolidated version is available on the websites of the Company and the Stock Exchange.

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 2019.

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 190 to 199 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 108 of this annual report.

DIVIDENDS

An interim dividend of US6.66 cents (HK$0.519) per ordinary share and a special dividend of US$1.60 (HK$12.48) per ordinary share were paid on 25th October 2019 and 3rd February 2020 respectively.

The Board has recommended the payment of a final dividend of US2.69 cents (HK$0.210 at the exchange rate of US$1: HK$7.8) and a special dividend of US24.0 cents (HK$1.872 at the exchange rate of US$1: HK$7.8) per ordinary share for the year ended 31st December 2019 to be paid on 23rd June 2020 to the shareholders of the Company whose names appear on the register of members of the Company on 26th May 2020. 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 12th June 2020.

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 12 to 15, Operations Review on pages 16 to 25 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 12 to 15 and Operations Review on pages 16 to 25. Also, the financial risk management objectives and policies of the Group can be found in note 3 to the consolidated financial statements. Important events affecting the Group that have occurred since the end of the financial year ended 31st December 2019 can be found in note 51 to the consolidated financial statements. The Group's future business development is provided in Chairman's Statement on pages 12 to 15 and Operations Review on pages 16 to 25 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 26 to 33 of this annual report and in the Company's 2019 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").

DIRECTORS

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

Executive Directors

Mr. Xu Lirong *(Chairman)*
Mr. Wang Haimin *(Chief Executive Officer)* *(Note 1)*
Mr. Yang Zhijian *(Note 2)*
Mr. Feng Boming *(Note 2)*
Mr. Huang Xiaowen *(Note 3)*
Mr. Zhang Wei *(Note 3)*

Non-Executive Directors

Mr. Tung Lieh Cheung Andrew *(Note 4)*
Mr. Yan Jun
Ms. Wang Dan
Mr. Ip Sing Chi
Ms. Cui Hongqin

Independent Non-Executive Directors

Mr. Chow Philip Yiu Wah
Dr. Chung Shui Ming Timpson
Mr. Yang Liang Yee Philip
Ms. Chen Ying
Mr. So Gregory Kam Leung *(Note 5)*
Professor Wong Yue Chim Richard *(Note 6)*

Notes:

1. appointed as the Chief Executive Officer of the Company with effect from 18th September 2019.
2. appointed as Executive Directors of the Company with effect from 18th September 2019.
3. resigned as Executive Directors of the Company with effect from 18th September 2019.
4. re-designated from an Executive Director to a Non-Executive Director of the Company with effect from 1st January 2020.
5. appointed as an Independent Non-Executive Director of the Company with effect from 17th May 2019.
6. retired as an Independent Non-Executive Director of the Company with effect from 17th May 2019.

In accordance with bye-laws 87(2) and 87(3) of the Bye-laws of the Company (the "Bye-laws"), Mr. Wang Haimin, Mr. Tung Lieh Cheung Andrew, Mr. Ip Sing Chi, Mr. Chow Philip Yiu Wah and Dr. Chung Shui Ming Timpson will retire by rotation and, being eligible, will offer themselves for re-election at the annual general meeting of the Company to be held on 15th May 2020 (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/her 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 INTERESTS

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 trusts related to Tung family members, to whom Mr. Tung Lieh Cheung Andrew, a Non-Executive Director of the Company, is related. The total amount of rental on an actual cost reimbursement basis paid by INCIL to the Group for the year ended 31st December 2019 was approximately US$1,813,000.

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 2019, 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 2019:

(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 corporations 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	Approximate percentage of total issued share capital of the relevant class of the associated corporation
COSCO SHIPPING Holdings Co., Ltd.	Yang Zhijian	Beneficial owner	100,000 (H Shares)	Nil	100,000	0.00388% *(Note 1)*
	Feng Boming	Interest of spouse	Nil	530,000 (A Shares) *(Note 2)*	530,000	0.01% *(Note 1)*
COSCO SHIPPING Development Co., Ltd.	Yang Zhijian	Beneficial owner	400,000 (H Shares)	Nil	400,000	0.01% *(Note 3)*
	Feng Boming	Beneficial owner	29,100 (A Shares)	Nil	29,100	0.00037% *(Note 3)*

Notes:

(1) The shareholding percentage in COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings") is calculated on the basis of 2,580,600,000 H shares of COSCO SHIPPING Holdings in issue and 9,678,929,227 A shares of COSCO SHIPPING Holdings in issue as at 31st December 2019 (as the case may be).

(2) These share options were held by the spouse of Mr. Feng Boming as beneficial owner, therefore, Mr. Feng Boming is deemed to be interested in same shares.

The share options were granted on 3rd June 2019 under the Share Option Incentive Scheme of COSCO SHIPPING Holdings (the "Scheme") at an exercise price of RMB4.10 per A share (subject to adjustment in accordance with the relevant requirements under the Scheme upon the occurrence of the adjustment events before the exercise of the share options). According to the terms of the Scheme, the Scheme is valid for 10 years from 30th May 2019 and the share options shall be vested 24 months after the date of grant (the "Vesting Period"). Subject to the fulfilment of the relevant conditions of exercise, these share options shall be exercisable in three batches after the expiry of the Vesting Period, i.e. (a) the exercise period of 33% of the share options will commence on the first trading day after expiration of the 24-month period from the date of grant and ending on the last trading day of the 36-month period from the date of grant; (b) the exercise period of 33% of the share options will commence on the first trading day after expiration of the 36-month period from the date of grant and ending on the last trading day of the 48-month period from the date of grant; and (c) the exercise period of 34% of the share options will commence on the first trading day after expiration of the 48-month period from the date of grant and ending on the last trading day of the 84-month period from the date of grant. Details of the Scheme are set out in the announcement dated 3rd June 2019 of COSCO SHIPPING Holdings (A shares). No consideration was paid by the grantees for the acceptance of the share options.

(3) The shareholding percentage in COSCO SHIPPING Development Co., Ltd. ("COSCO SHIPPING Development") is calculated on the basis of 3,676,000,000 H shares of COSCO SHIPPING Development in issue and 7,932,125,000 A shares of COSCO SHIPPING Development in issue as at 31st December 2019 (as the case may be).

Save as disclosed above, as at 31st December 2019, 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

China COSCO SHIPPING Corporation Limited ("COSCO SHIPPING"), an indirect controlling shareholder of the Company, its subsidiaries or its associates are engaged in the same business of container shipping, management and operation of container terminals and/or logistic services (the "Competing Companies") as the Group. During the year of 2019, Mr. Xu Lirong, Mr. Wang Haimin, Mr. Yang Zhijian and Mr. Feng Boming, the Executive Directors of the Company, and Mr. Huang Xiaowen and Mr. Zhang Wei, the then Executive Directors of the Company, were holding directorships and/or senior management positions in COSCO SHIPPING, its subsidiaries or its associates; Dr. Chung Shui Ming Timpson, the Independent Non-Executive Director of the Company, was an external director of COSCO SHIPPING; Mr. Yang Liang Yee Philip, the Independent Non-Executive Director of the Company, was an independent non-executive director of COSCO SHIPPING Holdings; and Ms. Chen Ying, the Independent Non-Executive Director of the Company, was an external director of a subsidiary of COSCO SHIPPING.

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, so far as the Directors of the Company were aware, none of the Directors of the Company or their respective close associates (as defined in the Listing Rules) had any interest in a business which competed or was 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 INTERESTS

As at 31st December 2019, 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 *(Notes 3 & 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 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 37.89% of the shares of COSCO SHIPPING Holdings by itself and its subsidiaries, and, accordingly, has an indirect interest in the same Shares in which COSCO SHIPPING Holdings has an interest. COSCO SHIPPING holds 8.33% of the shares of COSCO SHIPPING Holdings. Both China Ocean and COSCO SHIPPING are state-owned enterprises established in the People's Republic of China.

4. 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.

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 2019, 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

Pursuant to Chapter 14A of the Listing Rules, details of the Company's continuing connected transactions and connected transactions during the year 2019 are as follows:

1. Continuing Connected Transactions

COSCO SHIPPING indirectly controls more than 50% of the issued share capital of the Company. Accordingly, COSCO SHIPPING and its subsidiaries and associates as defined under the Listing Rules (collectively the "COSCO SHIPPING Group") are connected persons of the Company. Transactions contemplated under each of the following master agreements constitute continuing connected transactions (the "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 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 containerised liner, logistics, information technology and other contractual arrangements (the "Business Master Agreement"). The Business Master Agreement expired on 31st December 2019 and the term was renewed for three years commencing from 1st January 2020. Details of the terms and the annual caps for the financial years of 2020, 2021 and 2022 respectively are set out in the circular of the Company dated 28th November 2019.

The following table is a summary of the transaction amounts for the year ended 31st December 2019 and the 2019 annual cap for each of the transactions contemplated under the Business Master Agreement.

Types of services under the Business Master Agreement	Transaction amounts for year 2019 (US$'000)	Annual Caps Year 2019 (US$'000)
Provision of services by COSCO SHIPPING Group		
(A) Liner services		
(i) network services	89,590	119,000
(ii) operation services	111,885	132,000
(iii) vessel operating common carrier services	–	2,400
(iv) other services, including		
– information technology services	–	2,400
– vessels *(Note)*	48,676	66,153
(B) Logistics services including non-vessel operating common carrier services, international supply chain services, and domestic logistics services	8,640	11,000
(C) Other contractual arrangements, including office leases	352	6,000
(D) Other services, including use of common facilities, ad-hoc use of business facilities and crew manning service/manning agency service	1,147	9,600
Provision of services to COSCO SHIPPING Group		
(A) Liner services		
(i) network services	11,517	72,000
(ii) operation services	1,151	6,000
(iii) vessel operating common carrier services	75,511	132,000
(iv) other services, including		
– information technology services	9,177	67,597
– vessels *(Note)*	7,426	28,000
(B) Logistics services including non-vessel operating common carrier services, international supply chain services, and domestic logistics services	2,186	7,200
(C) Other contractual arrangements, including office leases	26	6,000
(D) Other services, including use of common facilities, ad-hoc use of business facilities and crew manning service/manning agency service	–	6,000

Note: Given the independent nature of vessel services conducted under the Business Master Agreement, such services were segregated from the Business Master Agreement and are covered under the Vessel Services Master Agreement commencing from 1st January 2020. Details of the Vessel Services Master Agreement are set out in item (e) below.

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 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 expired on 31st December 2019 and the term was renewed for three years commencing from 1st January 2020. Details of the terms and the annual caps for the financial years of 2020, 2021 and 2022 respectively are set out in the announcement of the Company dated 30th October 2019.

The following table is a summary of the transaction amounts for the year ended 31st December 2019 and the 2019 annual cap for the transactions contemplated under the Bunker Master Agreement.

	Transaction amounts for year 2019 (US$’000)	Annual Cap Year 2019 (US$’000)
Purchase of bunker, fuel and oil from COSCO SHIPPING Group	230,280	280,000

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 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 expired on 31st December 2019 and the term was renewed for three years commencing from 1st January 2020. Details of the terms and the annual caps for the financial years of 2020, 2021 and 2022 respectively are set out in the circular of the Company dated 28th November 2019.

The following table is a summary of the transaction amounts for the year ended 31st December 2019 and the annual cap for each of the transactions contemplated under the Terminal Master Agreement for the financial year ended 31st December 2019.

	Transaction amounts for year 2019 (US$’000)	Annual Caps Year 2019 (US$’000)
Provision of services by COSCO SHIPPING Group	107,097	280,000
Provision of services to COSCO SHIPPING Group	39,633	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 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 expired on 31st December 2019 and the term was renewed for three years commencing from 1st January 2020. Details of the terms and the annual caps for the financial years of 2020, 2021 and 2022 respectively are set out in the circular of the Company dated 28th November 2019.

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

	Transaction amounts for year 2019 (US$'000)	Annual Caps Year 2019 (US$'000)
Provision of services by COSCO SHIPPING Group	62,162	280,000
Provision of services to COSCO SHIPPING Group	8,157	20,000

e) Vessel Services Master Agreement

Pursuant to a master agreement dated 30th October 2019 entered into between the Company (for itself and on behalf of its subsidiaries and associates) and 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 vessel services, including vessel chartering, vessel supervision, and other vessel-related services (the "Vessel Services Master Agreement"). The Vessel Services Master Agreement is for a term of three years commencing from 1st January 2020 and ending on 31st December 2022 and is subject to renewal for successive periods of three years. Details of the terms of Vessel Services Master Agreement and the annual caps for the financial years of 2020, 2021 and 2022 respectively are set out in the circular of the Company dated 28th November 2019.

f) Financial Services Master Agreement

Pursuant to a master agreement dated 30th October 2019 entered into between the Company (for itself and on behalf of its subsidiaries and associates) and COSCO SHIPPING (for itself and on behalf of its subsidiaries and associates), COSCO SHIPPING Group agreed to provide and to procure members of its group to provide deposit service, loan service and other financial services to the Group (the "Financial Services Master Agreement"). The Financial Services Master Agreement is for a term of three years commencing from 1st January 2020 and ending on 31st December 2022 and is subject to renewal for successive periods of three years. Details of the terms of Financial Services Master Agreement and the annual caps for the financial years of 2020, 2021 and 2022 respectively are set out in the circular of the Company dated 28th November 2019.

Pursuant to rule 14A.55 of the Listing Rules, the Independent Non-Executive Directors of the Company, namely Mr. Chow Philip Yiu Wah, Dr. Chung Shui Ming Timpson, Mr. Yang Liang Yee Philip, Ms. Chen Ying and Mr. So Gregory Kam Leung, 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;

(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.

2. Connected Transactions

On 29th March 2019, Gold Talent (HK) Limited ("Gold Talent"), an indirectly wholly-owned subsidiary of the Company, entered into the following agreements:

a) Investment and Cooperation Agreement

Pursuant to the investment and cooperation agreement dated 29th March 2019 (the "Investment and Cooperation Agreement") entered into by Gold Talent with COSCO SHIPPING Logistics Co., Ltd. ("COSCO SHIPPING Logistics") and Suqian Jingdong Xinsheng Enterprise Management Co., Ltd. ("JD Logistics"), the parties have established a joint venture named as Zhongjing Supply Chain Technology Co., Ltd. (the "Joint Venture") in Shanghai with the initial registered capital of RMB76,500,000. As at 31st December 2019, Gold Talent invested RMB19,813,500 representing 25.9% of the total equity interest of the Joint Venture.

b) Share Transfer Agreements

(i) Pursuant to the share transfer agreement (the "Share Transfer Agreement I") dated 29th March 2019 entered into between Gold Talent and China Shipping Group Co., Ltd. ("China Shipping Group"), China Shipping Group agreed to sell and Gold Talent agreed to purchase 17.35% of the total equity interest ("Acquisition I") of Eshipping Global Supply Chain Management (Shenzhen) Co., Ltd. ("Eshipping") subject to the terms and conditions as set out in the Share Transfer Agreement I. Acquisition I was completed on 2nd January 2020 at the consideration of approximately RMB9,184,639.

(ii) Pursuant to the share transfer agreement (the "Share Transfer Agreement II") dated 29th March 2019 entered into between Gold Talent and COSCO SHIPPING Technology Co., Ltd. ("COSCO SHIPPING Technology"), COSCO SHIPPING Technology agreed to sell and Gold Talent agreed to purchase 25% of the total equity interest of Eshipping ("Acquisition II") subject to the terms and conditions as set out in the Share Transfer Agreement II. Acquisition II was completed on 2nd January 2020 at the consideration of RMB13,234,350.

COSCO SHIPPING Logistics, China Shipping Group, COSCO SHIPPING Technology and Eshipping are subsidiaries of COSCO SHIPPING, which indirectly controls more than 50% of the issued share capital of the Company. Accordingly, COSCO SHIPPING Logistics, China Shipping Group, COSCO SHIPPING Technology and Eshipping are connected persons of the Company.

Details of the Investment and Cooperation Agreement, the Share Transfer Agreement I and the Share Transfer Agreement II are set out in the announcement dated 3rd April 2019.

During the year, the Group conducted certain related party transactions, as disclosed in note 49 to the consolidated financial statements on pages 185 to 187 of this annual report. Some of these transactions also constituted connected transactions of the Group (exempted or non-exempted) and in respect of which the Company has complied with the relevant applicable requirements under Chapter 14A of the Listing Rules.

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/she may incur or sustain in or about the execution of his/her 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 of the Company.

Since 1992, the Company has arranged insurance cover for directors' and officers' liabilities including cover for Directors of the Company, 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 2019, 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 page 175 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 50 to the consolidated financial statements on pages 176 and 188 to 189 of this annual report.

EQUITY-LINKED AGREEMENTS

For the year ended 31st December 2019, 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 63 to 88 of this annual report.

Throughout the year of 2019, 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$216,000.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 15th May 2020.

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; (iv) the general mandate to authorise the repurchase of the Company's securities; and (v) details of the major and connected transaction regarding the construction of five vessels, together with a proxy form will be despatched to the shareholders of the Company on or around 9th April 2020.

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, China, 20th March 2020

Index – Financial Information

Content Page no.

Independent Auditor's Report

To the Shareholders of Orient Overseas (International) Limited
(incorporated in Bermuda with members' 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 108 to 199, which comprise:

- the consolidated balance sheet as at 31st December 2019;
- 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 2019, 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:

- Disposal of LBCT LLC ("LBCT")
- Recognition of freight revenue on a percentage of completion basis
- Provision for operating costs

Key Audit Matter	How our audit addressed the Key Audit Matter
Disposal of LBCT LLC ("LBCT") *Refer to notes 2.8, 4(d) and 16 to the consolidated financial statements.* In April 2019, the Group entered into a Sale and Purchase Agreement ("SPA") with an independent third party to sell its entire interests in LBCT (the "Disposal"), which operates the Long Beach Container Terminal in the United States at a consideration of US$1,780 million, subject to certain post-completion adjustments. Under the SPA, the Group was committed to enter into a 20-year terminal service agreement ("TSA") with LBCT on the completion date. The Disposal was completed and the TSA was entered into in October 2019. Based on the key terms of the TSA as stated in the SPA, the Group commits to place, or procure the placement of an annual minimum number of vessel lifts for 20 years. The Group recognised an after-tax net gain on disposal amounting to US$1,153.6 million which was calculated with reference to, among other things, the consideration of the disposal after the post-completion adjustments, the net asset value of LBCT, the estimated transaction costs and the provision of income tax associated with the Disposal. We focused on this area because of the significance of the gain on disposal. In addition, significant management's judgements and assumptions are involved in the determination of the consideration of the disposal, including the estimation of the expected volume to be placed in LBCT, and the income tax associated with the Disposal.	Our procedures in relation to the disposal of LBCT included: • Evaluated the consideration of the disposal after post-completion adjustments according to the terms of the SPA and TSA. • Discussed with management and reviewed the key terms in the SPA and TSA to identify whether there are any transactions other than the disposal of equity interests of LBCT. • Evaluated the management's assumptions and estimates used in the expected number of vessel lifts for the 20-year period under the TSA by comparing to market reports and historical utilisation and trends of LBCT. • Checked whether transaction costs were directly attributable to the Disposal, on a sample basis, to supporting documents. • Assessed the income tax associated with the Disposal according to the relevant tax laws and regulations with the involvement of our internal tax specialists. • Tested the mathematical accuracy of the calculation of the net gain on disposal. • Assessed the appropriateness of the relevant disclosures made in the Group's consolidated financial statements. Based on the procedures performed, we found the judgements and assumptions used in the calculation of the net gain on disposal were supportable based on available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of freight revenue on a percentage of completion basis *Refer to notes 2.22 and 5 to the consolidated financial statements.* For the year ended 31st December 2019, the majority of the Group's revenue of US$6,878.7 million (2018: US$6,572.7 million) was derived from the freight revenue from container transport operation. The Group recognises freight revenue on a percentage of completion basis which is determined on the portion of vessel voyages 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 on a percentage of completion basis.	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: • Understood, evaluated and tested the information technology general control environment of the operation system used to record the freight revenue transactions. • Understood, evaluated and tested 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. • Agreed 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. • Agreed the total freight revenue by vessel voyages in the operation system to the accounting records. • Recomputed 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 42 to the consolidated financial statements.* As at 31st December 2019, included in the accrued expenses of US$612.7 million (2018: US$443.2 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 cost 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 cost and the estimated vendor tariff. 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: • Understood, evaluated and tested the information technology general control environment of the operation system used to record the operating costs and cost provisioning. • Understood, evaluated and tested 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. • Understood and reperformed the computation of the provision for operating costs, on a sample basis. • Reviewed and discussed monthly trend analysis for provision for operating costs with management to assess the sufficiency of provisions made. • Checked the subsequent utilisation of provision for operating costs to evaluate the sufficiency of provision made. • Reviewed 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 judgment 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 Liao Weining.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20th March 2020

Consolidated Profit and Loss Account

For the year ended 31st December 2019

US$'000	Note	2019	2018
Revenue	5	**6,878,740**	6,572,655
Operating costs	6	**(6,069,201)**	(5,859,839)
Gross profit		**809,539**	712,816
Other operating income	7	**83,679**	82,521
Business and administrative expenses		**(569,610)**	(550,733)
Other gains, net	8	**37,673**	18,331
Operating profit	11	**361,281**	262,935
Finance costs	12	**(151,599)**	(143,191)
Share of profits of joint ventures	21	**4,116**	2,953
Share of profits of associated companies	22	**10,028**	11,371
Profit before taxation		**223,826**	134,068
Taxation	13	**(69,839)**	(58,620)
Profit for the year from continuing operations		**153,987**	75,448
Discontinued operation:			
Profit for the year from discontinued operation	16	**1,194,806**	32,718
Profit for the year		**1,348,793**	108,166
Profit attributable to:			
Equity holders of the Company		**1,348,793**	108,166
Earnings per ordinary share (US cents)	14		
– from continuing operations		**24.6**	12.1
– from discontinued operation		**190.9**	5.2
Basic and diluted		**215.5**	17.3

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2019

US$'000	2019	2018
Profit for the year	**1,348,793**	108,166
Other comprehensive loss:		
Items that will not be subsequently reclassified to profit or loss:		
Remeasurement losses on defined benefit schemes	**(10,084)**	(5,107)
Investments at fair value through other comprehensive income		
– Change in fair value	**(7,925)**	(20,931)
Total items that will not be subsequently reclassified to profit or loss	**(18,009)**	(26,038)
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Currency translation adjustments		
– Foreign subsidiaries	**(1,643)**	(9,354)
– Associated companies	**(2,066)**	(6,371)
– Joint ventures	**(15)**	(378)
– 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	**(3,724)**	(16,339)
Other comprehensive loss for the year, net of tax	**(21,733)**	(42,377)
Total comprehensive income for the year	**1,327,060**	65,789
Total comprehensive income for the year attributable to equity holders of the Company arising from:		
Continuing operations	**132,254**	33,071
Discontinued operation	**1,194,806**	32,718
	1,327,060	65,789

Consolidated Balance Sheet

As at 31st December 2019

US$'000	Note	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	17	**3,162,424**	5,880,057
Right-of-use assets	18	**2,830,674**	–
Investment property	19	**310,000**	310,000
Prepayments of lease premiums	20	**–**	7,452
Investments in joint ventures	21	**10,163**	8,940
Investments in associated companies	22	**137,665**	139,676
Intangible assets	23	**30,824**	32,428
Deferred taxation assets	24	**5,083**	1,233
Restricted bank balances	26	**56,795**	58,001
Investments at fair value through other comprehensive income	27	**15,694**	24,422
Investments at amortised cost	28	**147,420**	189,391
Other non-current assets	29	**49,371**	155,075
		6,756,113	6,806,675
Current assets			
Inventories	30	**113,485**	119,710
Debtors and prepayments	31	**656,122**	634,229
Amounts due from joint ventures	32	**801**	478
Amounts due from fellow subsidiaries	33	**9,936**	12,969
Amounts due from related companies	34	**1,409**	690
Investments at amortised cost	28	**43,886**	33,568
Portfolio investments at fair value through profit or loss	35	**152,923**	378,257
Tax recoverable		**8,121**	6,966
Restricted bank balances	26	**3,499**	3,121
Cash and bank balances	36	**3,455,570**	1,584,465
		4,445,752	2,774,453
Assets held for sale	16	**–**	472,732
		4,445,752	3,247,185
Total assets		**11,201,865**	10,053,860
EQUITY			
Equity holders			
Share capital	37	**62,579**	62,579
Reserves	38	**4,864,828**	4,672,551
Total equity		**4,927,407**	4,735,130

US$'000	Note	2019	2018
LIABILITIES			
Non-current liabilities			
Borrowings	40	**1,033,141**	3,695,834
Lease liabilities	41	**2,309,083**	–
Deferred taxation liabilities	24	**150,479**	106,827
Pension and retirement liabilities	25	**11,494**	3,200
		3,504,197	3,805,861
Current liabilities			
Creditors and accruals	42	**1,034,577**	838,185
Amounts due to joint ventures	43	**4,826**	2,441
Amounts due to fellow subsidiaries	44	**19,223**	5,843
Amounts due to related companies	45	**13,979**	10,371
Borrowings	40	**394,996**	501,922
Lease liabilities	41	**253,869**	–
Derivative financial instruments	46	**–**	5,565
Current taxation		**47,522**	7,494
Dividend payable	15	**1,001,269**	–
		2,770,261	1,371,821
Liabilities directly associated with assets classified as held for sale	16	**–**	141,048
		2,770,261	1,512,869
Total liabilities		**6,274,458**	5,318,730
Total equity and liabilities		**11,201,865**	10,053,860

Yang Zhijian
Tung Lieh Cheung Andrew
Directors

Consolidated Cash Flow Statement

For the year ended 31st December 2019

US$'000	Note	2019	2018
Cash flows from operating activities			
Operating profit		**438,109**	299,386
Interest income		**(73,432)**	(56,452)
Dividend income and distribution		**(9,648)**	(24,805)
Depreciation and amortisation		**429,336**	403,701
Loss on disposal of intangible assets		**3,356**	657
Impairment on investments at amortised cost		**–**	1,985
Reversal of impairment on investments at amortised cost		**(2,260)**	–
Fair value gain from assets and liabilities		**(23,647)**	(16,004)
Gain on disposal of subsidiaries		**–**	(3,663)
Gain on partial disposal of a joint venture		**–**	(896)
Net gain on disposal of non-current assets		**(11,029)**	(14,171)
Employee share-based compensation		**2,651**	–
Operating profit before working capital changes		**753,436**	589,738
Decrease/(increase) in inventories		**5,535**	(22,913)
Increase in debtors and prepayments		**(5,403)**	(86,094)
Decrease/(increase) in amounts due from fellow subsidiaries		**3,599**	(20,350)
Increase in amounts due from related companies		**(719)**	(690)
Increase in creditors and accruals		**180,039**	121,038
Increase in amounts due to fellow subsidiaries		**13,228**	6,048
Increase in amounts due to related companies		**3,608**	10,371
Decrease in other non-current liabilities		**(5,005)**	(1,115)
Change in net pension assets/liabilities		**(1,945)**	(1,667)
Settlement of derivative financial instruments		**1,758**	3,394
Cash generated from operations		**948,131**	597,760
Interest and financing charges paid		**(170,123)**	(129,261)
Hong Kong profits tax paid		**(136)**	(702)
Overseas taxes paid		**(118,268)**	(15,135)
Net cash from operating activities		**659,604**	452,662
Cash flows from investing activities			
Sale and redemption on maturity of non-current assets		**60,153**	89,182
Purchase of property, plant and equipment		**(181,795)**	(490,041)
Purchase of other non-current assets		**(29,352)**	(47,975)
Decrease/(increase) in portfolio investments at fair value through profit or loss		**241,609**	(88,350)
Disposal of subsidiaries	48(b)	**1,709,248**	(1,854)
Proceeds on partial disposal of a joint venture		**–**	1,230
Deposits paid for investment in an entity		**(1,678)**	–
Investment in a joint venture		**(146)**	(34)
Investment in an associated company		**(2,840)**	–
Net change in amounts due from joint ventures		**2,183**	444
(Increase)/decrease in restricted bank balances and bank deposits maturing more than three months		**(1,182,172)**	1,655
Interest received		**61,777**	56,240
Dividends and distribution received from investments		**9,648**	10,133
Dividends received from joint ventures and associated companies		**15,716**	18,212
Net cash from/(used in) investing activities		**702,351**	(451,158)
Cash flows from financing activities			
Drawdown of loans	48(a)	**301,310**	213,692
Repayment of loans	48(a)	**(684,659)**	(506,679)
Drawdown of finance lease obligations	48(a)	**–**	262,228
Capital element of finance lease rental payments	48(a)	**–**	(267,148)
Drawdown of lease liabilities	48(a)	**99,145**	–
Repayment of lease liabilities	48(a)	**(352,109)**	–
Dividend paid to equity holders of the Company		**(89,859)**	–
Net cash used in financing activities		**(726,172)**	(297,907)
Net increase/(decrease) in cash and cash equivalents		**635,783**	(296,403)
Cash and cash equivalents at beginning of year		**1,584,465**	1,940,975
Net change in cash and cash equivalents of disposal group classified as held for sale		**53,733**	(53,733)
Currency translation adjustments		**(1,411)**	(6,374)
Cash and cash equivalents at end of year	48(d)	**2,272,570**	1,584,465

Consolidated Statement of Changes in Equity

For the year ended 31st December 2019

	Equity holders		
US$'000	**Share capital**	**Reserves**	**Total**
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
At 1st January 2019	62,579	4,672,551	4,735,130
Adjustment on adoption of HKFRS 16 (note 2.1(b))	–	(46,306)	(46,306)
Restated balance at 1st January 2019	62,579	4,626,245	4,688,824
Total comprehensive income for the year	–	1,327,060	1,327,060
Transactions with owners			
Employee share-based compensation	–	2,651	2,651
2018 final dividend	–	(48,181)	(48,181)
2019 interim dividend	–	(41,678)	(41,678)
2019 special dividend	–	(1,001,269)	(1,001,269)
At 31st December 2019	**62,579**	**4,864,828**	**4,927,407**

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

Orient Overseas (International) Limited (the "Company") is a members' 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 31st Floor, Harbour Centre, 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 190 to 199 of the consolidated financial statements.

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

The ultimate parent company of the Group is 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. ("COSCO SHIPPING Holdings") committed to divest the Long Beach Container Terminal ("U.S. Terminal Business"). A Sale and Purchase Agreement ("SPA") was entered on 29th April 2019 and the sale was completed on 24th October 2019.

The U.S. Terminal Business is accounted for as discontinued operation under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Details of the transaction and analysis of the results, cash flows, assets and liabilities of the U.S. Terminal Business are 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 new or revised standards

In 2019, the Group adopted the following new standard, amendments, improvement and interpretation to existing standards below, which are relevant to its operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The adoption of new or revised standards (Continued)

(a) Impact on the financial statements

New standard, amendments, improvement and interpretation	
HKAS 19 (Amendment)	Employee Benefits
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures
HKFRSs	Annual Improvements 2015 – 2017 Reporting Cycle
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation and Modification of Financial Liabilities
HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments

The adoption of the above new standard, amendments, improvement and interpretation to existing standards do not have a material impact on the Group, except for HKFRS 16 "Leases" as set out below.

(b) HKFRS 16 "Leases" – Impact of adoption

The adoption of HKFRS 16 from 1st January 2019 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 16, comparative figures have not been restated. The reclassification and adjustments arising from the new standard are therefore not reflected in the restated consolidated balance sheet as at 31st December 2018, but are recognised in the opening consolidated balance sheet on 1st January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1st January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1st January 2019 was 3.7%.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

For leases previously classified as operating leases, the associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The adoption of new or revised standards (Continued)

(b) HKFRS 16 "Leases" – Impact of adoption (Continued)

The recognised right-of-use assets related to the following types of assets:

US$'000	31st December 2019	1st January 2019
Continuing operations		
Container vessels	2,490,024	2,692,013
Terminal leases	18,708	22,064
Land and buildings	132,710	109,067
Others	189,232	101,350
	2,830,674	2,924,494
Assets held for sale		
Terminal leases (note 16(d))	–	819,133
	2,830,674	3,743,627

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The adoption of new or revised standards (Continued)

(b) HKFRS 16 "Leases" – Impact of adoption (Continued)

(i) Consolidated balance sheet as at 1st January 2019

The adjustments on the consolidated balance sheet as at 1st January 2019 are summarised below:

US$'000 Consolidated balance sheet (extract)	31st December 2018 as originally presented	Effect of adoption of HKFRS 16	1st January 2019 as restated
Non-current assets			
Property, plant and equipment	5,880,057	(2,706,146)	3,173,911
Right-of-use assets	–	2,924,494	2,924,494
Prepayments of lease premiums	7,452	(7,452)	–
Current assets			
Debtors and prepayments	634,229	(191)	634,038
Assets held for sale	472,732	819,133	1,291,865
Total assets	10,053,860	1,029,838	11,083,698
Non-current liabilities			
Borrowings	3,695,834	(2,227,981)	1,467,853
Lease liabilities	–	2,407,860	2,407,860
Current liabilities			
Creditors and accruals	838,185	(3,048)	835,137
Borrowings	501,922	(210,798)	291,124
Lease liabilities	–	267,601	267,601
Liabilities directly associated with assets classified as held for sale	141,048	842,510	983,558
Total liabilities	5,318,730	1,076,144	6,394,874
Retained profit	4,357,737	(46,306)	4,311,431
Total equity	4,735,130	(46,306)	4,688,824

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The adoption of new or revised standards (Continued)

(b) HKFRS 16 "Leases" – Impact of adoption (Continued)

(ii) Consolidated profit and loss account for the year ended 31st December 2019

US$'000	Before adoption of HKFRS 16	Effect of adoption of HKFRS 16	As reported
Revenue	6,878,740	–	6,878,740
Operating costs	(6,076,047)	6,846	(6,069,201)
Gross profit	802,693	6,846	809,539
Other operating income	83,679	–	83,679
Business and administrative expenses	(571,407)	1,797	(569,610)
Other gains, net	38,296	(623)	37,673
Operating profit	353,261	8,020	361,281
Finance costs	(143,079)	(8,520)	(151,599)
Share of profits of joint ventures	4,116	–	4,116
Share of profits of associated companies	10,028	–	10,028
Profit before taxation	224,326	(500)	223,826
Taxation	(69,839)	–	(69,839)
Profit for the year from continuing operations	154,487	(500)	153,987
Discontinued operation:			
Profit for the year from discontinued operation	1,171,429	23,377	1,194,806
Profit for the year	1,325,916	22,877	1,348,793
Profit attributable to:			
Equity holders of the Company	1,325,916	22,877	1,348,793
Earnings per ordinary share (US cents)			
– from continuing operations	24.7	(0.1)	24.6
– from discontinued operation	187.2	3.7	190.9
Basic and diluted	211.9	3.6	215.5

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The adoption of new or revised standards (Continued)

(b) HKFRS 16 "Leases" – Impact of adoption (Continued)

(iii) Consolidated balance sheet as at 31st December 2019

US$'000 Consolidated balance sheet (extract)	Before adoption of HKFRS 16	Effect of adoption of HKFRS 16	As reported
Non-current assets			
Property, plant and equipment	5,784,468	(2,622,044)	3,162,424
Right-of-use assets	–	2,830,674	2,830,674
Prepayments of lease premiums	7,134	(7,134)	–
Total assets	11,000,369	201,496	11,201,865
Non-current liabilities			
Borrowings	3,185,738	(2,152,597)	1,033,141
Lease liabilities	–	2,309,083	2,309,083
Current liabilities			
Creditors and accruals	1,036,450	(1,873)	1,034,577
Borrowings	579,014	(184,018)	394,996
Lease liabilities	–	253,869	253,869
Total liabilities	6,049,994	224,464	6,274,458
Retained profit	4,582,441	(23,429)	4,559,012
Foreign exchange translation reserve	22,516	461	22,977
Total equity	4,950,375	(22,968)	4,927,407

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1st January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The adoption of new or revised standards (Continued)

(b) HKFRS 16 "Leases" – Impact of adoption (Continued)

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease".

The Group leases various vessels, offices, and terminals. Rental contracts are typically made for fixed periods of 2 to 40 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1st January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

At 31st December 2018, the Group had non-cancellable operating lease commitments for continuing operations of US$419.6 million. As part of the transition, the Group assessed and applied following adjustments before discounting lease payments at the lessee's incremental borrowing rate:

– Service components included in vessels' time charter rates are not included as part of the lease liability. These costs will be recognised in the consolidated profit and loss account as incurred.

– Low-value leases will continue to be recognised on straight-line basis as expenses.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise containers and small items of office furniture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The adoption of new or revised standards (Continued)

(b) HKFRS 16 "Leases" – Impact of adoption (Continued)

Set out below is a reconciliation of the operating lease commitments disclosed at 31st December 2018 to the lease liabilities recognised on 1st January 2019:

	US$'000
Operating lease commitments disclosed as at 31st December 2018	419,614
Discounted using the lessee's incremental borrowing rate at the date of initial application	392,753
Add: Finance lease liabilities recognised as at 31st December 2018	2,438,779
Less: Short-term leases not recognised as a liability	(70,454)
Less: Low-value leases not recognised as a liability	(15,984)
Less: Leases committed but not yet commenced	(12,599)
Less: Service components included in vessels' time charter rates not recognised as a liability	(57,034)
Lease liabilities recognised as at 1st January 2019	2,675,461
Of which are:	
Current lease liabilities	267,601
Non-current lease liabilities	2,407,860
	2,675,461

New standard and amendments to existing standards that are relevant but not yet effective to the Group

New standard and amendments to existing standards		Effective for accounting periods beginning on or after
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 1 and HKAS 8 (Amendments), HKFRS 3 (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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

(c) Disposal of subsidiaries

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (Continued)

(d) 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 venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

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.

(e) 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.

2.3 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Property, plant and equipment (Continued)

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
Buildings outside Hong Kong	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 residual values for the Group's container vessels and containers by reference to all relevant factors (including the current scrap value of steels in an active market). The revision of the estimated scrap values of the container vessels and containers has been effective from 1st January 2019 and has the effect of reducing the depreciation charge for the year ended 31st December 2019 by US$10.5 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 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 venture 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 programs 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 mainly comprise internally generated capitalised software development costs.

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.

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 (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.

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

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

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) 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.

2.14 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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)

2.17 Employee benefits (Continued)

(d) Share-based payments

Employee services settled in equity instruments

An intermediate holding company of the Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the share options of the intermediate holding company is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated profit and loss account, and a corresponding adjustment to equity over the remaining vesting period.

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 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 "Financial Instruments" and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 "Revenue from Contracts with Customers".

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associated companies and joint ventures are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.20 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments and making strategic decisions, have been identified as the Executive Directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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, 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:

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 percentage of completion basis of each individual vessel voyage.

(b) Revenues from logistics business are recognised when services are rendered or over time which is determined on the percentage of completion basis 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.

2.26 Leases

As explained in note 2.1(b) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.1(b).

Until 31st December 2018, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases (note 17). Finance leases were capitalised at the lease's inception at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in current and non-current borrowings. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases (Continued)

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (note 47(c)). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1st January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise containers and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (note 19). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

HKFRS 16 requires sale and leaseback transactions to be determined based on the requirement of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2019 of approximately US$3.5 million (2018: US$3.4 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$61.3 million (2018: US$58.3 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 (2018: US$1.9 million) for one US dollar increase in bunker price per ton.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Price risk (Continued)

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 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 2019 would increase/decrease by US$1.5 million (2018: US$3.7 million) as a result of the changes in fair value of equity/debt securities under portfolio investments at fair value through profit or loss.

(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, restricted bank balances, trade receivables, other receivables and amounts due from related parties. 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$3,608.5 million (2018: US$1,962.7 million) that are expected to readily generate cash inflows for managing liquidity risk.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

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 2019				
Borrowings	**434,953**	**257,734**	**546,122**	**326,287**
Lease liabilities	**320,380**	**583,607**	**981,742**	**943,577**
Creditors and accruals	**983,611**	**–**	**–**	**–**
Amounts due to joint ventures	**4,826**	**–**	**–**	**–**
Amounts due to fellow subsidiaries	**19,223**	**–**	**–**	**–**
Amounts due to related companies	**13,979**	**–**	**–**	**–**
Dividend payable	**1,001,269**	**–**	**–**	**–**
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	–	–	–

(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, borrowings and lease liabilities.

At 31st December 2019, 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$0.5 million higher/lower (2018: US$1.8 million lower/higher), mainly as a result of higher/lower net interest income (2018: expense) on the net floating rate bank balances (2018: 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (Continued)

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 and lease liabilities (including "current and non-current borrowings and lease liabilities" 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 2019 and 2018 were as follows:

US$'000		2019	2018
Total borrowings (note 40)		**(1,428,137)**	(4,197,756)
Total lease liabilities (note 41)		**(2,562,952)**	–
		(3,991,089)	(4,197,756)
Less:	Restricted bank balances (note 26)	**60,294**	61,122
	Cash and bank balances (note 36)	**3,455,570**	1,584,465
	Portfolio investments at fair value through profit or loss (note 35)	**152,923**	378,257
Net debt		**(322,302)**	(2,173,912)
Total equity		**4,927,407**	4,735,130
Gearing ratio		**0.07**	0.46

The change in net debt position results primarily from the profit generated during the year.

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).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

The following table presents the Group's financial assets and liability that are measured at fair value at 31st December 2019 and 2018.

	2019			
US$'000	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Portfolio investments at fair value through profit or loss				
– Equity securities	**37,673**	**–**	**–**	**37,673**
– Debt securities	**115,250**	**–**	**–**	**115,250**
Investments at fair value through other comprehensive income				
– Other investments	**–**	**–**	**15,694**	**15,694**
Total assets	**152,923**	**–**	**15,694**	**168,617**

	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

There were no transfers among levels 1, 2 and 3 during the year.

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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

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 levels 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.

There were no changes in valuation techniques during the year.

Instruments included in level 3 mainly comprise unlisted equity securities classified as investments at fair value through other comprehensive income.

The following table presents the changes in level 3 instruments:

US$'000	2019	2018
Opening balance	24,422	45,383
Currency translation adjustments	5	(6)
Disposals	(808)	(1)
Disposal of subsidiaries	–	(23)
Fair value change recognised in other comprehensive income	(7,925)	(20,931)
Closing balance	15,694	24,422

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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 24).

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, right-of-use assets and intangible assets

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment, right-of-use assets 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.

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$55.9 million or US$38.7 million respectively for the year ended 31st December 2019 (for the period from 1st July 2018 to 31st December 2018 subsequent to the change of estimated useful lives of containers: US$35.8 million or US$19.1 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$11.4 million or US$10.7 million respectively (2018: US$13.5 million or US$11.9 million respectively).

(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 costs as well as the estimated vendor tariffs.

If the actual expenses of a voyage differ from the estimated expenses, this will have an impact on operating costs in future periods. Historically, the Group has not experienced significant deviation from the actual expenses.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Commitment to long-term service agreement

The Group entered into the SPA with an independent third party to sell its entire interests in LBCT LLC, which operates the U.S. Terminal Business. Under the SPA, the Group was committed to enter into a 20-year Terminal Services Agreement ("TSA") with Olivia Holdings, LLC and LBCT LLC. Based on the key terms of the TSA as stated in the SPA, the Group committed to place, or procure the placement of an annual minimum number of vessel lifts for 20 years.

Significant estimates are involved in the assessment for the volume commitment, which are based on the expected number of vessel lifts for the 20-year period. Management estimates the expected number of vessel lifts by reference to expected business performance, expected load factor, and future prospects of the market.

5. REVENUE AND SEGMENT INFORMATION

(a) Revenue

US$'000	2019	2018
Container transport and logistics	6,851,974	6,546,964
Others	26,766	25,691
	6,878,740	6,572,655

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 2019 are as follows:

	Continuing operations				
US$'000	Container transport and logistics	Others	Sub-total	Discontinued operation*	Total
Revenue	6,851,974	26,766	6,878,740	111,608	6,990,348
Other operating income	25,978	57,701	83,679	1,198	84,877
	6,877,952	84,467	6,962,419	112,806	7,075,225
Revenue from contracts with customers:					
At a point in time	517,328	–	517,328	–	517,328
Over time	6,334,646	–	6,334,646	111,608	6,446,254
	6,851,974	–	6,851,974	111,608	6,963,582
Revenue from other source:					
Rental income	–	26,766	26,766	–	26,766
	6,851,974	26,766	6,878,740	111,608	6,990,348
Other operating income	25,978	57,701	83,679	1,198	84,877
	6,877,952	84,467	6,962,419	112,806	7,075,225
Operating profit	279,281	82,000	361,281	76,828	438,109
Finance costs (note 12)	(151,599)	–	(151,599)	(35,656)	(187,255)
Share of profits of joint ventures (note 21)	4,116	–	4,116	–	4,116
Share of profits of associated companies (note 22)	10,028	–	10,028	–	10,028
Profit before taxation	141,826	82,000	223,826	41,172	264,998
Taxation (note 13)	(22,722)	(47,117)	(69,839)	–	(69,839)
Profit after taxation	119,104	34,883	153,987	41,172	195,159
Profit on disposal of a subsidiary	–	–	–	1,153,634	1,153,634
Profit for the year	119,104	34,883	153,987	1,194,806	1,348,793
Fair value loss from an investment property	–	(703)	(703)	–	(703)
Capital expenditure	369,323	703	370,026	17,166	387,192
Depreciation of property, plant and equipment	213,477	11	213,488	–	213,488
Depreciation of right-of-use assets	195,767	–	195,767	–	195,767
Amortisation	20,081	–	20,081	–	20,081

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Operating segments (Continued)

The segment results for the year ended 31st December 2018 are as follows:

	Continuing operations				
US$'000	Container transport and logistics	Others	Sub-total	Discontinued operation*	Total
Revenue	6,546,964	25,691	6,572,655	131,721	6,704,376
Other operating income	10,468	72,053	82,521	560	83,081
	6,557,432	97,744	6,655,176	132,281	6,787,457
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
Other operating income	10,468	72,053	82,521	560	83,081
	6,557,432	97,744	6,655,176	132,281	6,787,457
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 21)	2,953	–	2,953	–	2,953
Share of profits of associated companies (note 22)	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 of property, plant and equipment	367,447	7	367,454	18,168	385,622
Amortisation	18,079	–	18,079	–	18,079

* The amount of revenue for discontinued operation is presented after eliminating inter-segment revenue of US$184.4 million for the year ended 31st December 2019 (2018: US$222.6 million).

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Operating segments (Continued)

The segment assets and liabilities at 31st December 2019 and 2018 are as follows:

	2019		
US$'000	**Container transport and logistics**	**Others**	**Group**
Segment assets	**9,478,546**	**1,574,690**	**11,053,236**
Joint ventures	**10,964**	**–**	**10,964**
Associated companies	**137,665**	**–**	**137,665**
Total assets	**9,627,175**	**1,574,690**	**11,201,865**
Segment liabilities	**(5,115,615)**	**(1,158,843)**	**(6,274,458)**

	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)

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, investments at amortised cost 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 investment 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 2019		
Continuing operations		
Asia	**4,955,430**	**77,244**
Europe	**1,043,705**	**2,335**
North America	**714,983**	**10,427**
Australia	**164,622**	**142**
Unallocated*	**–**	**279,878**
	6,878,740	**370,026**
Discontinued operation		
North America	**111,608**	**17,166**
	6,990,348	**387,192**
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

* Unallocated capital expenditure comprises additions to vessels, dry-docking, containers and intangible assets.

6. OPERATING COSTS

US$'000	2019	2018
Cargo	**3,270,251**	3,169,113
Vessel and voyage	**1,207,429**	1,053,866
Bunker cost	**839,115**	844,390
Equipment and repositioning	**736,833**	777,105
	6,053,628	5,844,474
Direct operating expenses from property that generated rental income	**15,573**	15,365
	6,069,201	5,859,839

7. OTHER OPERATING INCOME

US$'000	2019	2018
Dividend income from investments at fair value through other comprehensive income	**7,903**	22,590
Interest income from banks	**51,064**	32,666
Interest income from investments at amortised cost	**9,683**	10,183
Income from portfolio investments at fair value through profit or loss		
– Interest income	**11,487**	13,043
– Distribution	**1,084**	1,225
– Dividend income	**661**	990
Others	**1,797**	1,824
	83,679	82,521

8. OTHER GAINS, NET

US$'000	2019	2018
Fair value (loss)/gain from an investment property	(703)	39,500
Fair value gain/(loss) on portfolio investments at fair value through profit or loss (realised and unrealised)	17,027	(19,500)
Gain/(loss) on bunker price derivative contracts	5,538	(4,718)
Fair value gain on foreign exchange forward contracts	1,785	722
Profit on disposal of subsidiaries	–	3,663
Profit on partial disposal of a joint venture	–	896
Profit on disposal of property, plant and equipment	11,175	15,289
Loss on disposal of right-of-use assets	(146)	–
Loss on disposal of investments at fair value through other comprehensive income	–	(1)
Loss on disposal of investments at amortised cost	–	(706)
Impairment on investments at amortised cost	–	(1,985)
Reversal of impairment on investments at amortised cost	2,260	–
Loss on disposal of intangible assets	(3,356)	(657)
Exchange gain/(loss)	4,093	(14,172)
	37,673	18,331

9. EMPLOYEE BENEFIT EXPENSES

US$'000	2019	2018
Wages and salaries (including share-based compensation)	589,079	590,497
Pension and retirement benefits		
– Defined contribution plans (note 25)	31,479	30,951
– Defined benefit plans (note 25)	1,105	1,258
	621,663	622,706
Representing:		
– Continuing operations	516,565	497,774
– Discontinued operation	105,098	124,932
	621,663	622,706

Employee benefit expenses of US$117.2 million (2018: US$117.8 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	Salaries and benefits	Special bonus	Estimated money value of other benefits*1	Employer's contribution to provident fund scheme	Total
For the year ended 31st December 2019						
Mr. Xu Lirong	–	–	–	–	–	–
Mr. Huang Xiaowen*3	–	–	–	–	–	–
Mr. Wang Haimin	–	–	–	–	–	–
Mr. Yang Zhijian*2	–	–	–	–	–	–
Mr. Feng Boming*2	–	–	–	–	–	–
Mr. Zhang Wei*3	–	–	–	–	–	–
Mr. Tung Lieh Cheung Andrew	–	627	40	66	67	800
Mr. Yan Jun	45	–	–	–	–	45
Ms. Wang Dan	32	–	–	–	–	32
Mr. Ip Sing Chi	32	–	–	–	–	32
Ms. Cui Hongqin	32	–	–	–	–	32
Mr. Chow Philip Yiu Wah	106	–	–	–	–	106
Professor Wong Yue Chim Richard*5	25	–	–	–	–	25
Dr. Chung Shui Ming Timpson	64	–	–	–	–	64
Mr. Yang Liang Yee Philip	73	–	–	–	–	73
Ms. Chen Ying	64	–	–	–	–	64
Mr. So Gregory Kam Leung*4	36	–	–	–	–	36

10. DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

Name of Director US$'000	Fees	Salaries 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*6	–	–	–	–	–
Mr. Huang Xiaowen*6	–	–	–	–	–
Mr. Wang Haimin*6	–	–	–	–	–
Mr. Zhang Wei*6	–	–	–	–	–
Mr. Tung Chee Chen*7	71	494	71	49	685
Mr. Tung Lieh Cheung Andrew	–	563	10	56	629
Mr. Tung Lieh Sing Alan*7	–	342	7	34	383
Mr. Yan Jun*6	19	–	–	–	19
Ms. Wang Dan*6	13	–	–	–	13
Mr. Ip Sing Chi*6	13	–	–	–	13
Ms. Cui Hongqin*6	13	–	–	–	13
Professor Roger King*7	40	–	–	–	40
Mr. Simon Murray*7	36	–	–	–	36
Mr. Chow Philip Yiu Wah	97	–	–	–	97
Professor Wong Yue Chim Richard	82	–	–	–	82
Dr. Chung Shui Ming Timpson*6	27	–	–	–	27
Mr. Yang Liang Yee Philip*6	27	–	–	–	27
Ms. Chen Ying*6	24	–	–	–	24
Mr. Cheng Wai Sun Edward*7	36	–	–	–	36
Mr. Kwok King Man Clement*7	36	–	–	–	36

*1 Other benefits include share-based compensation, car related expenses and club membership.

*2 Appointed on 18th September 2019.

*3 Resigned on 18th September 2019.

*4 Appointed on 17th May 2019.

*5 Resigned on 17th May 2019.

*6 Appointed on 3rd August 2018.

*7 Resigned on 3rd August 2018.

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.

10. DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2018: two) Director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2018: three) individuals are as follows:

US$'000	2019	2018
Basic salaries, housing allowances, other allowances and benefits in kind	**2,172**	1,394
Discretionary bonuses	**629**	540
Estimated money value of other benefits	**21**	12
Pension costs – defined contribution plans	**250**	166
Share-based compensation	**180**	–
	3,252	2,112

The emoluments of the five individuals fell within the following bands:

		Number of individuals	
Emolument bands (US$)		**2019**	2018
576,901 ~ 641,000	(HK$4,500,001 ~ HK$5,000,000)	**1**	2
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**	1
833,301 ~ 897,400	(HK$6,500,001 ~ HK$7,000,000)	**2**	–
897,401 ~ 961,500	(HK$7,000,001 ~ HK$7,500,000)	**1**	–
		5	5

(c) Key management compensation

US$'000	2019	2018
Salaries and other employee benefits	**6,067**	5,348
Estimated money value of other benefits	**40**	114
Pension costs – defined contribution plans	**499**	500
Share-based compensation	**372**	–
	6,978	5,962

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	2019 Continuing operations	2019 Discontinued operation	2018 Continuing operations	2018 Discontinued operation
Operating profit is arrived at after crediting:				
Operating lease rental income				
Land and buildings	**26,766**	**–**	25,691	–
and after charging:				
Depreciation of property, plant and equipment				
Owned assets	**213,488**	**–**	232,138	14,723
Leased assets	**–**	**–**	135,316	3,445
Depreciation of right-of-use assets	**195,767**	**–**	–	–
Expenses relating to short-term leases and leases with low-value assets (2018: operating lease rental expenses)				
Vessels and equipment	**226,548**	**–**	254,099	–
Terminals and berths	**545**	**3,404**	5,618	56,905
Land and buildings	**6,293**	**5**	33,462	–
Direct operating expenses from property that generated rental income	**15,573**	**–**	15,365	–
Amortisation of intangible assets	**20,081**	**–**	17,843	–
Amortisation of prepayments of lease premiums	**–**	**–**	236	–
Auditors' remuneration				
Audit	**2,671**	**–**	2,961	173
Non-audit	**1,863**	**32**	1,355	46

Expenses relating to short-term leases and leases with low-value assets of US$228.7 million and US$4.7 million (2018: operating lease rental expenses of US$266.8 million and US$26.4 million) respectively are included in "operating costs" and "business and administrative expenses" in the consolidated profit and loss account.

12. FINANCE COSTS

US$'000	2019	2018
Interest expense		
Bank loans and bank overdrafts	**58,434**	60,681
Lease liabilities (2018: finance lease obligations)	**93,165**	82,636
	151,599	143,317
Amount capitalised under assets under construction	**–**	(126)
Net interest expense	**151,599**	143,191

For the year ended 31st December 2018, the borrowing costs of the loans to finance the assets under construction (note 17) represented an average capitalisation rate of approximately 3.2% per annum.

13. TAXATION

US$'000	2019	2018
Current taxation		
Hong Kong profits tax	**7,660**	2,044
Overseas taxation	**22,347**	14,785
	30,007	16,829
Deferred taxation		
Hong Kong profits tax	**(32)**	(174)
Overseas taxation	**39,864**	41,965
	39,832	41,791
	69,839	58,620

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 5% to 46% (2018: 10% to 46%) and the rate applicable for Hong Kong profits tax is 16.5% (2018: 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	2019	2018
Profit before taxation	**223,826**	134,068
Share of profits of joint ventures	**(4,116)**	(2,953)
Share of profits of associated companies	**(10,028)**	(11,371)
	209,682	119,744
Tax calculated at applicable tax rates	**38,357**	21,129
Income not subject to tax	**(342,218)**	(293,893)
Expenses not deductible for tax purposes	**326,929**	300,502
Tax losses not recognised	**1,876**	2,872
Temporary differences not recognised	**1,791**	355
Utilisation of previously unrecognised tax losses	**(1,519)**	(686)
Utilisation of previously unrecognised temporary differences	**(544)**	(642)
Withholding tax	**45,740**	14,741
Change in tax rates	**1,523**	(460)
Other items	**(2,096)**	14,702
	69,839	58,620

14. EARNINGS PER ORDINARY SHARE

The calculation of basic and diluted earnings per ordinary share is based on the Group's profit attributable to equity holders of the Company divided by the number of ordinary shares in issue during the year.

The basic and diluted earnings per ordinary share are the same since there are no potential dilutive shares.

	2019	2018
Number of ordinary shares in issue (thousands)	**625,793**	625,793
Group's profit from continuing operations attributable to equity holders of the Company (US$'000)	**153,987**	75,448
Earnings per share from continuing operations attributable to equity holders of the Company (US cents)	**24.6**	12.1
Group's profit from discontinued operation attributable to equity holders of the Company (US$'000)	**1,194,806**	32,718
Earnings per share from discontinued operation attributable to equity holders of the Company (US cents)	**190.9**	5.2

15. DIVIDENDS

US$'000	**2019**	2018
Interim paid of US6.66 cents (2018: nil) per ordinary share	**41,678**	–
Special paid of US160.0 cents (2018: nil) per ordinary share	**1,001,269**	–
Proposed final of US2.69 cents (2018: US7.7 cents) per ordinary share	**16,834**	48,181
Proposed special of US24.0 cents (2018: nil) per ordinary share	**150,190**	–
	1,209,971	48,181

The Board of Directors declared a special dividend of US160.0 cents (2018: nil) per ordinary share on 6th December 2019. The declared special dividend was paid on 3rd February 2020.

The Board of Directors proposes a final dividend in respect of 2019 of US2.69 cents (2018: US7.7 cents) per ordinary share. In addition, the Board of Directors proposes a special dividend of US24.0 cents per ordinary share. The proposed final and special dividends will be accounted for as an appropriation of retained profit in the year ending 31st December 2020.

16. DISCONTINUED OPERATION

The U.S. Terminal Business was classified as discontinued operation as at 31st December 2018 pursuant to the divestment mentioned in note 1.

On 29th April 2019, the Group entered into the SPA with Olivia Holdings, LLC relating to the sale and purchase of the entire interests in LBCT LLC, a wholly owned subsidiary of the Company which operates the U.S. Terminal Business, for a consideration of US$1,780.0 million (subject to certain post-completion adjustments).

The transaction was completed on 24th October 2019. After transaction costs and taxation, the net profit arising on the disposal was approximately US$1,153.6 million which has been recognised in the consolidated profit and loss account for the year ended 31st December 2019.

On completion of the disposal, a terminal services agreement was entered with Olivia Holdings, LLC and LBCT LLC to which the Group committed to place, or procure the placement of an annual minimum number of vessel lifts ("MVC") for 20 years. The Group expects the MVC is achievable.

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	2019	2018
Revenue	111,608	131,721
Operating costs	(12,048)	(67,029)
Gross profit	99,560	64,692
Other operating income	1,198	560
Business and administrative expenses	(23,930)	(28,394)
Other losses, net	–	(407)
Operating profit	76,828	36,451
Finance costs	(35,656)	(3,733)
Profit after taxation	41,172	32,718
Profit on disposal of a subsidiary	1,153,634	–
Profit from discontinued operation	1,194,806	32,718

Note:

The Directors consider it is more appropriate to reflect only the revenue and the results arising from transactions with third parties under the discontinued operation. The inter-company profits are presented under continuing operations.

(ii) Cash flows

US$'000	2019	2018
Operating cash flows	138,719	32,035
Investing cash flows	1,751,412	1,569
Financing cash flows	(116,848)	(15,625)
Total cash flows	1,773,283	17,979

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:

As at 31st December 2018, assets held for sale and liabilities directly associated with assets held for sale are presented after elimination of intra-group balances of US$0.4 million and US$67.3 million respectively. As at 31st December 2018, the aggregate net book amount of assets pledged as securities for bank loans and finance leases amounted to US$137.1 million.

16. DISCONTINUED OPERATION (CONTINUED)

(d) Right-of-use assets and lease liabilities

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 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 the Agreement with COLB, which has amended certain terms in the Agreement and has revised the expected guaranteed minimum annual compensation to be made for the relevant period of the lease term.

On adoption of HKFRS 16, the Group recognised lease liabilities of US$847.6 million and right-of-use assets of US$819.1 million as at 1st January 2019 in relation to the Agreement which had previously been classified as operating leases under the principles of HKAS 17.

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 1st January 2019	5,895,186	24,536	2,577,586	82,194	7,188	47,218	57,157	148,664	8,839,729
Adjustment on adoption of HKFRS 16 (note 2.1(b))	(3,376,783)	–	(151,008)	–	–	–	–	–	(3,527,791)
Restated balance at 1st January 2019	2,518,403	24,536	2,426,578	82,194	7,188	47,218	57,157	148,664	5,311,938
Currency translation adjustments	–	–	(2)	–	168	(745)	(221)	(250)	(1,050)
Additions	21,552	–	216,469	–	30	–	11,648	34,443	284,142
Reclassification	89,206	–	(74,737)	–	–	–	–	–	14,469
Disposals/written off	(13,619)	(24,536)	(60,429)	–	–	–	(2,084)	(7,316)	(107,984)
At 31st December 2019	**2,615,542**	**–**	**2,507,879**	**82,194**	**7,386**	**46,473**	**66,500**	**175,541**	**5,501,515**
Accumulated depreciation									
At 1st January 2019	1,619,311	–	1,106,322	55,384	3,234	20,670	46,716	108,035	2,959,672
Adjustment on adoption of HKFRS 16 (note 2.1(b))	(771,074)	–	(50,571)	–	–	–	–	–	(821,645)
Restated balance at 1st January 2019	848,237	–	1,055,751	55,384	3,234	20,670	46,716	108,035	2,138,027
Currency translation adjustments	–	–	(4)	–	133	(323)	(194)	(146)	(534)
Charge for the year	104,906	–	78,188	3,378	79	1,615	6,481	18,841	213,488
Reclassification	36,468	–	19,954	–	–	–	–	–	56,422
Disposals/written off	(13,526)	–	(45,729)	–	–	–	(2,023)	(7,034)	(68,312)
At 31st December 2019	**976,085**	**–**	**1,108,160**	**58,762**	**3,446**	**21,962**	**50,980**	**119,696**	**2,339,091**
Net book amount									
At 31st December 2019	**1,639,457**	**–**	**1,399,719**	**23,432**	**3,940**	**24,511**	**15,520**	**55,845**	**3,162,424**
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
Net book amount of leased assets									
At 31st December 2019	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 31st December 2018	2,605,709	–	100,437	–	–	–	–	–	2,706,146

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 1st January 2018	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/written off	(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 1st January 2018	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/written off	(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

(a) The aggregate net book amount of assets pledged as security for bank loans amounts to US$2,100.7 million (2018: US$2,418.2 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) Depreciation charge of US$190.2 million (2018: US$347.0 million) for the year has been expensed in "operating costs" and US$23.3 million (2018: US$20.5 million) in "business and administrative expenses".

(c) As at 31st December 2019 and 2018, the buildings outside Hong Kong are held under medium-term leasehold land.

(d) Included in the container vessels and capitalised dry-docking costs, the net book value of capitalised dry-docking costs amounts to US$46.8 million (2018: US$58.6 million).

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31st December 2018, property, plant and equipment (mainly represent container vessels) included the following amounts where the Group was a lessee under finance leases:

US$'000	2018
Cost – capitalised finance leases	3,527,791
Accumulated depreciation	(821,645)
Net book amount	2,706,146

As at 31st December 2018, the Group leased various container vessels, containers, terminal equipment and other equipment under non-cancellable finance lease agreements. The lease terms were between 5 and 25 years.

From 1st January 2019, leased assets are presented as a separate line item in the consolidated balance sheet (see note 18). Refer to note 2.1(b) for details about the changes in accounting policy.

18. RIGHT-OF-USE ASSETS

US$'000	Container vessels and capitalised dry-docking costs	Containers	Terminal leases	Land and buildings	Vehicles, furniture and other equipment	Total
Cost						
At 1st January 2019	–	–	–	–	–	–
Adjustment on adoption of HKFRS 16 (note 2.1(b))	3,463,087	151,008	22,064	111,726	913	3,748,798
Restated balance at 1st January 2019	3,463,087	151,008	22,064	111,726	913	3,748,798
Currency translation adjustments	–	–	–	(1,380)	(13)	(1,393)
Additions	3,038	–	582	59,224	506	63,350
Reclassification	(89,206)	74,737	–	–	–	(14,469)
Disposals/written off	(11,699)	(170)	–	(2,763)	–	(14,632)
At 31st December 2019	**3,365,220**	**225,575**	**22,646**	**166,807**	**1,406**	**3,781,654**
Accumulated depreciation						
At 1st January 2019	–	–	–	–	–	–
Adjustment on adoption of HKFRS 16 (note 2.1(b))	771,074	50,571	–	2,659	–	824,304
Restated balance at 1st January 2019	771,074	50,571	–	2,659	–	824,304
Currency translation adjustments	–	–	–	(396)	(1)	(397)
Charge for the year	152,121	6,750	3,938	32,511	447	195,767
Reclassification	(36,468)	(19,954)	–	–	–	(56,422)
Disposals/written off	(11,531)	(64)	–	(677)	–	(12,272)
At 31st December 2019	**875,196**	**37,303**	**3,938**	**34,097**	**446**	**950,980**
Net book amount						
At 31st December 2019	**2,490,024**	**188,272**	**18,708**	**132,710**	**960**	**2,830,674**

19. INVESTMENT PROPERTY

US$'000	2019	2018
Balance at beginning of year	**310,000**	270,000
Additions	**703**	500
	310,703	270,500
Fair value (loss)/gain	**(703)**	39,500
Balance at end of year	**310,000**	310,000

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 2019 and 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 2019 and 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 with significant unobservable inputs (level 3). 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 2019, discount rate of 7.0% per annum (2018: 7.0% per annum) is used in the valuation.

Net operating income growth rates of 3% per annum (2018: 3% per annum) for the second and third years and 3% per annum (2018: 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 (2018: US$52 per sq ft to US$56 per sq ft), within the subject property. If the rents are higher, the fair value would be higher.

20. PREPAYMENTS OF LEASE PREMIUMS

As at 31st December 2018, the Group's interests in leasehold land and land use rights represented prepaid operating lease payments for leases between 27 and 41 years and their net book values are analysed as follows:

US$'000	2019	2018
Balance at beginning of year	7,452	7,972
Adjustment on adoption of HKFRS 16 (note 2.1(b))	(7,452)	–
Restated balance at beginning of year	–	7,972
Currency translation adjustments	–	(284)
Amortisation	–	(236)
Balance at end of year	–	7,452

For the year ended 31st December 2018, amortisation of US$0.2 million was included in "business and administrative expenses" in the consolidated profit and loss account.

21. INVESTMENTS IN JOINT VENTURES

US$'000	2019	2018
Share of net assets	10,163	8,940

The Group's share of assets, liabilities and results of the joint ventures are summarised below:

US$'000	2019	2018
Non-current assets	1,138	1,083
Current assets	11,921	9,604
Current liabilities	(2,896)	(1,747)
Share of net assets	10,163	8,940
Income	16,923	14,599
Expenses	(12,807)	(11,646)
Share of profits of joint ventures	4,116	2,953
Share of total comprehensive income of joint ventures	4,101	2,575

Particulars of the joint ventures at 31st December 2019 are shown on page 199.

22. INVESTMENTS IN ASSOCIATED COMPANIES

US$'000	2019	2018
Share of net assets	**137,665**	139,676

The Group's share of assets, liabilities and results of the associated companies are summarised as follows:

US$'000	2019	2018
Non-current assets	**123,095**	131,191
Current assets	**17,395**	12,155
Non-current liabilities	**(107)**	(132)
Current liabilities	**(2,718)**	(3,538)
Share of net assets	**137,665**	139,676
Income	**39,424**	39,516
Expenses	**(29,396)**	(28,145)
Share of profits of associated companies	**10,028**	11,371
Share of total comprehensive income of associated companies	**7,962**	5,000

Particulars of the associated companies at 31st December 2019 are shown on page 199.

23. INTANGIBLE ASSETS

US$'000	Computer software costs
At 1st January 2018	
Cost	145,389
Accumulated amortisation	(96,185)
Net book amount	49,204
Year ended 31st December 2018	
Opening net book amount	49,204
Additions	1,724
Disposals/written off	(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

23. INTANGIBLE ASSETS (CONTINUED)

US$'000	Computer software costs
Year ended 31st December 2019	
Opening net book amount	**32,428**
Currency translation adjustments	**2**
Additions	**21,831**
Disposals/written off	**(3,356)**
Amortisation	**(20,081)**
Closing net book amount	**30,824**
At 31st December 2019	
Cost	**160,479**
Accumulated amortisation	**(129,655)**
Net book amount	**30,824**

Amortisation of US$20.1 million (2018: US$17.8 million) is included in "business and administrative expenses" in the consolidated profit and loss account.

24. DEFERRED TAXATION ASSETS/(LIABILITIES)

US$'000	2019	2018
Deferred taxation assets	**5,083**	1,233
Deferred taxation liabilities	**(150,479)**	(106,827)
	(145,396)	(105,594)

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	2019	2018
Deferred taxation assets to be recovered after more than twelve months	**3,892**	299
Deferred taxation liabilities to be settled after more than twelve months	**(150,478)**	(106,820)

24. 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 1st January 2018	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
Currency translation adjustments	13	26	(9)	30
(Charged)/credited to consolidated profit and loss account	127	119	(2,585)	(2,339)
At 31st December 2019	**658**	**3,512**	**2,067**	**6,237**

US$'000	Accelerated tax depreciation	Revaluation of investment property	Revenue expenditure	Undistributed profits of subsidiaries and affiliates	Total
Deferred taxation liabilities					
At 1st January 2018	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
Currency translation adjustments	(2)	–	2	–	–
Charged/(credited) to consolidated profit and loss account	(13)	(500)	(7,142)	45,148	37,493
At 31st December 2019	**1,751**	**87,135**	**1,212**	**61,535**	**151,633**

Deferred taxation assets of US$34.0 million (2018: US$33.6 million) arising from unused tax losses of US$176.6 million (2018: US$159.0 million) have not been recognised in the consolidated financial statements. Unused tax losses of US$122.0 million (2018: US$113.1 million) have no expiry date and the remaining balance will expire at various dates up to and including 2039.

Except for the deferred taxation liabilities of US$60.0 million (2018: US$14.5 million) recognised as at 31st December 2019 for current intention to remit retained profit of a subsidiary of US$200.0 million (2018: US$48.3 million), deferred taxation liabilities of US$33.2 million (2018: US$106.4 million) on temporary differences associated with investments in subsidiaries of US$195.6 million (2018: US$439.3 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.

25. 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$32.6 million (2018: US$32.2 million).

Defined contribution schemes

The principal defined contribution schemes are operated in the PRC and the USA. These schemes cover approximately 81% 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	2019	2018
Contributions to the schemes	**31,594**	31,022
Forfeitures utilised	**(115)**	(71)
	31,479	30,951

Defined benefit scheme

The amounts recognised in the consolidated balance sheet are as follows:

US$'000	2019	2018
Net scheme liabilities	**(11,494)**	(3,200)

Net funded scheme liabilities

The principal defined benefit scheme is operated in the United Kingdom which was valued by Barnett Waddingham LLP. The defined benefit scheme (the "Scheme") covers less than 1% of the Group's employees and is 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.

The net scheme liabilities of the Scheme recognised in the consolidated balance sheet are determined as follows:

US$'000	2019	2018
Fair value of plan assets	**209,708**	190,210
Present value of funded obligations	**(221,202)**	(193,410)
Deficit of funded plan	**(11,494)**	(3,200)

25. PENSION AND RETIREMENT BENEFITS (CONTINUED)

Defined benefit scheme (Continued)

Net funded scheme liabilities (Continued)

Movements in the fair value of the plan assets of the Scheme during the year are as follows:

US$'000	2019	2018
Balance at beginning of year	190,210	220,490
Currency translation adjustments	7,295	(13,384)
Interest income on plan assets	5,233	5,326
Remeasurement gain/(loss) on assets	16,959	(13,261)
Contributions from the Group	3,050	2,887
Contributions from the plan members	136	105
Benefits paid	(13,175)	(11,953)
Balance at end of year	209,708	190,210

Movements in the present value of obligations of the Scheme during the year are as follows:

US$'000	2019	2018
Balance at beginning of year	193,410	220,247
Currency translation adjustments	7,450	(13,419)
Current service cost	1,042	1,290
Interest expense	5,296	5,294
Experience losses on liabilities	2,441	65
Losses/(gains) from changes to demographic assumptions	7,269	(1,384)
Losses/(gains) from changes to financial assumptions	17,333	(6,835)
Contributions from the plan members	136	105
Benefits paid	(13,175)	(11,953)
Balance at end of year	221,202	193,410

The charges of the Scheme recognised in the consolidated profit and loss account are as follows:

US$'000	2019	2018
Current service cost	1,042	1,290
Interest expense	5,296	5,294
Interest income on plan assets	(5,233)	(5,326)
Net expense recognised for the year	1,105	1,258

Charges of US$1.1 million (2018: US$1.3 million) were included in "business and administrative expenses" in the consolidated profit and loss account.

25. PENSION AND RETIREMENT BENEFITS (CONTINUED)

Defined benefit scheme (Continued)

Net funded scheme liabilities (Continued)

The main actuarial assumptions made for the Scheme were as follows:

	2019	2018
Discount rate	**1.9%**	2.8%
Inflation rate	**3.3%**	3.5%
Expected future salary increases	**2.3%**	3.5%
Expected future pension increases	**2.4%**	2.6%
Actual return on plan assets (US$'000)	**22,192**	(7,935)

At 31st December 2019, 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$6.0 million lower/US$6.3 million higher. At 31st December 2019, if inflation rate had been 0.2% higher/lower, with all other variables held constant, the fair value of the funded obligations would have been US$4.0 million higher/US$2.2 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	**2019**		2018	
Equity	**67,420**	**32%**	60,240	32%
Debt	**131,689**	**63%**	118,333	62%
Others	**10,599**	**5%**	11,637	6%
	209,708	**100%**	190,210	100%

Expected normal and deficit reduction contributions to the Scheme for the year ending 31st December 2020 is US$3.0 million.

Through its defined benefit pension plan, 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.

26. RESTRICTED BANK BALANCES

US$'000	2019	2018
Non-current	56,795	58,001
Current	3,499	3,121
	60,294	61,122

As at 31st December 2019, the restricted bank balances of US$60.3 million (2018: US$61.1 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 (2018: 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	2019	2018
AA	1,669	1,522
A	58,624	59,595
BBB	1	5
	60,294	61,122

27. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

US$'000	2019	2018
Balance at beginning of year	24,422	45,383
Currency translation adjustments	5	(6)
Disposals	(808)	(1)
Disposal of subsidiaries	–	(23)
Change in fair value recognised in other comprehensive income	(7,925)	(20,931)
Balance at end of year	15,694	24,422

Investments at fair value through other comprehensive income include the following:

US$'000	2019	2018
Unlisted equity securities	15,694	23,100
Others	–	1,322
	15,694	24,422

27. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

The carrying amounts of the Group's investments at fair value through other comprehensive income are denominated in the following currencies:

US$'000	2019	2018
Renminbi	**15,660**	23,129
Hong Kong dollar	**–**	1,166
Other currencies	**34**	127
	15,694	24,422

28. INVESTMENTS AT AMORTISED COST

US$'000	2019	2018
Listed debt securities		
Hong Kong	**86,361**	108,796
Overseas	**104,945**	114,163
	191,306	222,959
Less: Current portion included in current assets	**(43,886)**	(33,568)
	147,420	189,391
Market value	**199,305**	223,530

Movements in investments at amortised cost are as follows:

US$'000	2019	2018
Balance at beginning of year	**222,959**	234,929
Adjustment on adoption of HKFRS 9	**–**	(275)
Restated balance at beginning of year	**222,959**	234,654
Additions	**–**	45,576
Disposals	**–**	(38,143)
Redemptions on maturity	**(33,842)**	(17,000)
Amortisation	**(71)**	(143)
Impairment	**–**	(1,985)
Reversal of impairment	**2,260**	–
Balance at end of year	**191,306**	222,959

The carrying amounts of investments at amortised cost are denominated in US dollar (2018: US dollar).

28. INVESTMENTS AT AMORTISED COST (CONTINUED)

The credit quality of investments at amortised cost by reference to Standard & Poor's and/or Moody's credit ratings is as follows:

US$'000	2019	2018
AAA	–	1,982
AA	799	6,240
A	75,227	82,621
BBB	107,278	71,717
Non-ranking	8,002	60,399
	191,306	222,959

The maximum exposure to credit risk at the balance sheet date is the carrying amount of investments at amortised cost.

29. OTHER NON-CURRENT ASSETS

US$'000	2019	2018
Deposit for container purchase	6,521	83,938
Deposit for container purchase with a fellow subsidiary	18,997	51,064
Other deposit	8,713	9,590
Others	15,140	10,483
	49,371	155,075

30. INVENTORIES

US$'000	2019	2018
Bunker	103,543	106,835
Consumable stores	9,942	12,875
	113,485	119,710

31. DEBTORS AND PREPAYMENTS

US$'000	2019	2018
Trade receivables	**396,007**	379,067
Less: Provision for impairment	**(34,837)**	(29,525)
Trade receivables – net	**361,170**	349,542
Other debtors	**134,034**	122,299
Other prepayments	**146,037**	148,493
Utility and other deposits	**14,881**	13,895
	656,122	634,229

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	2019	2018
Counterparties with external credit rating		
A	**24,427**	18,310
BBB	**7,317**	6,598
BB	**4,785**	4,967
	36,529	29,875
Counterparties without external credit rating		
Group 1	**25,991**	17,221
Group 2	**294,779**	301,234
Group 3	**3,871**	1,212
	324,641	319,667
	361,170	349,542

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.

31. 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, is as follows:

US$'000	2019	2018
Below one month	273,168	269,210
Two to three months	75,440	67,182
Four to six months	8,224	7,770
Over six months	4,338	5,380
	361,170	349,542

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	2019	2018
US dollar	105,477	113,941
Canadian dollar	10,523	13,218
Euro	64,025	57,088
Japanese yen	25,429	18,377
Hong Kong dollar	9,071	7,336
Renminbi	43,811	42,681
Pound sterling	11,043	12,726
Australian dollar	25,890	20,609
Other currencies	65,901	63,566
	361,170	349,542

Movements in the provision for impairment of trade receivables are as follows:

US$'000	2019	2018
Balance at beginning of year	29,525	16,061
Adjustment on adoption of HKFRS 9	–	12,897
Restated balance at beginning of year	29,525	28,958
Provision	11,869	16,742
Written off	(1,721)	(10,576)
Reversal	(4,836)	(5,390)
Classified as assets held for sale (note 16)	–	(209)
Balance at end of year	34,837	29,525

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.

32. AMOUNTS DUE FROM JOINT VENTURES

The amounts receivable are unsecured, interest free and have no specific repayment terms.

33. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts receivable are unsecured, interest free and have no specific repayment terms, and are mainly non-trade nature.

34. AMOUNTS DUE FROM RELATED COMPANIES

The amounts receivable are unsecured, interest free and have no specific repayment terms, and are mainly non-trade nature.

35. PORTFOLIO INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

US$'000	2019	2018
Listed equity securities		
Hong Kong	**29,627**	40,500
Overseas	**8,046**	9,089
Market value of listed equity securities	**37,673**	49,589
Unit trust	**–**	5,720
Listed debt securities		
Hong Kong	**73,970**	209,837
Overseas	**41,280**	113,111
	152,923	378,257

The carrying amounts of the Group's portfolio investments at fair value through profit or loss are mainly denominated in US dollar (2018: 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	2019	2018
A	**29,090**	69,328
BBB	**51,347**	127,819
BB	**6,970**	8,800
Non-ranking	**27,843**	117,001
	115,250	322,948

The fair values of all listed equity securities and debt securities are based on their current bid prices in active markets.

36. CASH AND BANK BALANCES

US$'000	2019	2018
Short-term bank deposits		
– Maturing within three months from the date of placement	1,947,092	1,202,356
Cash at bank and in hand	325,478	382,109
	2,272,570	1,584,465
Short-term bank deposits		
– Maturing more than three months from the date of placement	1,183,000	–
	3,455,570	1,584,465

The carrying amounts of the Group's cash and bank balances are mainly denominated in US dollar (2018: 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	2019	2018
AA	180,244	538,611
A	1,170,805	861,272
BBB	2,082,708	170,966
BB	540	2,849
B	5,583	4,639
Others	15,690	6,128
	3,455,570	1,584,465

37. SHARE CAPITAL

US$'000	2019	2018
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

	Number of shares (thousands)	Ordinary shares US$'000
Issued and fully paid:		
At 31st December 2018 and 2019	625,793	62,579

38. RESERVES

US$'000	Share premium	Employee share-based compensation reserve	Contributed surplus	Capital redemption reserve	Investments revaluation reserve	Foreign exchange translation reserve	Retained profit	Total
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
Balance at 1st January 2019	172,457	–	88,547	4,696	22,413	26,701	4,357,737	4,672,551
Adjustment on adoption of HKFRS 16 (note 2.1(b))	–	–	–	–	–	–	(46,306)	(46,306)
Restated balance at 1st January 2019	172,457	–	88,547	4,696	22,413	26,701	4,311,431	4,626,245
Total comprehensive income/(loss) for the year	–	–	–	–	(7,925)	(3,724)	1,338,709	1,327,060
Transactions with owners								
Employee share-based compensation	–	2,651	–	–	–	–	–	2,651
2018 final dividend	–	–	–	–	–	–	(48,181)	(48,181)
2019 interim dividend	–	–	–	–	–	–	(41,678)	(41,678)
2019 special dividend	–	–	–	–	–	–	(1,001,269)	(1,001,269)
Balance at 31st December 2019	**172,457**	**2,651**	**88,547**	**4,696**	**14,488**	**22,977**	**4,559,012**	**4,864,828**

39. SHARE-BASED PAYMENTS

An intermediate holding company of the Group, COSCO SHIPPING Holdings operates share option schemes whereby options are granted to eligible employees of the Group to subscribe for its shares. No outstanding options were vested and exercisable as at 31st December 2019. COSCO SHIPPING Holdings has no legal or constructive obligation to repurchase or settle the options in cash.

At a special general meeting of COSCO SHIPPING Holdings held on 30th May 2019, the shareholders of COSCO SHIPPING Holdings approved the adoption of a share option scheme (the "2019 Share Option Scheme"). No consideration was paid by the grantees for the acceptance of share options.

Under the 2019 Share Option Scheme, the exercises of the options of three batches are subject to two-year, three-year and four-year vesting periods respectively during which a participant is not allowed to exercise any option granted. After the expiration of each vesting period, the participant may exercise the options in three batches in the one year, one year and three years after the expiration of each vesting period respectively. Within the exercise period of the share options, and subject to the fulfilment of the vesting conditions and the exercise arrangement of the share options, grant of each share option entitles the grantee to subscribe for one A share of COSCO SHIPPING Holdings at relevant exercise price in three batches evenly after the expiry of each vesting period.

39. SHARE-BASED PAYMENTS (CONTINUED)

Movements of the share options granted by COSCO SHIPPING Holdings to the employees of the Group during the year ended 31st December 2019 are set out below:

			Number of share options					
Date of grant	Exercisable period	Exercise price	Outstanding as at 1st January 2019	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited during the period	Outstanding as at 31st December 2019
3rd June 2019	Note	RMB4.10	–	44,331,000	–	–	–	44,331,000

Note:

The share options were granted on 3rd June 2019 under the 2019 Share Option Scheme at an exercise price of RMB4.10. According to the provisions of the 2019 Share Option Scheme, share options under each grant have a validity period of ten years from 30th May 2019 and cannot be exercised evenly during the two-year, three-year and four-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 one year, one year and three years after the expiry of each Restriction Period, i.e. 33%, 33% and 34%.

40. BORROWINGS

US$'000	2019	2018
Non-current		
Bank loans		
– Secured	**921,503**	1,240,877
– Unsecured	**111,638**	226,976
Finance lease obligations	**–**	2,227,981
	1,033,141	3,695,834
Current		
Bank loans		
– Secured	**355,525**	242,126
– Unsecured	**39,471**	48,998
Finance lease obligations	**–**	210,798
	394,996	501,922
Total borrowings	**1,428,137**	4,197,756

40. 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 2019			
2020	**394,996**	**–**	**–**
2021	**227,599**	**–**	**–**
2022	**240,735**	**–**	**–**
2023	**167,550**	**–**	**–**
2024	**86,969**	**–**	**–**
2025 onwards	**310,288**	**–**	**–**
	1,428,137	**–**	**–**
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

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:

	2019	2018
Bank loans	**2.9%**	3.7%
Finance lease obligations	**–**	3.8%

The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
US$'000	**2019**	2018	**2019**	2018
Bank loans	**1,033,141**	1,467,853	**1,033,141**	1,467,003
Finance lease obligations	**–**	2,227,981	**–**	2,193,394
	1,033,141	3,695,834	**1,033,141**	3,660,397

The fair values are based on cash flows discounted using rates based on the borrowing rates ranging from 2.5% to 3.2% (2018: 2.4% to 5.4%).

The carrying amounts of short-term borrowings approximate their fair values.

The carrying amounts of the Group's borrowings are denominated in US dollar (2018: US dollar).

The fixed interest rate borrowings of the Group as at 31st December 2019 amounted to US$18.5 million (2018: US$871.8 million). The remaining borrowings of US$1,409.6 million (2018: US$3,326.0 million) were subject to floating interest rates.

41. LEASE LIABILITIES

US$'000	2019
Non-current	**2,309,083**
Current	**253,869**
	2,562,952

The maturity of lease liabilities is as follows:

US$'000	Present value	Minimum payments
As at 31st December 2019		
2020	**253,869**	**320,380**
2021	**527,785**	**583,607**
2022	**260,232**	**304,477**
2023	**344,150**	**377,247**
2024	**275,066**	**300,018**
2025 onwards	**901,850**	**943,577**
	2,562,952	**2,829,306**

42. CREDITORS AND ACCRUALS

US$'000	2019	2018
Trade payables	**202,306**	193,382
Other creditors	**168,643**	162,251
Accrued expenses	**612,662**	443,200
Contract liabilities and deferred revenue*	**50,966**	39,352
	1,034,577	838,185

* As permitted by HKFRS 15, the transaction price for contracts with an original expected duration of one year or less is exempt from disclosure due to practical expedient.

The ageing analysis of the Group's trade payables, prepared in accordance with the dates of invoices, is as follows:

US$'000	2019	2018
Below one month	**143,714**	109,641
Two to three months	**49,498**	75,285
Four to six months	**2,707**	2,524
Over six months	**6,387**	5,932
	202,306	193,382

42. CREDITORS AND ACCRUALS (CONTINUED)

The carrying amounts of the Group's trade payables are denominated in the following currencies:

US$'000	2019	2018
US dollar	**89,122**	72,072
Canadian dollar	**9,265**	7,240
Euro	**19,499**	16,333
Japanese yen	**20,480**	18,977
Hong Kong dollar	**15,896**	16,096
Renminbi	**17,060**	28,072
Other currencies	**30,984**	34,592
	202,306	193,382

43. AMOUNTS DUE TO JOINT VENTURES

The amounts payable are unsecured, interest free and repayable on demand.

44. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts payable are unsecured, interest free and repayable on demand. The amounts payable are mainly trade nature and are mostly aged below three months.

45. AMOUNTS DUE TO RELATED COMPANIES

The amounts payable are unsecured, interest free and repayable on demand. The amounts payable are mainly trade nature and are mostly aged below one month.

46. DERIVATIVE FINANCIAL INSTRUMENTS

US$'000	2019	2018
Liability		
Current liability		
Bunker price derivative contracts	–	5,565

47. COMMITMENTS

(a) Capital commitments – Property, plant and equipment

US$'000	2019	2018
Contracted but not provided for	**1,699**	91,618

47. COMMITMENTS (CONTINUED)

(b) Capital commitments – Investment in an associated company

US$'000	2019	2018
Contracted but not provided for	4,937	–

(c) Lease commitments

The future aggregate minimum lease rental expenses under non-cancellable short-term leases are payable in the following year:

US$'000	Vessels and equipment	Land and buildings	Total
At 31st December 2019			
2020	39,070	1,679	40,749

As previously disclosed in the 2018 Annual Report and under previous lease standard, 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

47. COMMITMENTS (CONTINUED)

(d) Operating lease rental receivable

The future aggregate minimum lease rental income under non-cancellable operating leases are receivable in the following years:

US$'000	Land and buildings
At 31st December 2019	
2020	**24,946**
2021	**24,582**
2022	**22,236**
2023	**20,590**
2024	**17,354**
2025 onwards	**52,842**
	162,550
At 31st December 2018	
2019	23,201
2020	21,999
2021	20,793
2022	18,326
2023	16,487
2024 onwards	45,779
	146,585

48. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) The reconciliation of liabilities arising from financing activities is as follows:

US$'000	Bank loans	Finance lease obligations	Lease liabilities	Total
At 1st January 2018	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 48(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
Adjustment on adoption of HKFRS 16 (note 2.1(b))	–	(2,438,779)	2,675,461	236,682
Restated balance at 1st January 2019	1,758,977	–	2,675,461	4,434,438
Cash flow				
– Inflow from financing activities*	301,310	–	99,145	400,455
– Outflow from financing activities*	(684,659)	–	(352,109)	(1,036,768)
Non-cash changes				
– Inception of leases (note 48(c))	–	–	60,218	60,218
– Termination of leases	–	–	(2,214)	(2,214)
– Currency translation adjustments	–	–	(1,368)	(1,368)
– Finance costs	4,098	–	15,571	19,669
– Other changes	48,411	–	68,248	116,659
At 31st December 2019	**1,428,137**	**–**	**2,562,952**	**3,991,089**

* Included cash inflow and outflow from financing activities for continuing and discontinued operations.

48. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Disposal of subsidiaries

US$'000	2019	2018
Net assets disposed		
Property, plant and equipment	413,249	83
Right-of-use assets	819,133	–
Investments at fair value through other comprehensive income	–	23
Inventories	6,050	–
Debtors and prepayments	32,299	1,431
Amount due from an intermediate holding company	17,233	–
Amount due from a fellow subsidiary	6,815	–
Portfolio investments at fair value through profit or loss	752	–
Restricted bank balances	–	1,062
Cash and bank balances	58,884	14,363
Lease liabilities	(838,515)	–
Other non-current liabilities	(600)	–
Creditors and accruals	(27,898)	(822)
Amounts due to fellow subsidiaries	(204)	(6,898)
Current taxation	–	(280)
	487,198	8,962
Release of reserve upon disposal	–	(116)
Gain on disposal after taxation	1,153,634	3,663
Taxation on disposal gain	127,300	–
Cash consideration, net	1,768,132	12,509
Net cash inflow/(outflow) arising on disposal:		
Cash consideration, net	1,768,132	12,509
Less: Cash and bank balances disposed	(58,884)	(14,363)
Net cash inflow/(outflow)	1,709,248	(1,854)

(c) Major non-cash transactions

During the year, major non-cash transactions included the inception of leases (2018: finance leases) of US$60.2 million (2018: US$31.7 million) and non-cash dividend received from investments at fair value through other comprehensive income of US$nil (2018: US$14.7 million).

48. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(d) Analysis of cash and cash equivalents

US$'000	2019	2018
Bank balances and deposits maturing within three months from the date of placement	2,272,570	1,584,465

(e) Cash outflow for leases

The total cash outflow for leases for the year ended 31st December 2019 was US$702.3 million.

49. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Company is controlled by COSCO SHIPPING, the ultimate parent company and a state-owned enterprise established in the PRC since 13th July 2018.

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") and related entities of COSCO SHIPPING (including joint ventures and associated companies), 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 and related entities of COSCO SHIPPING (including joint ventures and associated 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 its related parties during the year.

49. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with COSCO SHIPPING Group and related entities of COSCO SHIPPING (including joint ventures and associated companies)

US$'000	2019	2018
Income		
Container transport income	88,179	55,419
Freight forwarding income	2,186	471
Terminal handling and storage income	39,633	12,139
Rental income		
Vessels	7,426	–
Containers	8,157	–
IT service income	9,177	593
Interest income	26	170
Expenses		
Cargo transportation costs	111,885	25,110
Freight forwarding expenses	8,640	2,695
Terminal charges (note ii)	107,097	54,558
Expenses relating to short-term leases and leases with low-value assets (2018: operating lease rental expenses)		
Vessels	48,676	10,966
Containers	4,496	1,473
Land and buildings	–	176
Slot hire expenses	89,590	20,999
Purchase of bunker (note iii)	230,280	133,078
Crew expenses	1,147	569
Others		
Purchase of containers	57,666	93,860

(b) Transactions with joint ventures of the Group

US$'000	2019	2018
Income		
Container transport income	752	933
Expenses		
Cargo transportation costs	7,980	5,835

49. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with other related parties

US$'000	2019	2018
Income		
Container transport income	**7,856**	5,339
Expenses		
Cargo transportation costs	**17,356**	2,986
Freight forwarding expenses	**85**	15
Terminal charges	**37,598**	–
Expenses relating to short-term leases and leases with low-value assets		
Vessels	**1,134**	–
Slot hire expenses	**391**	279
Purchase of bunker	**465**	–
Others		
Purchase of containers	**6,699**	114,683

Notes:

(i) 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 the parties in concern.

(ii) Terminal charges of US$72.2 million were transacted with the associated companies of COSCO SHIPPING during the year ended 31st December 2019.

(iii) Bunker of US$225.1 million was purchased from a joint venture of COSCO SHIPPING during the year ended 31st December 2019.

50. COMPANY BALANCE SHEET

As at 31st December 2019

US$'000	2019	2018
ASSETS		
Non-current asset		
Investments in subsidiaries	**172,138**	169,487
Current assets		
Prepayments	**53**	149
Amounts due from subsidiaries	**3,354,523**	2,855,975
Restricted bank balances	**349**	335
Cash and bank balances	**1,634**	9,297
	3,356,559	2,865,756
Total assets	**3,528,697**	3,035,243
EQUITY		
Equity holders		
Share capital	**62,579**	62,579
Reserves (note)	**1,060,506**	996,630
Total equity	**1,123,085**	1,059,209
LIABILITIES		
Non-current liability		
Amount due to a subsidiary	**–**	1,589,229
Current liabilities		
Creditors and accruals	**1,968**	10,288
Amounts due to subsidiaries	**1,402,375**	376,517
Dividend payable	**1,001,269**	–
	2,405,612	386,805
Total liabilities	**2,405,612**	1,976,034
Total equity and liabilities	**3,528,697**	3,035,243

50. COMPANY BALANCE SHEET (CONTINUED)

Note:

Movements of reserves

US$'000	Share premium	Employee share-based compensation reserve	Contributed surplus	Capital redemption reserve	Retained profit	Total
Balance at 1st January 2018	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
Total comprehensive income for the year	–	–	–	–	1,152,353	1,152,353
Transactions with owners						
Employee share-based compensation	–	2,651	–	–	–	2,651
2018 final dividend	–	–	–	–	(48,181)	(48,181)
2019 interim dividend	–	–	–	–	(41,678)	(41,678)
2019 special dividend	–	–	–	–	(1,001,269)	(1,001,269)
Balance at 31st December 2019	**172,457**	**2,651**	**88,547**	**4,696**	**792,155**	**1,060,506**

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$880.7 million as at 31st December 2019 (2018: US$819.5 million).

51. EVENTS SUBSEQUENT TO YEAR END

On 10th March 2020, the Group entered into contracts to construct five units of 23,000 TEU container vessels at a consideration of US$778.4 million which are expected to deliver in year 2023.

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the world and have affected the business and economic activities to some extent. With the increasing market uncertainty regarding the impact of COVID-19 outbreak, the Group will pay close attention to the development of the COVID-19 outbreak and evaluate the impact on its future financial position and operating results. As at the date on which this set of consolidated financial statements were authorised for issue, the Group was not aware of any material adverse effects on the 2019 consolidated financial statements as a result of the COVID-19 outbreak.

52. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 20th March 2020.

Principal Subsidiaries, Associated Companies and Joint Ventures

as at 31st December 2019

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, China	Hong Kong, China
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
Containers No. 3 Inc.	100	10,000 ordinary shares US$100,000	Equipment leasing	Marshall Islands	Worldwide
Containers No. 5 Inc.	100	5,000 ordinary shares US$5,000	Equipment 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, China	Hong Kong, China
Glory Top Investment Ltd.	100	10,000 ordinary shares HK$10,000	Portfolio investment	Hong Kong, China	Hong Kong, China
Hai Dong Transportation Co. Ltd.	100	100,000 ordinary shares HK$100,000	Container transport	Hong Kong, China	Hong Kong, China
Kenwake Limited	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
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

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 1420 Shipping Inc.	100	5,000 ordinary shares US$5,000	Ship owning	Marshall Islands	Worldwide
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

Principal Subsidiaries, Associated Companies and Joint Ventures

as at 31st December 2019

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 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
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

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. 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. 86 (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
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

Principal Subsidiaries, Associated Companies and Joint Ventures

as at 31st December 2019

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. 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, China	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
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

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 (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	China
OOCL (Corporate Services) Limited	100	2 ordinary shares HK$2	Provision of corporate services	Hong Kong, China	Hong Kong, China
OOCL (Denmark) A/S	100	1,000 ordinary shares DKK500,000	Liner agency	Denmark	Northern Europe
OOCL (Europe) Limited	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 Limited	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, China	Hong Kong, China
OOCL (Logistics) Holdings Ltd.	100	10,000 ordinary shares US$10,000	Investment holding	British Virgin Islands	Worldwide
OOCL (Mexico), S.A. de C.V.	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 2019

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, China
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, China	Hong Kong, China
OOCL Logistics (India) Private Limited	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	280,000 common stock Won2,800,000,000	Logistics, cargo consolidation and forwarding	Korea	Korea
OOCL Logistics Mexico, S.A. de C.V.	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, China	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 2019

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, China	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, China	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
Zhongjing Supply Chain Technology Co., Ltd.	25.9	Registered capital RMB76,500,000	Supply chain management, technology and consulting	China §	China
Joint ventures					
OOCL (UAE) LLC	49	300 ordinary shares AED300,000	Liner agency	Dubai	Dubai
Tan Cang - COSCO - OOCL Logistics Company Limited	30	Legal capital US$1,000,000	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 2019.

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	FLAG
OOCL America	5,344	Owned	Intra-Asia	1995	Hong Kong, China
OOCL Asia	8,063	Owned	Trans-Atlantic	2006	Hong Kong, China
OOCL Bangkok	13,208	Owned	Trans-Pacific	2013	Hong Kong, China
OOCL Beijing	8,888	Owned	Trans-Pacific	2011	Hong Kong, China
OOCL Belgium	2,992	Owned	Trans-Atlantic	1998	Hong Kong, China
OOCL California	5,344	Owned	Intra-Asia	1995	Hong Kong, China
OOCL Canada	8,888	Owned	Trans-Pacific	2011	Hong Kong, China
OOCL Charleston	4,578	Owned	Intra-Asia	2010	Hong Kong, China
OOCL Chicago	5,714	Owned	Intra-Asia	2000	Hong Kong, China
OOCL Chongqing	13,208	Owned	Trans-Pacific	2013	Hong Kong, China
OOCL Dalian	4,578	Owned	Intra-Asia	2009	Hong Kong, China
OOCL Europe	8,063	Owned	Trans-Atlantic	2006	Hong Kong, China
OOCL Guangzhou	4,578	Owned	Intra-Asia	2010	Hong Kong, China
OOCL Jakarta	4,578	Owned	Intra-Asia	2010	Hong Kong, China
OOCL Le Havre	4,578	Owned	Intra-Asia	2010	Hong Kong, China
OOCL London	8,063	Owned	Trans-Pacific	2010	Hong Kong, China
OOCL Luxembourg	8,063	Owned	Trans-Pacific	2010	Hong Kong, China
OOCL Nagoya	4,578	Owned	Intra-Asia	2009	Hong Kong, China
OOCL New York	5,770	Owned	Intra-Asia	1999	Hong Kong, China
OOCL Norfolk	4,578	Owned	Asia-Australia	2009	Hong Kong, China
OOCL San Francisco	5,714	Owned	Trans-Pacific	2000	Hong Kong, China
OOCL Savannah	4,578	Owned	Intra-Asia	2010	Hong Kong, China
OOCL Scandinavia	21,413	Owned	Asia-Europe	2017	Hong Kong, China
OOCL Seoul	8,063	Owned	Intra-Asia	2010	Hong Kong, China
OOCL Shanghai	5,770	Owned	Asia-Australia	1999	Hong Kong, China
OOCL Southampton	8,063	Owned	Trans-Pacific	2007	Hong Kong, China
OOCL Tokyo	8,063	Owned	Trans-Pacific	2007	Hong Kong, China
OOCL United Kingdom	21,413	Owned	Asia-Europe	2017	Hong Kong, China
OOCL Washington	8,063	Owned	Trans-Pacific	2010	Hong Kong, China
OOCL Antwerp	5,888	Long Term Lease	Trans-Pacific	2006	Panama
OOCL Atlanta	8,063	Long Term Lease	Trans-Pacific	2005	Hong Kong, China
OOCL Australia	4,583	Long Term Lease	Intra-Asia	2006	Hong Kong, China
OOCL Berlin	13,208	Long Term Lease	Trans-Pacific	2013	Hong Kong, China
OOCL Brisbane	4,578	Long Term Lease	Asia-Australia	2009	Hong Kong, China
OOCL Brussels	13,208	Long Term Lease	Trans-Pacific	2013	Hong Kong, China
OOCL Busan	4,578	Long Term Lease	Asia-Australia	2008	Hong Kong, China
OOCL Dubai	5,888	Long Term Lease	Asia-Australia	2006	Singapore
OOCL Egypt	13,208	Long Term Lease	Intra-Asia	2013	Hong Kong, China
OOCL France	13,208	Long Term Lease	Asia-Europe	2013	Hong Kong, China
OOCL Genoa	8,888	Long Term Lease	Trans-Pacific	2015	Hong Kong, China
OOCL Germany	21,413	Long Term Lease	Asia-Europe	2017	Hong Kong, China

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	FLAG
OOCL Hamburg	8,063	Long Term Lease	Intra-Asia	2004	Hong Kong, China
OOCL Ho Chi Minh City	8,888	Long Term Lease	Trans-Pacific	2015	Hong Kong, China
OOCL Hong Kong	21,413	Long Term Lease	Asia-Europe	2017	Hong Kong, China
OOCL Houston	4,578	Long Term Lease	Asia-Australia	2007	Hong Kong, China
OOCL Indonesia	21,413	Long Term Lease	Asia-Europe	2018	Hong Kong, China
OOCL Italy	5,888	Long Term Lease	Asia-Australia	2007	Singapore
OOCL Japan	21,413	Long Term Lease	Asia-Europe	2017	Hong Kong, China
OOCL Kaohsiung	5,888	Long Term Lease	Trans-Pacific	2006	Singapore
OOCL Kobe	4,578	Long Term Lease	Intra-Europe	2007	Hong Kong, China
OOCL Korea	13,208	Long Term Lease	Trans-Pacific	2014	Hong Kong, China
OOCL Kuala Lumpur	5,888	Long Term Lease	Asia-Australia	2007	Singapore
OOCL Malaysia	13,208	Long Term Lease	Asia-Europe	2013	Hong Kong, China
OOCL Memphis	8,888	Long Term Lease	Trans-Pacific	2013	Hong Kong, China
OOCL Miami	8,888	Long Term Lease	Trans-Pacific	2013	Hong Kong, China
OOCL Montreal	4,402	Long Term Lease	Trans-Atlantic	2003	Hong Kong, China
OOCL New Zealand	4,578	Long Term Lease	Intra-Asia	2009	Hong Kong, China
OOCL Oakland	5,888	Long Term Lease	Trans-Pacific	2007	Panama
OOCL Panama	4,578	Long Term Lease	Asia-Australia	2008	Hong Kong, China
OOCL Poland	13,208	Long Term Lease	Trans-Pacific	2013	Hong Kong, China
OOCL Rotterdam	8,063	Long Term Lease	Asia-Australia	2004	Hong Kong, China
OOCL Singapore	13,208	Long Term Lease	Intra-Asia	2014	Hong Kong, China
OOCL Taipei	8,888	Long Term Lease	Trans-Pacific	2015	Hong Kong, China
OOCL Texas	4,578	Long Term Lease	Asia-Australia	2008	Hong Kong, China
OOCL Utah	8,888	Long Term Lease	Trans-Pacific	2015	Hong Kong, China
OOCL Vancouver	5,888	Long Term Lease	Trans-Pacific	2006	Panama
OOCL Yokohama	4,578	Long Term Lease	Asia-Australia	2007	Hong Kong, China
OOCL Zhoushan	4,583	Long Term Lease	Intra-Asia	2006	Hong Kong, China
AS Camellia	2,824	Short Term Lease	Asia-Europe	2006	Portugal
Balbina	5,470	Short Term Lease	Intra-Asia	2010	Portugal
Box Express	1,708	Short Term Lease	Intra-Asia	2016	Liberia
Brussels	5,806	Short Term Lease	Trans-Atlantic	2000	Portugal
Buxcliff	6,892	Short Term Lease	Trans-Atlantic	2001	Portugal
Buxhansa	2,432	Short Term Lease	Intra-Asia	1998	Liberia
Cape Fortius	2,210	Short Term Lease	Intra-Asia	2017	Cyprus
Cardiff Trader	2,526	Short Term Lease	Intra-Asia	2003	Malta
Cimbria	2,824	Short Term Lease	Intra-Asia	2002	Liberia
COSCO Philippines	8,501	Short Term Lease	Trans-Atlantic	2010	Hong Kong, China
COSCO Vietnam	8,501	Short Term Lease	Trans-Atlantic	2011	Hong Kong, China
CSCL Atlantic Ocean	18,982	Short Term Lease	Intra-Asia	2015	Hong Kong, China
CSCL Globe	18,982	Short Term Lease	Intra-Asia	2014	Hong Kong, China
E.R. Los Angeles	5,992	Short Term Lease	Asia-Europe	2001	Liberia
Filia T	1,774	Short Term Lease	Intra-Asia	2019	Malta
Green Horizon	1,736	Short Term Lease	Intra-Asia	2013	Panama
GSL Keta	2,207	Short Term Lease	Intra-Asia	2003	Bahamas
Lantau Arrow	1,216	Short Term Lease	Intra-Europe	2001	Marshall Islands
Lydia	2,702	Short Term Lease	Intra-Asia	2009	Portugal

Fleet and Container Information

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	FLAG
Mount Gough	1,756	Short Term Lease	Intra-Asia	2016	Hong Kong, China
Navi Baltic	1,421	Short Term Lease	Intra-Europe	2009	Portugal
Nordtiger	1,756	Short Term Lease	Intra-Asia	2014	Cyprus
Okee Alba	1,740	Short Term Lease	Intra-Asia	2002	Liberia
Olivia	1,714	Short Term Lease	Intra-Asia	2013	Portugal
OOCL Rauma	1,421	Short Term Lease	Intra-Europe	2009	Netherlands
Performance	6,402	Short Term Lease	Asia-Europe	2002	Malta
Rdo Concord	6,969	Short Term Lease	Asia-Europe	2009	Liberia
San Lorenzo	1,708	Short Term Lease	Intra-Asia	2014	Cyprus
Santa Loukia	1,704	Short Term Lease	Intra-Asia	2014	Malta
Seamaster	1,756	Short Term Lease	Intra-Asia	2013	Malta
Shanghai Trader	5,047	Short Term Lease	Asia-Australia	2005	Malta
Singapore	3,338	Short Term Lease	Intra-Asia	2004	Liberia
ST Blue	2,535	Short Term Lease	Intra-Asia	2011	Liberia
ST Green	2,535	Short Term Lease	Intra-Asia	2011	Liberia
Teng Yun He	1,702	Short Term Lease	Intra-Asia	2000	China
Tzini	1,756	Short Term Lease	Intra-Asia	2013	Malta
TOTAL 104 VESSELS	**733,580**				

Container Information

The Group owned and leased 686,482 units (1,170,978 TEU) of containers as of 31st December 2019.

10-Year Financial Summary

US$'000	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Consolidated Profit and Loss Data										
Revenue	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	6,878,740
Operating profit/(loss)	918,807	174,598	327,904	90,314	329,147	353,068	(138,227)	238,155	262,935	361,281
Finance costs	(29,091)	(26,179)	(32,877)	(41,019)	(54,000)	(63,642)	(79,393)	(97,418)	(143,191)	(151,599)
Profit/(loss) before taxation	898,776	162,457	310,134	66,999	294,583	307,208	(199,667)	159,871	134,068	223,826
Profit/(loss) for the year from continuing operations	869,817	139,354	296,317	47,133	270,438	283,851	(219,221)	147,438	75,448	153,987
Profit/(loss) for the year from discontinued operations	1,004,554	43,000	–	–	–	–	–	(9,782)	32,718	1,194,806
Profit/(loss) for the year	1,874,371	182,354	296,317	47,133	270,438	283,851	(219,221)	137,656	108,166	1,348,793
Profit/(loss) attributable to ordinary shareholders	1,866,780	181,645	295,387	47,036	270,538	283,851	(219,221)	137,656	108,166	1,348,793
Per Ordinary Share										
Earnings/(loss) (US cents)										
from continuing operations	137.8	22.1	47.2	7.5	43.2	45.4	(35.0)	23.6	12.1	24.6
from discontinued operations	160.5	6.9	–	–	–	–	–	(1.6)	5.2	190.9
Dividends (US cents)	283.80	7.00	11.84	1.88	10.90	11.45	–	2.14	7.70	193.35
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	3,860,367	4,205,194	4,664,773	5,320,251	5,608,929	6,020,744	6,076,673	6,251,457	5,880,057	3,162,424
Right-of-use assets	–	–	–	–	–	–	–	–	–	2,830,674
Liquid assets	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	2,858,824
Assets held for sale	–	–	–	–	53,047	–	–	–	472,732	–
Liabilities directly associated with assets classified as held for sale	–	–	–	–	–	–	–	–	(141,048)	–
Other net current liabilities	(475,304)	(543,133)	(654,625)	(473,105)	(628,393)	(622,964)	(738,046)	(671,309)	(596,779)	(979,118)
Total assets	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	11,201,865
Long-term debt	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	3,342,224
Total long and short-term debt	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	3,991,089
Net debt/(liquid assets)	(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	1,132,265
Ordinary shareholders' equity	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	4,927,407
Other Financial Information										
Depreciation	255,010	242,534	235,346	302,884	323,482	315,426	400,351	428,482	385,622	409,255
Capital expenditure	345,255	744,603	784,562	999,451	848,769	796,720	478,637	618,690	412,901	387,192
Consolidated Financial Ratios/Percentages										
Debt to equity ratio	0.48	0.63	0.64	0.79	0.86	0.85	0.91	0.97	0.89	0.81
Net debt/(liquid assets) to equity ratio	(0.26)	0.06	0.12	0.25	0.28	0.32	0.42	0.43	0.41	0.23
Return on average ordinary shareholders' equity (%)	39.3	3.7	6.8	1.1	5.9	6.0	(4.7)	3.0	2.3	27.9
Accounts payable as a % of revenue	12.6	11.8	12.1	14.5	14.5	12.6	13.1	12.4	12.8	15.0
Accounts receivable as a % of revenue	7.5	7.8	8.4	8.9	8.8	8.4	9.0	9.9	9.7	9.5
Net asset value per ordinary share (US$)	8.87	6.76	7.16	7.14	7.41	7.67	7.22	7.48	7.57	7.87

Note:

(1) 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.

(2) The results of discontinued operation prior to 2017 have not been restated or reclassified.

(3) The accounting policy on HKFRS 16 "Leases" was changed in 2019 and in accordance with the transitional provision in HKFRS 16, comparative figures have not been restated.

Corporate Information

EXECUTIVE DIRECTORS

Mr. Xu Lirong *(Chairman)*
Mr. Wang Haimin
(Chief Executive Officer)
Mr. Yang Zhijian
Mr. Feng Boming

NON-EXECUTIVE DIRECTORS

Mr. Tung Lieh Cheung Andrew
Mr. Yan Jun
Ms. Wang Dan
Mr. Ip Sing Chi
Ms. Cui Hongqin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Philip Yiu Wah
Dr. Chung Shui Ming Timpson
Mr. Yang Liang Yee Philip
Ms. Chen Ying
Mr. So Gregory Kam Leung

CHIEF FINANCIAL OFFICER

Mr. Zhang Mingwen

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Stock Code: 316

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Bank of America, N.A.
Bank of China (Hong Kong) Limited
Bank of Communications Company
Limited
China Construction Bank
Corporation
China Everbright Bank
Company Limited
Citibank, N.A.
DBS Bank Limited
HSBC Holdings plc
Industrial and Commercial Bank
of China (Asia) Limited
ING Bank N.V.
MUFG Bank, Ltd
National Australia Bank
Oversea-Chinese Banking
Corporation Limited
Shanghai Pudong Development Bank
Company Limited
Société Générale
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