



SITC International Holdings Company Limited
海豐國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1308



2020

ANNUAL REPORT





Contents

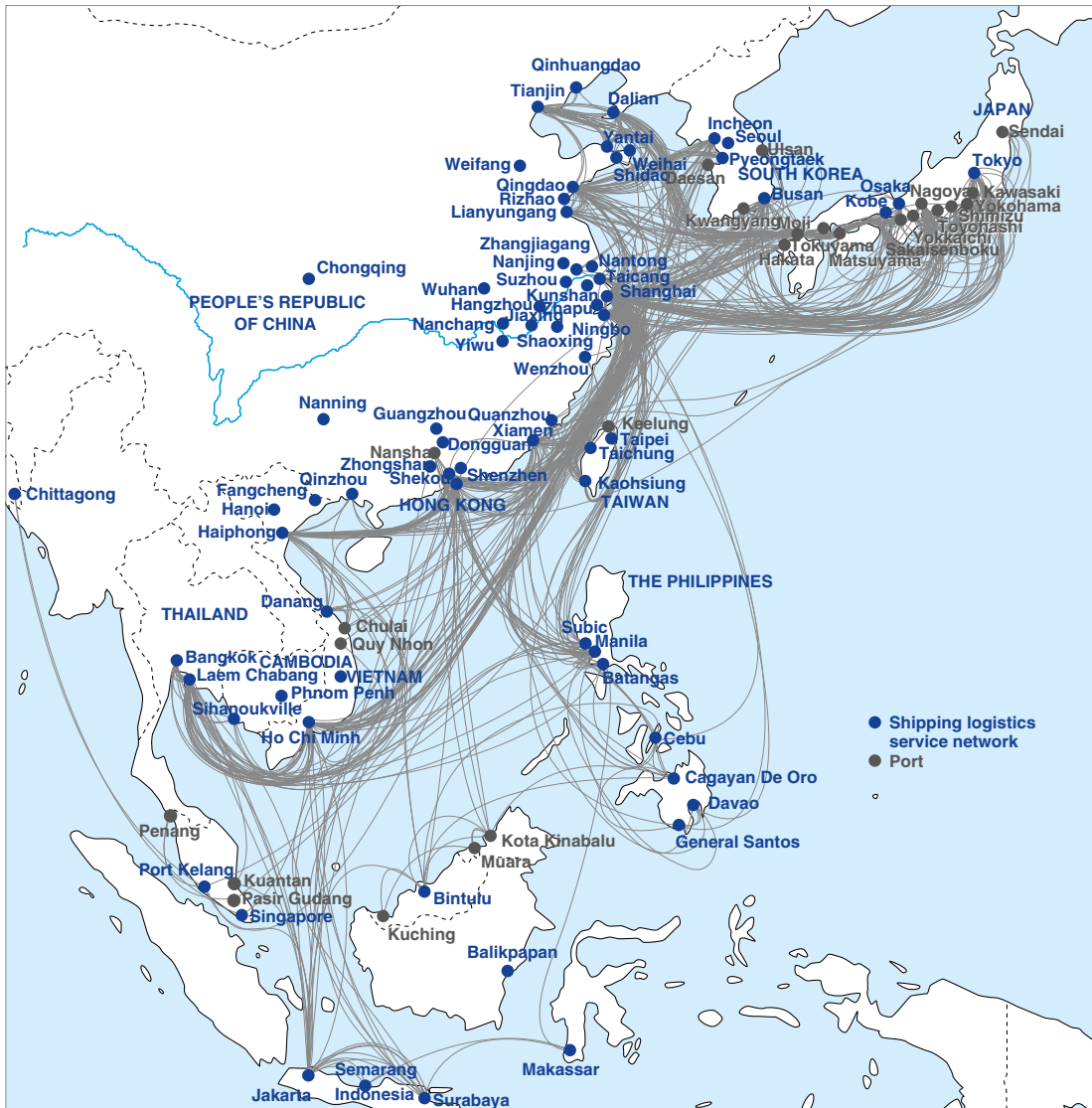
2020

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Corporate Profile

SITC International Holdings Company Limited (the “Company” or “SITC” or “we”) is an Asia’s leading shipping logistics company that provides integrated transportation and logistics solutions. As at 31 December 2020, we ranked the 18th among international container shipping companies in terms of shipping capacity. We focus exclusively on servicing the Asia trade market, which is the largest in the world and one of the fastest growing market in terms of shipping volume, according to Drewry Maritime Services (Asia) Pte Ltd, an independent industry consultant.

The following map illustrates the Asia container shipping routes (including trade lanes operated through joint services and container slot exchange arrangements) and shipping logistics service network of the Group as of 31 December 2020:



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

Corporate Information

DIRECTORS

Executive Directors

YANG Shaopeng (*Chairman*)
YANG Xianxiang (*Vice-Chairman and Chief Executive Officer*)
LIU Kecheng
XUE Mingyuan
LAI Zhiyong

Non-Executive Director

YANG Xin

Independent Non-Executive Directors

LIU Ka Ying, Rebecca
TSE Siu Ngan
HU Mantian (Mandy)

BOARD COMMITTEES

Audit Committee

LIU Ka Ying, Rebecca (*Chairman*)
TSE Siu Ngan
HU Mantian (Mandy)

Remuneration Committee

TSE Siu Ngan (*Chairman*)
YANG Xianxiang
LIU Ka Ying, Rebecca

Nomination Committee

YANG Shaopeng (*Chairman*)
TSE Siu Ngan
HU Mantian (Mandy)

Disclosure Committee

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

Sustainable Development Committee

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

Risk Management Committee

TSE Siu Ngan (*Chairman*)
YANG Xianxiang
LIU Ka Ying, Rebecca
HU Mantian (Mandy)

REGISTERED OFFICE

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

CORPORATE HEADQUARTER

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

AUTHORIZED REPRESENTATIVES

LIU Kecheng
XUE Peng

COMPANY SECRETARIES

XUE Peng (*FCS, FCIS(PE)*)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

Corporate Information

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PLACE OF LISTING

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

NAME OF STOCK

SITC International Holdings Company Limited ("**SITC**")

STOCK CODE

01308

PRINCIPAL BANKERS (by alphabetical order)

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

AUDITORS

Ernst & Young

LEGAL ADVISORS

As to Hong Kong law:

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

As to Cayman Islands law:

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

WEBSITE

www.sitc.com

Financial and Operating Highlights

		2020	2019	Change
Results				
Turnover	US\$'000	1,685,167	1,553,718	8.5%
Profit attributable to shareholders of the Company	US\$'000	351,624	219,977	59.8%
Basic earnings per share	US cents	13.22	8.29	59.5%
Profit margin	%	21.0	14.3	6.7 pt.
Net cash flows from operating activities	US\$'000	501,386	329,673	52.1%
Financial Position				
Equity attributable to shareholders of the Company	US\$'000	1,184,487	1,010,243	17.2%
Net current assets	US\$'000	305,245	122,230	149.7%
Interest bearing bank borrowings	US\$'000	428,893	282,012	52.1%
Financial Ratio				
Return on equity (note 1)	%	31.9	21.5	10.4 pt.
Return on assets (note 2)	%	18.7	13.4	5.3 pt.
Assets turnover ratio (note 3)	times	0.89	0.94	(0.05)
Gearing ratio (note 4)	%	21	18	3 pt.
Operating Statistics				
Number of container vessels operated as at year end	vessels	90	82	8
Container shipping volume - Container shipping and supporting logistics	TEU	2,614,203	2,483,278	130,925

Note 1

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

Note 2

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

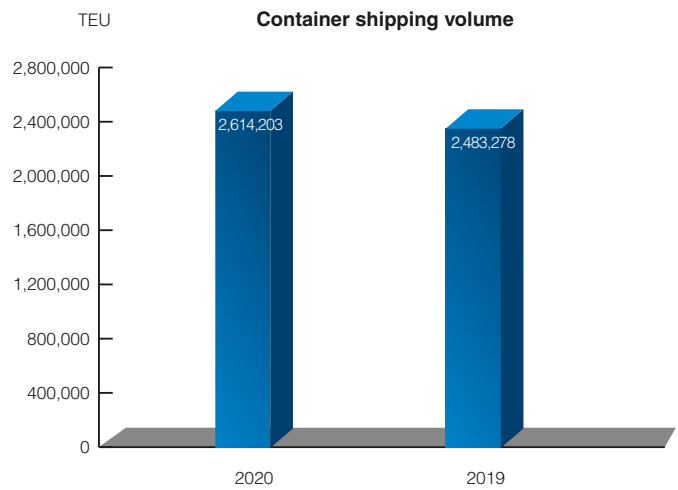
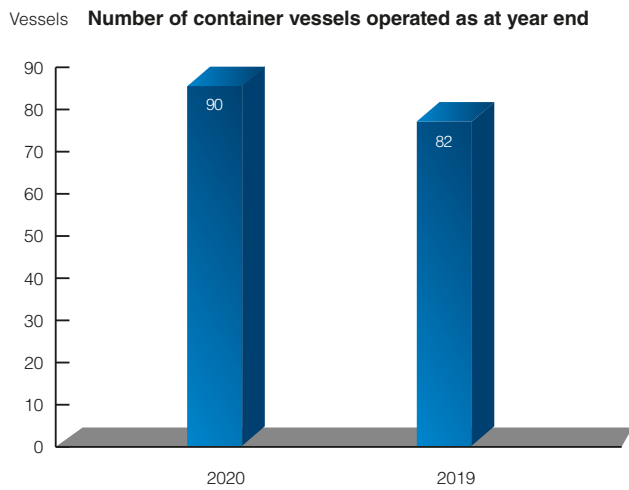
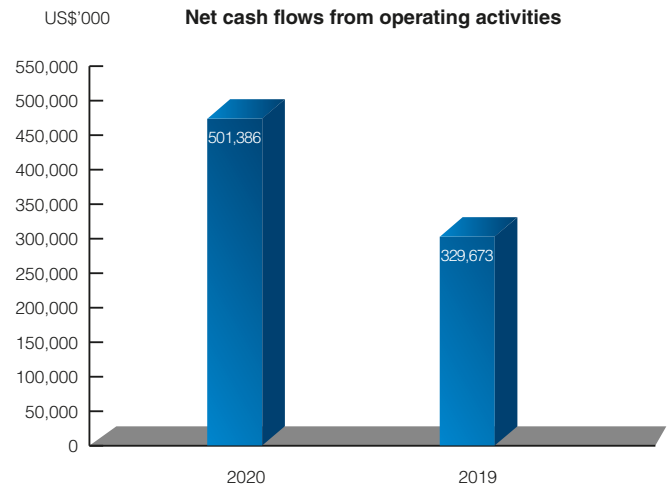
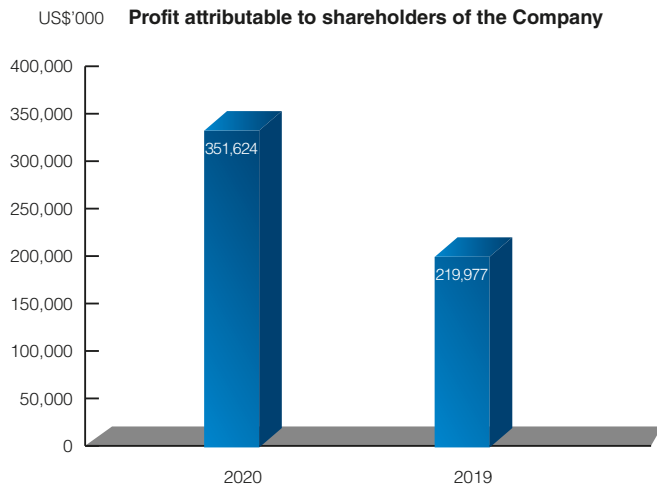
Note 3

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

Note 4

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

Financial and Operating Highlights



■ Container shipping and supporting logistics

Major Milestones in 2020

On 19 January 2020, our vessel "SITC SURABAYA" successfully rescued 10 Burmese crew members of the ship "LIAN FENG18" in distress amid difficulties such as strong winds and high waves and severe cold weather in the waters of Zhangzhou, Fujian Province, under the command of the Maritime Safety Administration, as well as the joint efforts of the Company and all the crew members.

On 22 January 2020, SITC-DINHVI Logistics Co., Ltd. received the official letter 153/QD-TCHQ issued by the General Administration of Customs of Vietnam and obtained the "Bonded Warehouse Qualification". Obtaining the bonded warehouse qualification of Vietnam Customs indicates that SITC-DINHVI possesses all the customs qualifications including CFS Customs Supervised Warehouse, Bonded Warehouse and Centralized Customs Clearance.

On 27 January 2020, in order to support Wuhan's fight against the new pneumonia and pay tribute to all the doctors and nurses on the front line of pandemic prevention and control, SITC Line Wuhan, entrusted by SITC, donated RMB1 million to Wuhan Charity Federation.

On 27 January 2020, Jiangxi 3L Medical Products Group Co., Ltd. urgently imported 5,585,000 medical masks for infection prevention and control against the novel coronavirus pneumonia in Jiangxi Province, and planned to tranship the masks to Jiangxi via Shanghai. Upon receiving the shipment booking, SITC immediately arranged the shipping vessel, at the same time temporarily adjusted the berthing order of that vessel, and instructed the captain to drive in full speed to ensure the fastest arrival at Shanghai Port and berth at Waigaoqiao Terminal Phase I as early as possible. Through multi-party linkage, the delivery was completed 7 days ahead of the conventional path.

On 29 January 2020, China Social Welfare Foundation purchased 300,000 KF94 masks from overseas. As the carrier, SITC required all departments to do their best to ensure that the masks were delivered to the consignees as soon as possible in addition to waiving all transportation costs. On 1 February, the day of vessel arrival, such anti-pandemic materials were delivered to the customer smoothly, realizing "zero waiting time".

On 10 March 2020, M/V "SITC CAGAYAN" was successfully delivered to SITC from Yangzijiang Shipbuilding.

On 10 March 2020, the Qinghai international intermodal train, which was carried by SITC, first launched of 2020. The Qinghai International Intermodal Train with railway containers smoothly departed from Chongqing Central Railway Station, marking the realization of normalized operation of the international intermodal train for China's West-Bound Passage by the world's largest circular economy.

On 17 March 2020, M/V "SITC MAKASSAR" was successfully delivered to SITC from Yangzijiang Shipbuilding.

From 13 to 14 April 2020, SITC Shipping Management (Shanghai) Co., Ltd. successfully passed the DOC annual audit of CCS.

On 3 May 2020, the maiden voyage ceremony of SITC Southeast Asia – Qingdao Cold Chain Express was successfully held at Shandong Port Qingdao Qianwan Container Terminal. This new route would replace the former railway transportation from Vietnam to China and take only 5-day-waterway to transport quality fruits to Qingdao. It has therefore provided a low-cost and highly efficient thoroughfare for cold chain logistics.

On 19 May 2020, a total of 7 delegates of SITC and the poverty alleviation working group of Shanghai immigration Waigaoqiao station went to Longfen village, Fulu Miao nationality town, Sanjiang county, Guangxi province to carry out a series of poverty alleviation activities. This time, the Company donated computers, bookcases and daily articles for teachers to assist in building a "dream classroom" for the primary school, which helped both teachers and students study in a modern and heart-warming environment, and enabled children living in rural areas to showcase their characteristics, build up their confidence and chase their dreams.

On 11 June 2020, SITC and Tianjin Port Group entered into a Strategic Cooperation Framework Agreement of Port and Shipping.

On 12 June 2020, M/V "SITC KEELUNG" for the direct lane of Tianjin-Hochiminh-Bintulu-Quy Nhon made a maiden voyage. The new lane was jointly developed by SITC International Holdings and Tianjin Port Group to serve Southeast Asian regions. Being the container line of the "One Belt One Road" project, it will promote economic and trade cooperation between Beijing-Tianjin-Hebei region and vast inland area and the ASEAN.

Major Milestones in 2020

On 12 June 2020, delegates of SITC went to New Tianjin Steel Group for an exchange. Both parties conducted an in-depth exchange over logistics supply chain and other areas of cooperation in the hope of deepening the relationship, strengthening cooperation and achieving win-win development for both parties through the exchange.

On 28 June 2020, Mr. Lu Jing, president of Shanghai Maritime University led a group to visit Zhangjiang Office Building of SITC Shanghai for an exchange.

In July 2020, SITC Line Japan delivered pandemic prevention supplies including disposable face masks for UNIQLO for free during the pandemic.

On 2 July 2020, SITC Logistics Jakarta Depot in Indonesia began operation smoothly. The operation of the Jakarta Depot marked the smooth landing of SITC's sea-land integrated comprehensive supply chain service model in Indonesia. With the continuous development of the business, this model will be promoted at all major ports in Indonesia once opportunity comes.

On 11 July 2020, "2020 China Navigation Day Forum" titled "Join Hands to Facilitate International Logistics" was held in Shanghai. Mr. Yang Xianxiang, Vice Chairman of the Board and Chief Executive Officer of SITC was invited to attend the forum and participate in the high quality dialogue session as a guest speaker.

On 31 July 2020, "2020 Import Consumer Goods Conference" was successfully held in Qingdao, during which Shandong Port Group and SITC entered into a strategic cooperation agreement.

On 2 August 2020, a South African company of SITC Logistics officially started the operation of an integrated logistics center with an area of more than 22,000 square meters in Johannesburg, South Africa, providing one-stop integrated services of logistics, warehousing and distribution for internationally renowned brand customers such as Hisense and Toshiba.

On 12 August 2020, M/V "SITC NANSHA" was successfully delivered to SITC from Yangzijiang Shipbuilding.

On 12 August 2020, Mr. Yang Shaopeng, Chairman of the Board of SITC led a group to Haikou for a visit to Mr. Wu Hui, secretary to the Party Committee and director-general of Hainan Maritime Safety Administration, and E Hailiang, member of the Party Committee and deputy director of Hainan Maritime Safety Administration, and engaged in an in-depth discussion with Mr. Lu Min, secretary to the Working Committee and supervisor of the Management Committee of Haikou Integrated Free Trade Zone.

On 14 August 2020, SITC Container Lines made a maiden voyage from the Kuantan Port. It also realized the full coverage of SITC Container Lines in ports of Malaysia.

On 17 August 2020, the Signing Ceremony of the tripartite joint construction of the "Port, Carrier and Pilot" specialized lane was held by Shanghai East Container Terminal, Shanghai Pilot Station and SITC Container Lines in the conference room of Shanghai East Container Terminal.

On 25 August 2020, as hosted by the CPC Hainan Provincial Committee, the Hainan Free Trade Port Key Zones and Entrepreneurs Conference was held in Haikou, in which Mr. Yang Shaopeng, Chairman of the Board of SITC, was invited to attend the conference as the representative of entrepreneurs.

On 26 August 2020, the launching ceremony for the "Bulk change to Container Transportation Mode" cooperation project was held by SITC together with Xiamen International Port and customers at Xiamen Haitian Terminal. By utilizing its patent product "COWIN Coiled Steel Container", SITC's "SITC COWIN SUPPLY CHAIN LIMITED COMPANY" provides tailor-made transportation solution for coiled steel cargo exported to Southeast Asia and South Korea. Through a switch of mode from bulk cargo transportation to container transportation for coiled steel, cargo damage and transportation costs were reduced significantly and achieved lower cost with higher efficiency.

On 30 August 2020, SITC and Yangzijiang Shipbuilding entered into new shipbuilding contracts for six 1800 TEU container vessels and option agreements for six vessels.

From 22 to 24 September 2020, SITC and Shanghai Immigration Inspection Station of National Immigration Administration went to Sanjiang County of Guangxi Province to carry out a series of poverty alleviation and assistance activities for the "Employment +" programme.

On 23 September 2020, the commencement ceremony of the Third Class of SITC Mini-MBA was successfully held at Shanghai Maritime University.

On 29 September 2020, Mr. Yang Shaopeng, Chairman of the Board of SITC, was invited to join the "Sharing New Free Trade Port Opportunities" Focus Forum in the 2020 China Green Company Annual Conference.

On 29 September 2020, the opening ceremony of SITC Shipping (Hainan) Co., Ltd. was held.

On 6 October 2020, the 3rd SITC Gobi Expedition was started.

On 27 October, M/V "SITC PORT KLANG" was successfully delivered to SITC from Yangzijiang Shipbuilding.

In October 2020, the Board of SITC recognised the strategy of digital transformation and engaged experts with extensive digital background to be independent directors of the Company.

On 28 November 2020, "SITC Global Shipping Logistics Center" was established in Qingdao. A strategic cooperation framework agreement was duly signed by SITC and Qingdao Free Trade Zone Management Committee. Mr. Wang Qingxian, the secretary of Qingdao Municipal Party Committee, presented the letter of appointment for the Qingdao Free Trade Zone Shipping Logistics Industry Development Consultant to Mr. Yang Shaopeng, Chairman of the Board of SITC.

On 30 November 2020, SITC and Yangzijiang Shipbuilding entered into new shipbuilding contracts for one 2700 TEU container vessels and four 2400 TEU container vessels, and announced to exercise the options of two 1800 TEU vessels.

On 3 December 2020, the 17th China Freight Industry Awards Ceremony was held in Qingdao. At the China Freight Industry Awards Ceremony, SITC was awarded as the "Leading Enterprise in Port and Shipping Logistics Industry", the "Top 10 Enterprise Comprehensive Service of Container Liner", the "China's Freight Forwarding Brand Top 50", the "Best Window Service Container Liner", the "Best Quality of Service NVOCC", the "Best Practices for Container Liner" and the "Best multi-modal Transport Service Innovation Enterprise".

Candidates for the Hero in Harm's Way in Port and Shipping Logistics Industry: Mr. Luo Sun, the Most Honorable Crew Member, Mr. Zhong Xiaodong, the Most Honorable Freight Forwarding and Logistics Agent, Mr. Zhang Qin, the Most Honorable Shipping Agent. Mr. Luo Sun, the Most Honorable Crew Member, was awarded the title of Top 10 Loving Hearts in Society of Port and Shipping Logistics Industry.

Mr. Yang Shaopeng, Chairman of the Board of SITC, Mr. Yang Xianxiang, Vice-Chairman of the Board and Chief Executive Officer of SITC and Mr. Xue Mingyuan, the President of SITC Shipping Group, were among the list of "2020 Celebrity for China's Shipping Industry" respectively.

On 5 December 2020, SITC held the release ceremony of "The 30th Anniversary Logo of SITC" in Shanghai.

On 8 December 2020, in recognition of the outstanding performance of Hong Kong flag-registered ships in various aspects in 2019, the Marine Department of Hong Kong held an award ceremony in which SITC Shipping Management (Shanghai) Co., Ltd. was awarded "Outstanding Performance in Welcome Inspection" award by the Marine Department of Hong Kong for its excellent performance of 87.1% of the annual PSC defect-free rate.

On 19 December 2020, M/V "SITC PENANG" was successfully delivered to SITC from Yangzijiang Shipbuilding.

On 19 December 2020, SITC and Yangzijiang Shipbuilding entered into new shipbuilding contracts for six 2600 TEU container vessels and option agreements for four vessels.

On 10 December 2020, the first batch of "land-sea corridor" sea-rail intermodal railway containers were loaded from the Tianjin Port and set sails smoothly under the joint efforts of SITC Line Tianjin and SITC Intermodal Transportation.

On 23 December 2020, the Graduation Ceremony of the Third Session of SITC Mini-MBA Shipping Management Oriented Training Course was successfully held at Shanghai Maritime University.

Chairman's Statement

SITC will continue to optimize its unique business model, expand its service network in Asia, provide its customers with sophisticated services through construction of comprehensive logistics facilities and tailor-made logistics solutions, and work for the objective of becoming the first choice of customers. At the same time, the Group will optimize its own fleet structure by capturing the supply-demand relationship and price dynamics of the vessel market, so as to keep pace with the development of the business and secure a long-term cost-competitive position. With the continuous enhancement on the Group's organization process and digitalized operation capacity to improve its the operational efficiency, the Company will strive for the goal in becoming a world-class integrated logistics service solutions provider.



Dear Shareholders,

On behalf of the Board (the “**Board**”) of Directors (the “**Directors**”) of SITC International Holdings Company Limited (“**SITC**” or the “**Company**”, together with its subsidiaries referred to as the “**Group**”), I hereby present to you the Group’s annual results for the year ended 31 December 2020.

During the year ended 31 December 2020, the global economy and trade environment have been affected by the COVID-19 pandemic with various travel restrictions and social distancing measures, resulting in a slowdown in the Chinese economy in the first half of 2020. With the spread of the COVID-19 being contained in PRC, the Chinese economy has seen a gradual recovery since the second half of 2020.

SITC is a leading shipping logistics company dedicated to serving the intra-Asia trade market. The Group leverages on the comprehensive coverage of its shipping and logistics supply chain, unique business model, high quality customer base and its high-density, high frequency container shipping route and logistics network covering major ports in Asia to derive full benefits of the growth in the trade and economies of China and other Asian countries. Despite the COVID-19 pandemic, the Group’s operation still performed well during the year under review, with turnover reaching approximately US\$1,685.2 million, representing an increase of approximately 8.5% as compared with 2019. Meanwhile, gross profit reached approximately US\$445.0 million, representing an increase of approximately 49.2% as compared with 2019. Profit before income tax amounted to approximately US\$365.0 million, representing an increase of approximately 58.4% from 2019. Profit attributable to owners of the parent amounted to approximately US\$351.6 million and earnings per share was approximately US13.22 cents. For the year ended 31 December 2020, the Board resolved to recommend the payment of a final dividend of HK60 cents per share.

Over the past years, SITC continued to record significant increase in container shipping volume and outperform many of our peers by actively capitalizing on the intra-Asia economic development. The total container shipping volume for the year increased by approximately 5.3% to 2,614,203 TEUs, with average freight rate of US\$545.1/TEU (excluding slot exchange fee rate), up 1.6% year on year. SITC maintained stable growth in intra-Asia shipping market share in 2020.

The Group leveraged on its strong operating cash flow to expand its operations amidst the unfavorable industrial trend, and pursued development opportunities at low costs. SITC has actively pursued expansion of its fleet. In 2020, a total of 6 new vessels and 2 secondhand vessels were delivered. Our total fleet capacity at the

end of 2020 reached 129,652 TEU. The Group considers that the new vessel orders placed at a time of low vessel price help the Group expand its self-owned fleet and secure a long-term cost advantage for SITC. As at 31 December 2020, the Group had 64 self-owned container vessels and 26 chartered container vessels. Meanwhile, the Group owned 6 dry bulk vessels with a gross tonnage of 439,039 DWT.

In respect of container shipping and logistics business, the Group continued to implement various extension and upgrade to certain container shipping route services networks. As of 31 December 2020, the Group operated 72 trade lanes, including 10 trade lanes through joint services and 28 trade lanes through container slot exchange arrangements. In addition, the Group actively developed the land-based third party logistics businesses and operated (including through joint ventures) approximately 1,190,000 m² of depot and 74,000 m² of warehousing space.

While the global shipping industry is expected to face various difficulties and challenges in 2021, the Group’s management remains confident about the business environment in intra-Asia logistics market in the year of 2021. SITC will continue to optimize its unique business model, expand its service network in Asia, provide its customers with sophisticated services through construction of comprehensive logistics facilities and tailor-made logistics solutions, and work for the objective of becoming the first choice of customers. At the same time, the Group will optimize its own fleet structure by capturing the supply-demand relationship and price dynamics of the vessel market, so as to keep pace with the development of the business and secure a long-term cost-competitive position. With the continuous enhancement on the Group’s organization process and digitalized operation capacity to improve its the operational efficiency, the Company will strive for the goal in becoming a world-class integrated logistics service solutions provider.

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

YANG Shaopeng

Chairman

22 March 2021

Management Discussion and Analysis

OVERVIEW

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

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

Business Review

(i) Container shipping and logistics business

During the year ended 31 December 2020, the Group's container shipping and logistics business continued to provide container transportation and integrated logistics services that focused exclusively on the Asia market, as the Group believes that the Asia market will continue to experience stable and healthy growth.

As of 31 December 2020, the Group operated 72 trade lanes, including 10 trade lanes through joint services and 28 trade lanes through container slot exchange arrangements. These trade lanes and land-based integrated logistics business network covered 73 major ports and cities in the Mainland China, Japan, Korea, Taiwan, Hong Kong, Vietnam, Thailand, the Philippines, Cambodia, Indonesia, Singapore, Malaysia, Brunei and Bangladesh. As of 31 December 2020, the Group operated a fleet of 90 vessels with a total capacity of 129,652 TEU, comprised of 64 self-owned (94,475 TEU) and 26 chartered vessels (35,177 TEU), with an average age of 10.6 years. In addition, the Group also operated (including through joint ventures) approximately 1,190,000 m² of depot and 74,000 m² of warehousing space.

Revenue generated by the Group's container shipping and logistics business for the year ended 31 December 2020 increased by approximately 8.9% from US\$1,527.3 million for the year ended 31 December 2019 to US\$1,662.8 million for the year ended 31 December 2020. The increase was a result of a combined effect, from container shipping and supporting logistics business, where (i) container shipping volume achieved an increase of 5.3% growth from 2,483,278 TEUs in 2019 to 2,614,203 TEUs in 2020 and (ii) average freight rate (excluding slot exchange fee income) increased by approximately 1.6% from US\$536.6/TEU in 2019 to US\$545.1/TEU in 2020.

(ii) Dry bulk and others business

During the year ended 31 December 2020, the Group's dry bulk and others business focused on the provision of dry bulk vessel leasing, land leasing and air freight forwarding services. As at 31 December 2020, the Group had 6 dry bulk vessels with a total tonnage of 439,039 tons and an average age of 8.1 years.

Revenue generated from dry bulk and others business decreased by approximately 15.5% from US\$26.4 million for the year ended 31 December 2019 to US\$22.3 million for the year ended 31 December 2020. The decrease was primarily attributable to the decrease in the average daily charter rate of dry bulk vessels.

With continuous business expansion, the Group will continue to optimize its unique high-density, high frequency and sea-land integrated business model and provide its customers with sophisticated services through construction of comprehensive logistics facilities and tailor-made logistics solutions. At the same time, the Group will optimize its own fleet structure by capturing vessel price dynamics, so as to keep pace with the development of the business and develop a long-term cost-competitive position. With the continuous enhancement on the Group's organization process and digitalized operation capacity to improve its the operational efficiency, the Company will strive for the goal in becoming a world-class integrated logistics service solutions provider.

Market Review

For the year ended 31 December 2020, COVID-19 pandemic has had serious impact on the global economy, consumer activities and supply chain. With the full recovery of China's production in the second half of the year, the marine trade and container shipping freight market has picked up steadily. The Shanghai Containerized Freight Index (SCFI) has rebounded since hitting the bottom in late April, surging by 178% in the second half of 2020 and showing a general increase in freight rates of all global routes in the fourth quarter. The chartering market began to recover gradually in mid June and achieved significant growth. By the end of 2020, the chartering rate index increased by 128% compared with the end of June; The price index of container vessels and second-hand vessels also demonstrated a trend of surging after a decline. In December, the price index of container vessels and second-hand vessels increased by 14% compared with the end of the first half of the year. Through the strategy of expanding amidst the unfavorable trend, the Company continued to maintain a stable growth of its performance and increased new vessel orders as appropriate, laying a solid foundation for future development.

Looking forward, the Regional Comprehensive Economic Partnership (RCEP) comprised of 15 countries will stimulate regional trade, especially for the companies serving the shipping and logistics within Asia. The International Monetary Fund (IMF) predicts that the Asian economy could increase by 6.9% in 2021. In addition, the lack of new orders and delivery of small vessels in recent years, as well as the environmental protection target of zero carbon emission in global shipping industry in 2050 and a set of core rules implemented by the International Maritime Organization (IMO) have accelerated the scrapping of old vessels, which also suppressed the growth of container shipping capacity. The above factors will maintain the supply and demand balance of container shipping logistics in Asia. The Company will continue to pay close attention to the COVID-19 pandemic and the changes in various economies around the world, and will seize the opportunity to implement business expansion plan continuously and prudently.

Management Discussion and Analysis

Financial Overview

	Year ended 31 December							
	2020		2019		2020		2019	
	Container shipping and logistics		Dry bulk and others		Total			
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	1,662,839	1,527,346	22,328	26,372	1,685,167		1,553,718	
Cost of sales	(1,221,812)	(1,238,096)	(18,324)	(17,470)	(1,240,136)		(1,255,566)	
Gross profit	441,027	289,250	4,004	8,902	445,031		298,152	
Other income and gains (excluding bank interest income, other investment income and fair value gain on a financial asset)	12,585	8,237	8	–	12,593		8,237	
Administrative expenses	(96,839)	(80,101)	(131)	(145)	(96,970)		(80,246)	
Share of profits and losses of:								
Joint ventures	9,827	8,975	36	(390)	9,863		8,585	
Associates	145	442	–	–	145		442	
Other expenses and losses	(2,230)	(4,344)	(222)	–	(2,452)		(4,344)	
Segment results	364,515	222,459	3,695	8,367	368,210		230,826	
Finance costs					(13,531)		(14,482)	
Bank interest income, other investment income and fair value gain on a financial asset					10,318		14,169	
Profit before tax					364,997		230,513	
Income tax					(11,309)		(8,998)	
Profit for the year					353,688		221,515	
Profit attributable to:								
Owners of the parents					351,624		219,997	
Non-controlling interests					2,064		1,538	
					353,688		221,515	

Revenue

The Group's total revenue increased by approximately 8.5% from approximately US\$1,553.7 million for the year ended 31 December 2019 to approximately US\$1,685.2 million for the year ended 31 December 2020. The increase was primarily attributable to the increase from container shipping and supporting logistics business in both average freight rate and container shipping volume.

Cost of Sales

The Group's cost of sales decreased by approximately 1.2% from approximately US\$1,255.6 million for the year ended 31 December 2019 to approximately US\$1,240.1 million for the year ended 31 December 2020. The decrease was primarily attributable to the decrease in bunker costs for the container shipping and supporting logistics business.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased from approximately US\$298.2 million for the year ended 31 December 2019 to approximately US\$445.0 million for the year ended 31 December 2020. The Group's gross profit margin increased from approximately 19.2% for the year ended 31 December 2019 to approximately 26.4% for the year ended 31 December 2020.

Other Income and Gains (excluding bank interest income, other investment income and fair value gain on a financial asset)

For the year ended 31 December 2020, other income and gains (excluding bank interest income, other investment income and fair value gain on a financial asset) increased by approximately US\$4.4 million from approximately US\$8.2 million for the year ended 31 December 2019 to approximately US\$12.6 million for the year ended 31 December 2020. The increase for the year ended 31 December 2020 was a result of a combined effect, reflecting (i) the increase of fair value gains on derivative instruments in the amount of approximately US\$2.5 million; and (ii) a year-on-year increase of approximately US\$2.3 million for government subsidies.

Administrative Expenses

The Group's administrative expenses increased from approximately US\$80.2 million for the year ended 31 December 2019 to approximately US\$97.0 million for the year ended 31 December 2020, representing an increase of approximately 20.9%. The increase was primarily attributable to the overall increase in staff cost.

Share of Profits and Losses of Joint Ventures

The Group's share of profits and losses of joint ventures increased by approximately 15.1% from approximately US\$8.6 million in 2019 to approximately US\$9.9 million in 2020. The increase was mainly attributable to the increase in the profits from part of the jointly controlled depots.

Share of Profits and Losses of Associates

The Group's share of profits and losses of associates was US\$0.1 million and US\$0.4 million for 2020 and 2019, respectively. There was no material change in the amount.

Other Expenses and Losses

The Group's other expenses and losses were approximately US\$2.5 million and US\$4.3 million for the year ended 31 December 2020 and 2019, respectively. The decrease was mainly attributable to a year-on-year decrease of approximately US\$2.0 million in the hedging losses arising from realization of Japanese Yen.

Finance Costs

The Group's finance costs decreased from approximately US\$14.5 million for the year ended 31 December 2019 to approximately US\$13.5 million for the year ended 31 December 2020. The decrease was mainly attributable to the decrease in borrowing interest rate.

Management Discussion and Analysis

Bank Interest Income, Other Investment Income and Fair Value Gain on a Financial Asset

The Group's amount of bank interest income, other investment income and fair value gain on a financial asset was approximately US\$10.3 million and US\$14.2 million for the year ended 31 December 2020 and 2019, respectively. The decrease was mainly attributable to the decrease in average deposit interest rate.

Profit before Tax

As a result of the foregoing, the Group's profit before tax increased from approximately US\$230.5 million for the year ended 31 December 2019 to approximately US\$365.0 million for the year ended 31 December 2020.

Income Tax Expenses

The Group's income tax expense was approximately US\$11.3 million and US\$9.0 million for the year ended 31 December 2020 and 2019, respectively. The increase was primarily attributable to the increase in taxable profit of the Group.

Profit for the Year

The Group's profit for the year ended 31 December 2020 was approximately US\$353.7 million, representing an increase of approximately 59.7% as compared to the profit of approximately US\$221.5 million for the year ended 31 December 2019.

CONTAINER SHIPPING AND LOGISTICS

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

	Year ended 31 December			
	2020		2019	
	Amount (US\$'000)	% of segment revenue	Amount (US\$'000)	% of segment revenue
Income Statement Data				
Segment Revenue	1,662,839	100%	1,527,346	100%
Container shipping and supporting logistics income	1,490,285	89.6%	1,390,352	91.0%
Other container logistics income	172,554	10.4%	136,994	9.0%
Cost of Sales	(1,221,812)	(73.5%)	(1,238,096)	(81.1%)
Equipment and cargos transportation costs	(660,306)	(39.7%)	(680,825)	(44.6%)
Voyage costs	(241,647)	(14.5%)	(275,558)	(18.0%)
Container shipping vessels cost	(175,302)	(10.5%)	(166,093)	(10.9%)
Other container logistics costs	(144,557)	(8.7%)	(115,620)	(7.6%)
Gross Profit	441,027	26.5%	289,250	18.9%
Other income and gains (excluding bank interest income, other investment income and fair value gain on a financial asset)	12,585	0.8%	8,237	0.5%
Administrative expenses	(96,839)	(5.8%)	(80,101)	(5.2%)
Other expenses and losses	(2,230)	(0.1%)	(4,344)	(0.3%)
Share of profits and losses of:				
Joint ventures	9,827	0.6%	8,975	0.6%
Associates	145	0.1%	442	0.1%
Segment Results	364,515	21.9%	222,459	14.6%

Segment Results

The following table sets forth the number of trade lanes of the Group port calls per week and the average freight rates for the years ended 31 December 2019 and 2020:

Year ended 31 December		As of 31 December			
2020	2019	2020	2019	2020	2019
Aggregate freight rate (US\$ per TEU, excluding slot exchange fee rate)		Number of trade lanes		Port calls per week	
545.1	536.6	72	68	438	408

Revenue

Revenue of the Group's container shipping and logistics segment increased by approximately 8.9% from approximately US\$1,527.3 million for the year ended 31 December 2019 to approximately US\$1,662.8 million for the year ended 31 December 2020. The increase was a result of a combined effect, from container shipping and supporting logistics business, where (i) container shipping volume achieved an increase of 5.3% growth from 2,483,278 TEUs in 2019 to 2,614,203 TEUs in 2020; and (ii) average freight rate (excluding slot exchange fee income) increased by approximately 1.6% from US\$536.6/TEU in 2019 to US\$545.1/TEU in 2020.

Cost of Sales

The cost of sales of the Group's container shipping and logistics business decreased by approximately 1.3% from approximately US\$1,238.1 million for the year ended 31 December 2019 to approximately US\$1,221.8 million for year ended 31 December 2020. Such decrease was primarily attributable to the decrease in bunker cost.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Company recorded gross profit of approximately US\$441.0 million in its container shipping and logistics business for the year ended 31 December 2020, representing an increase of approximately 52.4% as compared to approximately US\$289.3 million for the year ended 31 December 2019. The gross profit margin of the Group's container shipping and logistics business increased from approximately 18.9% for the year ended 31 December 2019 to approximately 26.5% for the year ended 31 December 2020.

Other Income and Gains (excluding bank interest income, other investment income and fair value gain on a financial asset)

For the year ended 31 December 2020, the other income and gains (excluding bank interest income, other investment income and fair value gain on a financial asset) increased to approximately US\$12.6 million from approximately US\$8.2 million for the year ended 31 December 2019. The increase for the year ended 31 December 2020 was a result of a combined effect, reflecting (i) the increase of fair value gains on derivative instruments approximately US\$2.5 million; and (ii) a year-on-year increase of approximately US\$2.3 million for government subsidies.

Administrative Expenses

Administrative expenses of the Group's container shipping and logistics business increased by approximately 20.8% from approximately US\$80.1 million for the year ended 31 December 2019 to approximately US\$96.8 million for the year ended 31 December 2020. The change in the amount was mainly attributable to the overall increase in staff cost.

Share of Profits and Losses of Joint Ventures

The Group's container shipping and logistics business's share of profits and losses of joint ventures increased by approximately 8.9% from approximately US\$9.0 million in 2019 to approximately US\$9.8 million in 2020. The change in the amount was mainly attributable to the increase in the profits from part of the jointly controlled depots.

Management Discussion and Analysis

Share of Profits and Losses of Associates

The Group's container shipping and logistics business' share of profits and losses of associates was approximately US\$0.1 million and US\$0.4 million for 2020 and 2019, respectively. There was no material change in the amount.

Other Expenses and Losses

Other expenses and losses for the Group's container shipping and logistics business decreased from approximately US\$4.3 million for the year ended 31 December 2019 to approximately US\$2.2 million for the year ended 31 December 2020. It was mainly attributable to a year-on-year decrease of approximately US\$2.0 million in the hedging losses arising from realization of Japanese Yen.

Dry Bulk and Others

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

	Year ended 31 December			
	2020		2019	
	Amount (US\$'000)	% of segment revenue	Amount (US\$'000)	% of segment revenue
Income Statement Data				
Segment Revenue	22,328	100%	26,372	100%
Dry bulk business	20,782	93.1%	24,885	94.4%
Other business	1,546	6.9%	1,487	5.6%
Cost of Sales	(18,324)	(82.1%)	(17,470)	(66.3%)
Dry bulk business	(17,586)	(78.8%)	(16,738)	(63.5%)
Other business	(738)	(3.3%)	(732)	(2.8%)
Gross Profit	4,004	17.9%	8,902	33.8%
Other income and gains (excluding bank interest income and other investment income)	8	—	—	—
Administrative expenses	(131)	(0.6%)	(145)	(0.5%)
Other expenses and losses	(222)	(1.0%)	—	—
Share of profits and losses of joint ventures	36	0.2%	(390)	(1.5%)
Segment Results	3,695	16.5%	8,367	31.7%

Revenue

The revenue of the Group's dry bulk and others business decreased by approximately 15.5% from approximately US\$26.4 million for the year ended 31 December 2019 to approximately US\$22.3 million for year ended 31 December 2020. This decrease was mainly attributable to the segment's revenue from its dry bulk business decreased by approximately 16.5% from approximately US\$24.9 million for the year ended 31 December 2019 to approximately US\$20.8 million for the year ended 31 December 2020, which primarily reflected the decrease in the average daily charter rate of dry bulk vessels.

Cost of Sales

The cost of sales of the Group's dry bulk and others business increased by approximately 4.6% from approximately US\$17.5 million for the year ended 31 December 2019 to approximately US\$18.3 million for the year ended 31 December 2020. The increase was mainly attributable to the increase in cost of sales for the dry bulk business by approximately 5.4% from approximately US\$16.7 million for the year ended 31 December 2019 to approximately US\$17.6 million for year ended 31 December 2020, primarily reflecting an increase in the Group's operating costs of dry bulk vessels.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit of the Group's dry bulk and others business decreased by approximately 55.1% from approximately US\$8.9 million for the year ended 31 December 2019 to approximately US\$4.0 million for the year ended 31 December 2020. The gross profit margin of the Group's dry bulk and others business decreased from approximately 33.8% for the year ended 31 December 2019 to approximately 17.9% for the year ended 31 December 2020.

Administrative Expenses

Administrative expenses of the Group's dry bulk and others business was approximately US\$0.1 million for both the year ended 31 December 2020 and 2019. There was no material change in the amount.

Share of Profits and Losses of Joint Ventures

The Group's dry bulk and other business's share of profits and losses of joint ventures translated from a loss of approximately US\$0.4 million for the year ended 31 December 2019 to a profit of approximately US\$0.1 million for the corresponding period in 2020, which was mainly due to the deregistration process of a joint controlled airfreight forwarding enterprise.

Segment Results

As a result of the foregoing, the segment results of the Group's dry bulk logistics and others business decreased by approximately 56.0% from approximately US\$8.4 million for the year ended 31 December 2019 to approximately US\$3.7 million for the year ended 31 December 2020.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Total assets of the Group increased by approximately 16.7% from approximately US\$1,749.5 million as at 31 December 2019 to approximately US\$2,040.8 million as at 31 December 2020. As at 31 December 2020, the Group had cash and cash equivalents amounting to approximately US\$518.7 million, mainly denominated in US dollar, Renminbi, Japanese Yen and other currencies.

Total liabilities of the Group increased by approximately 15.8% from approximately US\$730.0 million as at 31 December 2019 to approximately US\$845.5 million as at 31 December 2020. At 31 December 2020, the Group had secured interest-bearing bank loans of approximately US\$428.9 million. The maturity profile is spread over a period, with approximately US\$75.8 million repayable within one year or on demand, approximately US\$75.4 million within the second year, approximately US\$159.7 million within third to fifth years and approximately US\$118.0 million beyond five years.

Management Discussion and Analysis

Further, the Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. As at 31 December 2020, the Group hedged approximately 13% (31 December 2019: 11%) of its foreign currency sales for which firm commitments existed at the end of the reporting period.

As at 31 December 2020, the Group had current ratio (being the current assets divided by the current liabilities) of approximately 1.8 compared to that of 1.3 as at 31 December 2019. The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain a healthy gearing ratio. Net debt includes bank borrowings, lease liabilities, trade and other payables and accruals, less cash and cash equivalents. Adjusted capital includes equity attributable to owners of the parent less the hedging reserve. The Group's gearing ratio was 18% and 21% as at 31 December 2019 and 31 December 2020, respectively.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no significant contingent liabilities.

CHARGE ON ASSETS

As at 31 December 2020, the Group's bank loans were secured by mortgages over the Group's container vessels which had an aggregate carrying value at the end of the reporting period of approximately US\$768.8 million (31 December 2019: US\$489.2 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2020, the Group had an aggregate of 1,652 full-time employees (excluding crew member, 31 December 2019: 1,491). The related employees' costs for the period (including directors' emoluments) amounted to approximately US\$121.7 million (31 December 2019: US\$98.7 million). The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the directors) with reference to corporate performance, individual performance and current market salary scale. Further, the Group has in place the pre-IPO share option scheme and post-IPO share option scheme and adopted a share award scheme on 13 September 2019. Further information of the share option schemes and share award scheme will be available in the annual report of the Company for the year ended 31 December 2020.

SIGNIFICANT INVESTMENTS

During the year ended 31 December 2020, a total of 6 new container vessels and 2 second hand container vessels were delivered. In addition, the Group also entered into shipbuilding contracts with Jiangsu Yangzijiang Shipbuilding Co., Ltd. for building of 17 container vessels and option contracts for building 10 container vessels.

Save as otherwise, the Group did not have any significant investments for the year ended 31 December 2020.

MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2020, the Group did not have any material acquisitions and disposals of its subsidiaries and associated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

FINAL DIVIDEND

At the Board meeting held on 8 March 2021, it was proposed that a final dividend of HK60 cents (equivalent to US7.74 cents) per ordinary share would be paid on 14 May 2021 to the shareholders of the Company whose names appear on the Company's register of members at the close of business at 4:30 p.m. on 5 May 2021 (Wednesday). The proposed final dividend is subject to approval by the shareholders at the annual general meeting of the Company to be held on 26 April 2021 (Monday) (the "**Annual General Meeting**").

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

OTHER INFORMATION

Annual General Meeting

The Annual General Meeting will be held on 26 April 2021 (Monday). A notice convening the Annual General Meeting will be published and despatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in due course.

Closure of Register of Members

For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 21 April 2021 (Wednesday) to 26 April 2021 (Monday), both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 20 April 2021 (Tuesday).

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 3 May 2021 (Monday) to 5 May 2021 (Wednesday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 30 April 2021 (Friday).

Purchase, Sale and Redemption of Shares

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

Corporate Governance

The Company is committed to maintaining a stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. For the year ended 31 December 2020, the Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules and there has been no deviation from the code provisions set out in the CG Code for the year ended 31 December 2020.

Management Discussion and Analysis

Model Code for Securities Transactions by Directors

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules (the “**Appendix 10**”) and devised its own code of conduct regarding directors’ dealings in the Company’s securities (the “**Company Code**”) on terms no less exacting than the Model Code as set out in Appendix 10. Having made specific enquiries with all Directors, they have confirmed that they complied with the required standards set out in the Model Code and the Company Code throughout the year ended 31 December 2020.

Audit Committee

The audit committee of the Company (the “**Audit Committee**”) consists of Dr. Liu Ka Ying, Rebecca, Mr. Tse Siu Ngan and Dr. Hu Mantian (Mandy), all of whom are the Company’s independent non-executive directors. The chairman of the Audit Committee is Dr. Liu Ka Ying, Rebecca. The annual results for the year ended 31 December 2020 of the Group have been reviewed by the Audit Committee.

Auditor

The Company appointed Ernst & Young as its auditor for the year ended 31 December 2020. The Company will submit a resolution in the coming Annual General Meeting to re-appoint Ernst & Young as the auditor of the Company.

Directors and Senior Management

Mr. Yang Shaopeng (楊紹鵬), aged 64, is the chairman of the Board, an Executive Director, the chairman of the Nomination Committee of the Company. Mr. Yang has been the chairman of the Company since April 2006 and has been actively and extensively involved in the management and strategic development of the Company, and oversees the overall development of the Group. Mr. Yang graduated from Asia International Open University (Macau) in 2000 with a master's degree in business administration and completed a CEO class in China Europe International Business School in 2004. Mr. Yang has over 43 years of experience in the shipping industry through his employment in the shipping and foreign trade companies. From November 1988, Mr. Yang worked as an assistant general manager at Sinotrans (Shandong) Co., Ltd. (中國外運 (山東) 公司). From September 1990, he served as the deputy manager in the storage and transportation department of Shandong Foreign Trade Corporation (“**SFTC**”). From May 1991 to May 1992, he served as a deputy general manager of Shandong International Transportation Corporation and as general manager between May 1992 and December 1996. From December 1996 to January 2002, he served as the general manager in SITC Maritime (Group) Co., Ltd. (“**SITC Group**”). From October 1998 to December 2000, Mr. Yang was a vice-president of SFTC. From January 2002 to January 2005, Mr. Yang served as the president of SITC Maritime Group Co., Ltd. (山東海豐國際航運集團有限公司) (“**Shandong SITC**”) and also as the chairman of the same company from January 2001. Mr. Yang as a director of Hisense Group Holding Company Limited since 2014.

Mr. Yang Xianxiang (楊現祥), aged 54, is the Vice-Chairman of the Board, Chief Executive Officer, an Executive Director, the chairman of the disclosure committee and Sustainable Development Committee as well as a member of Remuneration Committee and Risk Management Committee of the Company. Mr. Yang has been a Director and chief executive officer of our Company since January 2008. He is actively involved in the management and the decision-making process of our Company. Mr. Yang graduated from Asia International Open University (Macau) with a master's degree in Business Administration in 2000 and completed a chief executive officer class in Tsinghua University in 2003. He also received a master's degree in business administration from China Europe International Business School in 2006. He completed a non-degree course in Sinology in Fudan University in 2009, which is a course on Chinese heritage classical study, and completed another non-degree Chief Executive Officer Class at the Cheung Kong Graduate School of Business in 2010. Mr. Yang has over 31 years of experience in the shipping industry through his employment in the shipping companies. In July 1987, Mr. Yang joined Lufeng Shipping Co., Ltd. (魯豐航運有限公司) (“**Lufeng Shipping**”), a container shipping company, and was subsequently promoted to be a manager before he left in July 1997. From August 1997 to December 2001, he served as a general manager in SITC Container Lines (Shandong) Co., Ltd. (山東省海豐船務有限公司). Between January 2002 and January 2005, he served as executive vice president in Shandong SITC and as president in the same company between January 2005 and May 2007. From May 2007 to January 2008, he served as president of SITC Container Lines and as a chief executive officer of SITC Steamship (Shanghai) Co., Ltd. Mr. Yang was appointed as an Executive Director on 9 April 2010.

Directors and Senior Management

Mr. Liu Kecheng (劉克誠), aged 47, is an Executive Director, chief financial officer, authorized representative and a member of the Disclosure Committee and the Sustainable Development Committee of the Company and the general manager of the finance center and investment center of the Company. Mr. Liu has been a Director of our Company since December 2006. From September 2010 to May 2013, he served as joint company secretary of our Company. Since October 2010, Mr. Liu has been appointed as the director for investment and securities, responsible for investments and equity funding. Since May 2013, Mr. Liu has been appointed as the chief financial officer of our Company, responsible for finance accounting and cash management in our Company. Since July 2017, Mr. Liu has been appointed as the general manager of the finance center and investment center of the Group. Mr. Liu graduated from Shandong Foreign Economic and Trade School in 1994. He received a master's degree in business administration from China Europe International Business School in 2007. Mr. Liu has over 27 years of experience in the shipping industry through his employment in the shipping companies. Mr. Liu worked with the finance department of Shandong Foreign Trade Corporation from July 1994 to June 1998. Mr. Liu joined SITC in 1998, and has served successively as finance manager, deputy general manager of finance center, deputy general manager of planning & development center, general manager of the investment and development center, chief financial officer, directorate secretary & general manager of Investment Management Center of SITC International Holdings. Mr. Liu was appointed an Executive Director of our company on 9 April 2010. Mr. Liu has served as a director of Hisense Group Holding Company Limited since December 2020.

Mr. Xue Mingyuan (薛明元), aged 46, an Executive Director, a member of the Sustainable Development Committee and Disclosure Committee of the Company. He has been serving as the president of SITC Shipping Group and the general manager of SITC Container Lines since December 2012. Mr. Xue obtained a master degree in international shipping and logistics management from The Hong Kong Polytechnic University (香港理工大學) in November 2004. He received a master degree in business administration from China Europe International Business School in September 2012. Mr. Xue has over 23 years of experience in the shipping industry. During the period from August 1997 to November 2012, Mr. Xue had served as the export supervisor of Shandong SITC Lianji, the manager of the customers service department and the sales and marketing department of SITC Container Lines, the deputy general manager and general manager of SITC Container Lines (Korea) Co., Ltd. and the general manager of SITC Container Lines. Mr. Xue was appointed as an Executive Director on 11 March 2013.

Mr. Lai Zhiyong (賴智勇), aged 47, an Executive Director, a member of the Sustainable Development Committee and Disclosure Committee of the Company. He has been serving as the president of SITC Logistics Group since December 2012. Mr. Lai graduated from Ocean University of China (中國海洋大學) in July 1994 specialising in international trade, and received a master degree in business administration from China Europe International Business School in 2017. Mr. Lai has over 25 years of experience in the shipping industry. During the period from August 1997 to November 2012, Mr. Lai had served as the supervisor of the import division of SITC Lianji (Shandong) Co., Ltd. (山東海豐聯集有限公司) ("**Shandong SITC Lianji**"), the manager of the import department, operation department and marketing department of SITC Container Lines and the general manager of SITC Container Lines (Hong Kong) Co., Ltd. (新海豐集運(香港)有限公司). Mr. Lai was appointed as an Executive Director on 11 March 2013.

Ms. Yang Xin (楊馨), aged 37, a Non-Executive Director of the Company. Ms. Yang is currently the chairman of Qingdao Hisense Business Management Co., Ltd. (青島海信商業管理股份有限公司) ("**Hisense Business Management**"), the vice chairman and general manager of Qingdao Hisense Donghai Commerce Trade Co., Ltd. (青島海信東海商貿有限公司) ("**Hisense Donghai**"). From 2006 to 2009, Ms. Yang served as the assistant vice president and vice president of HSBC Bank (China) Company Limited. From 2010 to 2014, she served as the chairman and general manager of Qingdao Highness Trading Co., Ltd. (青島海伊思貿易有限公司). From 2014 to 2021, she served as the chairman of Qingdao Hui Sheng Huo Trading Company (青島會生活商貿有限公司). From 2014 to 2017, she served as the vice chairman of Hisense Donghai and subsequently served as the general manager of the Hisense Plaza of Hisense Donghai from 2017 to 2018. Since 2018, she has been appointed as the chairman of Hisense Business Management and the vice president of Hisense Donghai. Since 2020, she has been appointed as the general manager of Hisense Donghai. Ms. Yang obtained a bachelor's degree in Accounting and Finance from Warwick Business School of The University of Warwick, a master's degree in investment management from Cass Business School of City, University of London, and a degree of executive master of business administration from China Europe International Business School.

Liu Ka Ying, Rebecca (廖家莹), aged 50, an Independent Non-executive Director, the chairman of the Audit Committee and a member of Remuneration Committee and Risk Management Committee of the Company. Dr. Liu possesses experience in management, finance, investment in real estate development and private investment funds, as well as accounting and financial management. From June 1996 to March 2002, Dr. Liu served as the general manager for the Asia and China region of The PRG-Schultz International, Inc., a company listed on NASDAQ. In January 2007, Dr. Liu was appointed as the chief executive officer of All Panther Asset Management Limited and has served at such position since then. Since November 2013, Dr. Liu has been appointed as an independent non executive director and chairman of the audit committee of Logan Group Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3380). Dr. Liu is currently the senior vice president of Fortune (Shanghai) Limited. Dr. Liu is a member of the American Institute of Certified Public Accountants (AICPA), Illinois CPA Society (ICPAS) of the United States and Hong Kong Institute of Certified Public Accountants (HKICPA). Dr. Liu obtained a double bachelor's degree in Business Administrative Studies from York University, Canada with major in management and in accounting (with honour) in 1992 and 1994, respectively. She also obtained a doctoral's degree in business administration from Victoria University of Switzerland in November 2011. She is also a member of the Hong Kong Institute of Bankers, Association of Women Accountants (Hong Kong) Limited, and Hong Kong Professionals and Senior Executives Association. She was also a former member of the Tenth and the Eleventh Jilin Provincial Committee of the Chinese People's Political Consultative Conference.

Mr. Tse Siu Ngan (謝少毅), aged 47, an Independent Non-executive Director, the chairman of the Remuneration Committee and Risk Management Committee a member as well as the Audit Committee and Nomination Committee of the Company. Mr. Tse received a Master of Science in IT Manufacturing from University of Warwick in 1997. Mr. Tse completed the Senior Executive Program of Harvard Business School in 2010 and the Global CEO Program of Harvard Business School in 2013. Mr. Tse has extensive experience working at Fortune 500 companies, with 15 years of experience in senior management positions. From April 2001 to April 2004, Mr. Tse served as the managing director of Triaton China, Ltd, responsible for the overall operations and business development of the company. During the period from April 2004 to April 2017, Mr. Tse served various management positions at Hewlett Packard with his last position as the vice president and general manager in the HP enterprise services Greater China department, responsible for the overall management of the group's enterprise services in Greater China. From April 2017 to April 2018, Mr. Tse served as the senior vice president and general manager in the digital business services department of SAP SE (Greater China region). From April 2018 to February 2020, Mr. Tse served as the general manager in the global technology services department of IBM (Greater China region). Mr. Tse is currently the Greater China general manager of Zebra Technologies.

Hu Mantian (胡曼恬), aged 39, an Independent Non-executive Director, a member of the Audit Committee, Nomination Committee and the Risk Management Committee of the Company. Dr. Hu received a B.A. in Economics from Fudan University in 2003, an M.A. in Economics from Tufts University in 2005, an M.Phil. in Marketing and a Ph.D. in Marketing, both from New York University, in 2009 and 2012, respectively. Dr. Hu is Associate Professor in the Department of Marketing at the Chinese University of Hong Kong. She is also the director of the Center for Consumer Insights. She serves as Honorary Advisor of Hong Kong Digital Analytics Association and provides consulting services to marketing research firms, telecom companies and handset manufacturers. She is the chief scientist of consumer behavior at Nanjing Huasu Technology Co., Ltd. Her research focuses on using quantitative models to study and explain consumer behaviors using big data in industries such as telecommunication, automobile, e-commerce and FinTech.

Directors and Senior Management

Mr. Xue Peng (薛鵬), aged 49, is the company secretary, authorized representative and the general manager of the operations management center of the Company. Mr. Xue has been a Director of the Company from January 2008 to March 2021. From January 2008 to May 2013, he served as a chief financial officer of the Company. Mr. Xue has been appointed as the general manager of the operations management center of the Group since July 2017. Mr. Xue graduated from Shandong Province Foreign Trade and Economic University in 1991 majoring in financial accounting, and graduated from Shandong University of Economics in 1997 majoring in accounting. He was qualified as an intermediate accountant in 2004 and also obtained an undergraduate degree in accounting from Renmin University of China in 2006. He received a master's degree in business administration from China Europe International Business School in 2011. He obtained a Master's degree in Corporate Governance by the Hong Kong Open University and also qualified of the fellowship of the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Professional by the end of the year 2019. Mr. Xue has over 27 years of experience in the shipping industry through his employment in the shipping companies. From March 1993 to March 1996, Mr. Xue worked in Lufeng Shipping, a container shipping company. From March 1996 to January 1998, he served as a financial manager in Guang Lian Shipping Agency (Shandong) Company Limited (山東廣聯船務有限公司), a company that is principally engaged in the shipping agency business. Between January 1998 and March 1999, he served as a financial manager in SITC Container Lines (Shandong) Co., Ltd. and Shandong SITC respectively. From March 1999 to February 2002, he served as the finance manager of SITC Japan Co., Ltd. Between February 2002 and January 2003, he served as the general manager of the supervision department in Shandong SITC. He served as a deputy general manager of the finance center of Shandong SITC from January 2003 to April 2006, and as the general manager of the finance department of SITC Holding between April 2006 and January 2008. Between April 2006 and January 2008, he also served as the financial manager of SITC Holding and SITC Shipping Agency (HK) Company Limited (新海豐船務代理(香港)有限公司), respectively. Mr. Xue was appointed as an Executive Director and joint company secretary on 9 April 2010 and 3 May 2013, respectively. Mr. Xue was subsequently re-designated as the sole company secretary of the Company from 18 October 2019. Mr. Xue was appointed as the Non-Executive Director of China Beststudy Education Group (HKSE Stock code: 3978) on 3 December 2018.

Report of the Board of Directors

The Directors of the Company are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2020.

MAJOR BUSINESS

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

A review of the business of the Group during the year under review and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the year ended 31 December 2020 are provided in the section headed "Chairman's Statement" on pages 10 to 11, the section headed "Management Discussion and Analysis" on pages 12 to 22 and the paragraph headed "Risks and Uncertainties" of this section of this annual report.

An analysis of the Group's performance during the year ended 31 December 2020 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 12 to 22 of this annual report.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2020 are set out in the Consolidated Statement of Profit and Loss and Other Comprehensive Income. The financial position as of 31 December 2020 of the Group is set out in the Consolidated Statement of Financial Position. The cash flow position of the Group during the year ended 31 December 2020 is set out in the Consolidated Statement of Cash Flows.

SHARE CAPITAL

The changes in the share capital of the Group during the year ended 31 December 2020 are set out in Note 31 to the Financial Statements.

FINAL DIVIDEND

At the Board meeting held on 8 March 2021 (Monday), it was proposed that a final dividend of HK60 cents (equivalent to US\$7.74 cents) per ordinary share would be paid on 14 May 2021 (Friday) to the shareholders of the Company whose names appear on the Company's register of members at the close of business at 4:30 p.m. on 5 May 2021 (Wednesday). The proposed final dividend is subject to approval by the shareholders at the annual general meeting of the Company to be held on 26 April 2021 (Monday) (the "Annual General Meeting").

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

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 21 April 2021 (Wednesday) to 26 April 2021 (Monday), both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, unregistered holders of shares of the Company shall ensure that all transfers of shares documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 20 April 2021 (Tuesday).

For determining the entitlement to the proposed final dividend (subject to approval by the shareholders of the Company at the Annual General Meeting), the register of members of the Company will be closed from 3 May 2021 (Monday) to 5 May 2021 (Wednesday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, unregistered holders of shares of the Company shall ensure that all transfers of shares documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 30 April 2021 (Friday).

Report of the Board of Directors

RESERVE

Details of the changes in reserve of the Group during the year ended 31 December 2020 are set out in Note 33 to the Financial Statements.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for distribution of dividends to the shareholders subject to the provisions of the Company's articles of association (the "**Articles of Association**"), with the sanction of an ordinary resolution, dividend may be declared and paid out of share premium account of any other fund or account which can be authorised for this purpose. As at 31 December 2020, the Company had distributable reserves of approximately US\$525.0 million.

PROPERTY, PLANT AND EQUIPMENTS

The changes in property, plant and equipment during the year ended 31 December 2020 are set out in Note 14 to the Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the aggregate purchase amount attributable to the Group's five largest suppliers and the aggregate revenue attributable to the Group's five largest customers were both less than 30% of the Group's total revenue.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

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

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

DONATION

During the year, the charitable contributions and other donations made in Hong Kong and China amounted to approximately HK\$3.5 million.

DIRECTORS

The Directors in office during the year under review and as of the date of this report are as follows:

Executive Directors

YANG Shaopeng (*Chairman*)
YANG Xianxiang (*Vice Chairman*)
LIU Kecheng
XUE Peng (*resigned on 8 March 2021*)
XUE Mingyuan
LAI Zhiyong

Non-Executive Director

YANG Xin (*appointed on 8 March 2021*)

Independent non-executive Directors

LO Wing Yan, William (*resigned on 27 October 2020*)
NGAI Wai Fung (*resigned on 27 October 2020*)
TSUI Yung Kwok (*resigned on 18 December 2020*)
YEUNG Kwok On (*resigned on 8 March 2021*)
TSE Siu Ngan (*appointed on 27 October 2020*)
HU Mantian (Mandy) (*appointed on 27 October 2020*)
LIU Ka Ying, Rebecca (*appointed on 18 December 2020*)

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

Pursuant to the terms of the Articles of Association and the CG Code, Mr. Yang Xianxiang, Mr. Liu Kecheng, Dr. Liu Ka Ying, Rebecca, Mr. Tse Siu Ngan, Dr. Hu Mantian (Mandy) and Ms. Yang Xin will retire in the coming Annual General Meeting, and being qualified, have offered to be re-elected and re-appointed at the Annual General Meeting.

SERVICE CONTRACTS OF DIRECTORS

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

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

With effect from 1 March 2021, the Directors' fees were changed. The revised Directors' fees are set out below pursuant to Rule 13.51B(1) of the Listing Rules:-

Name of Director	Revised Director' fee (HK\$ per annum)
YANG Shaopeng	5,593,000
YANG Xianxiang	4,173,000
LIU Kecheng	1,495,000
XUE Mingyuan	2,140,000
LAI Zhiyong	1,417,000

DIRECTORS' INTERESTS IN CONTRACTS

Other than those transactions disclosed in Note 37 to the Financial Statements and in the section headed "**Related Party Disclosures**" below, there was no other significant contract with any member of the Group as the contracting party and in which the Directors possessed direct or indirect substantial interests, and which was still valid on the year end date or any time during the year and related to the business of the Group.

DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

Mr. YANG Shaopeng, chairman of the Company and an executive Director, through Better Master Limited ("**Better Master**") and Resourceful Link Management Limited ("**Resourceful Link**") and by virtue of his direct interest, owns approximately 51.30% of the issued share capital in the Company as at the date of this annual report. Mr. YANG Shaopeng, Better Master and Resourceful Link are the controlling shareholders of the Company. Ms. Liu Rongli, the spouse of Mr. YANG Shaopeng also owns as to 43.05% in SITC Maritime Group Company Limited (青島海豐國際航運集團有限公司) ("**Qingdao SITC**"), which is involved in various business which had been excluded from the deed of non-competition provided by the controlling shareholders of the Company and as supplemented by a supplemental deed of non-competition entered into between the Company and Qingdao SITC (hereinafter, the "**Deed of Non-Competition**"). Pursuant to the Deed of Non-Competition, the following businesses have been excluded from the Deed of Non-Competition provided by the Company's controlling shareholders to the Company:

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

Report of the Board of Directors

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

The Company has received an annual written confirmation from each of the Company's controlling shareholders in respect of the compliance by them and their associates with the Deed of Non-Competition entered into by and among the Company, the controlling shareholders of the Company, Mr. YANG Shaopeng, Better Master and Resourceful Link.

The independent non-executive Directors have reviewed the Deed of Non-Competition and whether the controlling shareholders of the Company have abided by the Deed of Non-Competition. The independent non-executive Directors confirmed that they had determined that the controlling shareholders of the Company have not been in breach of the Deed of Non-Competition during the year ended 31 December 2020.

Save as disclosed, none of the Directors or their respective connected persons have any interests in any business that competed or might compete with the Group's business during the year ended 31 December 2020.

POST-IPO SHARE OPTION SCHEME

On 10 September 2010, the Company adopted a share option scheme (the "**Post-IPO Share Option Scheme**") whereby the Board can grant options for the subscription of the shares of the Company (the "**Shares**") to the employees, managerial staff and senior employees and those other persons that the Board considers that they will contribute or have contributed to the Group (the "**Post-IPO Scheme Participants**") as described in the Post-IPO Share Option Scheme in order to serve as compliment and to reciprocate their contribution to the Group. The maximum number of Shares that can be issued according to the Post-IPO Share Option Scheme was 260,000,000 shares which is equivalent to 10% of the issued capital of the Company after completion of the Global Offering (as defined in the prospectus of the Company dated 20 September 2010 (the "**Prospectus**")).

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

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

The following are details of the options granted pursuant to the Post-IPO Share Option Scheme but not yet exercised during the year ended 31 December 2020:

Grantee and position	Date of grant of options	Number of options outstanding as at 1 January 2020	Number of options granted during the year	Number of options exercised/ cancelled/lapsed during the year	Number of options not yet exercised on 31 December 2020	Approximate percentage of shareholding of options held upon the exercise of the options
Other employees	25 October 2011	649,000	–	462,000	187,000	0.01%
	10 March 2015	3,119,000	–	1,293,000	1,826,000	0.07%
Total		3,768,000	–	1,755,000	2,013,000	0.08%

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

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

As at 31 December 2020, the Company had 2,013,000 share options outstanding under the Post-IPO Scheme, which represented approximately 0.08% of the Shares in issue as at the date of this annual report.

PRE-IPO SHARE OPTION SCHEME

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

- (a) the subscription price per share shall be a price equivalent to a 20% discount to the Offer Price (as defined in the Prospectus) of the Shares under the Global Offering, that means HK\$3.824 per share;
- (b) the total number of shares involved in the Pre-IPO Share Option Scheme was 79,160,000 shares, which is equivalent to approximately 3.0% of the Shares in issue after completion of the Global Offering; and

Report of the Board of Directors

- (c) the eligible participant under the Pre-IPO Share Option Scheme are the full-time employees, executives or officers (including executive, non-executive and independent non-executive Directors) of the Company or the full-time employees of any of the subsidiaries of the level of manager or above and other full-time employees of the Company or any of the subsidiaries who have been in employment with the Company for over one year prior to the date of the adoption of the Pre-IPO Share Option Scheme or any other persons who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of the subsidiaries;
- (d) the conditions which the Board may in its absolute discretion to consider (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before an option can be exercised) as it may think fit; and
- (e) save for the options which have been granted under the Pre-IPO Share Option Scheme, no further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right to do so has terminated upon the listing of the Shares on the Stock Exchange.

The followings are details of the options granted under the Pre-IPO Share Option Scheme which remained outstanding as at ended 31 December 2020:

Grantee and position	Date of grant of options	Number of options granted and outstanding as at 1 January 2020	Number of options exercised/ cancelled/ lapsed during the year	Number of options not yet exercised on 31 December 2020	Approximate percentage of shareholding upon the exercise of the options
Other employees	10 September 2010	2,370,100	2,370,100	–	–
Total		2,370,100	2,370,100	–	–

As at 31 December 2020, the Company had no share options outstanding under the Pre-IPO Scheme. The grantees to whom an option has been granted under the Pre-IPO Share Option Scheme will be entitled to exercise his/her option in the following manner:

- (a) up to 25% of the Shares that are subject to the option so granted to him/her (rounded down to the nearest whole number) at any time during the period commencing from the first anniversary of 6 October 2010 (the “Listing Date”) and ending on the second anniversary of the Listing Date;
- (b) up to 25% of the Shares that are subject to the option so granted to him/her (rounded down to the nearest whole number) at any time during the period commencing from the second anniversary of the Listing Date and ending on the third anniversary of the Listing Date;
- (c) up to 25% of the Shares that are subject to the option so granted to him/her (rounded down to the nearest whole number) at any time during the period commencing from the third anniversary of the Listing Date and ending on the fourth anniversary of the Listing Date; and
- (d) such number of Shares that are subject to the option so granted to him/her less the number of Shares in respect of which the options has been exercised at any time during the period commencing from the fourth anniversary of the Listing Date and ending on the expiry of the option period.

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

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

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

SHARE AWARD SCHEME

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

- (a) recognise and motivate the contributions by certain eligible participants and to give incentives thereto in order to retain them for the continual operation and development of the Group;
- (b) attract suitable personnel for further development of the Group; and
- (c) provide certain eligible participants with a direct economic interest in attaining a long-term relationship between the Group and certain eligible participants.

The Share Award Scheme shall be valid and effective for a term of ten years commencing on the date of adoption (i.e. 13 September 2017), unless otherwise early terminated by the Board.

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

Details of the rules of the Share Award Scheme (the “**Scheme Rules**”) are set out in the announcement of the Company dated 13 September 2017.

On 20 March 2020, the Board resolved to grant an aggregate of 6,769,105 Shares (the “**Awarded Shares**”) to 604 selected participants (the “**Selected Participants**”) pursuant to the Scheme Rules, of which 5,801,142 Awarded Shares were awarded to 595 independent Selected Participants and 967,963 Awarded Shares were granted to 9 Directors. Please refer to the announcement of the Company dated 20 March 2020 for details of the grant.

Report of the Board of Directors

A summary of the Awarded Shares granted to Selected Participants during the year under review are set forth below:

Awardee and position	No. of Awarded Shares granted on 20 March 2020	Total Awarded Shares granted in 2020	Vesting date	Vesting conditions
Executive Directors				
Yang Xianxiang	190,470	190,470	The third anniversary of the date of grant, i.e. 20 March 2023 or an earlier date as approved by the Board.	Subject to the terms of the Scheme Rules and the fulfillment of all vesting conditions specified by the Board.
Liu Kecheng	167,216	167,216		
Xue Peng (<i>resigned on 8 March 2021</i>)	155,533	155,533		
Xue Mingyuan	202,937	202,937		
Lai Zhiyong	183,807	183,807		
Independent non-executive Directors				
Tsui Yung Kwok (<i>resigned on 18 December 2020</i>)	17,000	17,000		
Yeung Kwok On (<i>resigned on 8 March 2021</i>)	17,000	17,000		
Lo Wing Yan, William (<i>resigned on 27 October 2020</i>)	17,000	17,000		
Ngai Wai Fung (<i>resigned on 27 October 2020</i>)	17,000	17,000		
Other employees				
Other employees	5,801,142	5,801,142		
Total		6,769,105		

DEBENTURE

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

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

As at 31 December 2020, the interest or short position of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

(i) Interest in the Shares

Name of Director	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding
YANG Shaopeng ⁽²⁾	Interest in controlled corporation	1,375,390,231 (L)	51.30%
	Beneficial owner	10,619,000 (L)	0.40%
YANG Xianxiang	Beneficial owner	8,870,394 (L)	0.33%
LIU Kecheng	Beneficial owner	510,307 (L)	0.02%
XUE Peng ⁽³⁾	Interest in controlled corporation	12,866,176 (L)	0.48%
	Beneficial owner	1,978,250 (L)	0.07%
LAI Zhiyong ⁽⁴⁾	Beneficiary of the Go Thrive Trust	3,037,847 (L)	0.11%
	Beneficial owner	1,488,046 (L)	0.06%
XUE Mingyuan ⁽⁴⁾	Beneficiary of the Go Thrive Trust	1,906,100 (L)	0.07%
	Beneficial owner	2,869,664 (L)	0.11%
YEUNG Kwok On	Beneficial owner	263,438 (L)	0.01%
TSE Siu Ngan	Beneficial owner	70,000 (L)	0.01%

Notes:

- (1) The letters "L" denotes the person's long position in the Shares.
- (2) 1,375,390,231 Shares were held by Resourceful Link Management Limited ("Resourceful Link"). The issued share capital of Resourceful Link was owned as to 79.82% by Better Master Limited ("Better Master"). Better Master was owned as to 100% by Mr. YANG Shaopeng.
- (3) 12,866,176 Shares were held by Watercrests Profits Limited, which was owned as to 100% by Add Investments Company Limited, which was in turn owned as to 100% by Mr. XUE Peng.
- (4) 3,037,847 Shares and 1,906,100 Shares were held by Go Thrive Limited, which was wholly owned by Mr. ZHAO Zhiyong, as the trustee holding such interests for the beneficiaries of Go Thrive Trust, including Mr. LAI Zhiyong and Mr. XUE Mingyuan.

Report of the Board of Directors

(ii) Interest in the underlying Shares

Name of Director	Nature of interest	Number of Shares in the Company subject to options under the Pre-IPO Share Option Scheme	Number of Shares in the Company subject to options under the Post-IPO Share Option Scheme	Number of Shares in the Company subject to vesting under the Share Award Scheme	Approximate percentage of shareholding attributable to the options under the Pre-IPO Share Option Scheme, Post-IPO Share Option Scheme and the Shares subject to vesting under the Share Award Scheme
					(Note)
YANG Xianxiang	Beneficial owner	—	—	544,171	0.02%
LIU Kecheng	Beneficial owner	—	—	510,084	0.02%
XUE Peng	Beneficial owner	—	—	407,435	0.02%
XUE Mingyuan	Beneficial owner	—	—	792,625	0.03%
LAI Zhiyong	Beneficial owner	—	—	349,935	0.01%
YEUNG Kwok On	Beneficial owner	—	—	51,816	0.002%

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

(iii) Interest in associated corporations

Name of Director	Name of associated corporation	Number of shares	Percentage of shareholding
YANG Shaopeng ⁽¹⁾	Resourceful Link	55,290	79.82%
YANG Xianxiang ⁽²⁾	Resourceful Link	11,776	17.00%
LIU Kecheng ⁽³⁾	Resourceful Link	2,205	3.18%

Notes:

- (1) Resourceful Link was interested in approximately 51.30% of the issued share capital of the Company. Resourceful Link was owned as to 79.82% by Better Master, which was in turn owned as to 100% by Mr. YANG Shaopeng.
- (2) Resourceful Link was interested in approximately 51.30% of the issued share capital of the Company. Jixiang Limited was interested in 17.00% of the issued share capital of Resourceful Link. Jixiang Limited was in turn owned as to 100% by Mr. YANG Xianxiang.
- (3) Resourceful Link was interested in approximately 51.30% of the issued share capital of the Company. Yicheng Group Limited was interested in 3.18% of the issued share capital of Resourceful Link. Yicheng Group Limited was in turn owned as to 100% by Mr. LIU Kecheng.

Save as disclosed above, as at 31 December 2020, none of the Directors or the chief executives of the Company had or were deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Board of Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 31 December 2020, the following persons (other than the Directors and chief executives of the Company) had interest and/or short position in the Shares or the underlying Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

(i) Interest in the Shares

Name	Capacity	Number of shares ⁽¹⁾	Percentage of shareholding
LIU Rongli ⁽²⁾	Interest of spouse	1,386,009,231 (L)	51.70%
Resourceful Link ⁽³⁾	Beneficial owner	1,375,390,231 (L)	51.30%
Better Master ⁽³⁾	Interest in controlled corporation	1,375,390,231 (L)	51.30%

Notes:

- (1) The letters "L" denotes the person's long position in the Shares.
- (2) Ms. LIU Rongli is the spouse of Mr. YANG Shaopeng and is also deemed to be interested in all the Shares held by Mr. YANG Shaopeng by virtue of the SFO.
- (3) Resourceful Link was owned as to 79.82%, 17.00% and 3.18% by Better Master, Jixiang Limited and Yicheng Group Limited. Better Master was owned as to 100% by Mr. YANG Shaopeng. Jixiang Limited was owned as to 100% by Mr. YANG Xianxiang. Yicheng Group Limited was owned as to 100% by Mr. LIU Kecheng.

Save as disclosed above, as at 31 December 2020, the Company had not been notified by any person or corporation, other than the Directors or the chief executives of the Company, who had interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SUBSIDIARIES

Details of the major subsidiaries of the Company as of 31 December 2020 are set out in Note 1 to the Financial Statements.

MANAGEMENT CONTRACTS

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

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2020, the following continuing connected transactions were entered into with its connected persons and/or subsisted during the year under review. Details of the continuing connected transactions of the Company are as follows:

The following table sets forth the annual caps for the transactions contemplated under the 2020 Master Charter Agreement for the periods below:

	For the year ended 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
	(US\$)	(US\$)	(US\$)
Provision of vessel chartering services	14,000,000	14,000,000	14,000,000

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

1. 2020 Master Charter Agreement

On 20 December 2019, the Company entered into a master charter agreement (the "**2020 Master Charter Agreement**") with Qingdao SITC, pursuant to which it is agreed that Qingdao SITC will provide vessel chartering services to the Group for a fixed term from 1 January 2020 to 31 December 2022 (both days inclusive).

Report of the Board of Directors

During the year under review, the total actual amount of service fees paid by the Company pursuant to the 2020 Master Charter Agreement was US\$10,241,801 and the annual cap for the year ended 31 December 2020 has not been exceeded.

Qingdao SITC is owned as to 43.05% by Ms. Liu Rongli, the spouse of by Mr. Yang Shaopeng, an executive Director and the controlling shareholder of the Company. Accordingly, Qingdao SITC is a connected person of the Company and the entering into of the 2020 Master Charter Agreement and the transactions contemplated thereunder constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rule.

Details of the 2020 Master Charter Agreement are set out in the announcement of the Company dated 20 December 2019.

For the year ended 31 December

2018
2019
2020

During the year under review, the total actual amount of service fees received by the Company and paid by the Company pursuant to the 2018 Master Agency Agreement was US\$22,996,180 and US\$2,112,298, respectively, and the annual cap for the year ended 31 December 2020 has not been exceeded.

2. Master Agency Agreement

On 22 December 2017, the Company entered into a renewed master agency agreement (the “**2018 Master Agency Agreement**”) with Qingdao SITC, in relation to the agency services to be provided by Qingdao SITC to the Company and the container shipping services to be provided by the Company’s subsidiaries to the shipping agency companies of Qingdao SITC for a term of three years from 1 January 2018 and ended on 31 December 2020.

The following table sets forth the annual caps pursuant to the 2018 Master Agency Agreement for the periods below:

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

As the 2018 Master Agency Agreement expired on 31 December 2020, the Company entered into a renewed master agency agreement (the “**2021 Master Agency Agreement**”) with Qingdao SITC, in relation to the agency services to be provided by Qingdao SITC to the Company and the container shipping services to be provided by the Company’s subsidiaries to the shipping agency companies of Qingdao SITC for a term of three years from 1 January 2021 and ended on 31 December 2023.

The following table sets forth the annual caps pursuant to the 2021 Master Agency Agreement for the periods below:

For the year ending 31 December	Service fees received by the Company (US\$)	Service fees paid by the Company (US\$)
2021	25,300,000	2,200,000
2022	30,000,000	2,600,000
2023	34,500,000	3,000,000

Qingdao SITC is a company owned as to 43.05% by Ms. Liu Rongli, the spouse of Mr. Yang Shaopeng, an executive Director and the controlling shareholder of the Company. Accordingly, Qingdao SITC is a connected person of the Company and the 2018 Master Agency Agreement, the 2021 Master Agency Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Details of the 2018 Master Agency Agreement and the 2021 Master Agency Agreement are set out in the announcements of the Company dated 22 December 2017, 9 January 2018 and 18 December 2020.

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

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

1. in the ordinary and usual course of business of the Group;
2. under normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and
3. in accordance with the agreements related to the above continuing connected transactions, the terms of which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

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

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

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all the independent non-executive Directors as independent.

CORPORATE GOVERNANCE

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strived to maintain high corporate governance standard and has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules as in effective from time to time (the "CG Code") for the year ended 31 December 2020, and there has been no derivation from the code provisions for the year ended 31 December 2020.

Report of the Board of Directors

INDEMNITY AND INSURANCE PROVISIONS

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

PURCHASE, SALE AND REPURCHASE OF SHARES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2020.

DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

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

FIVE YEAR FINANCIAL SUMMARY

The summary of the results, assets and liabilities of the Group in the past five years is set out on page 158 of this annual report.

PRE-EMPTIVE RIGHTS

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

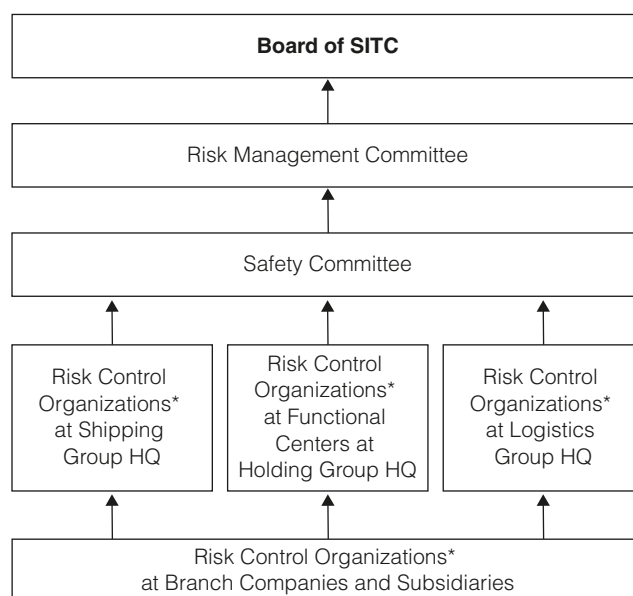
SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 December 2020.

RISKS AND UNCERTAINTIES

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

In terms of organizational development, the Company has established an integrated risk control management organization with several branches under the Board, and clarified the positions and person responsible for the prevention and control of various risks.



Remarks:

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

In terms of corporate strategies, the Group's business is subject to the ever-changing market conditions. Facing the risks arising from the ever-changing market conditions, the Board has been able to lead the Company to make timely responses to the changes in the market. Risks arising from market fluctuations have been avoided through unique business model of developing frequent and sophisticated sea-land integrated logistics services and effective cost control. In addition, the Company has set up a mechanism for holding regular strategic risk seminar at the board level, organize a group-wide risk point survey at least once a year in the form of a questionnaire survey, and strive to detect risks as early as possible and take precautions. For example, this year, a series of new risks such as the risks of signing RCEP, the lagging risks of digital application such as blockchain and artificial intelligence, the epidemic risks, and risks of developing new routes were identified, and corresponding countermeasures were formulated.

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

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

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

Report of the Board of Directors

In terms of internal control and systemic risks, as for risks relating to the absence of system, the Company has conducted annual comprehensive review according to the actual operation and management practices, and updated the compilation of management system and made amendments from time to time. In terms of internal control, malpractice and corruption risks, the Company has focused on internal control risks in routine and special audits, updated and improved system specifications, and compiled cases. Officers from the headquarters would also participate in audit, thus builds up the internal audit team and enhances the effort of internal audit; the questionnaire involving the implementation of the Company's system and possible corruption has become an inevitable part of the internal audit. This utilizes all employees to jointly identify the Company's internal control and malpractice and corruption risks. The Company also collects anti-corruption related information, prepares anti-corruption training materials on the intranet, and improves the anti-corruption awareness of employees. In terms of legal and compliance risks, the Group has maintained close communication with relevant regulatory agencies to receive updates on laws and regulations promptly, and operated in compliance with such laws and regulations. For the risks relating to transaction contracts, the Company's legal advisors participates in the formulation of standardized contract templates, and the Company reviews each contract before execution. The Company has assessed contracts annually, including the credit terms, settlement methods and service quality of its counterparties. As for information system risks, the Company has improved its disaster recovery system, purchased and installed antivirus software, strengthened its internal and external security system at both group and subsidiary levels to minimize risks of emergencies and hacker attacks. The Company has also enhanced safety awareness of its employees in order to prevent information leakage. For IT equipment risks, the Company has stipulated rules on the useful life of IT equipment.

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

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

ENVIRONMENTAL PROTECTION

As a responsible enterprise, the Group has endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental technologies to ensure that the conducting of the Group's business meets the applicable local standards and ethics in respect of environmental protection. The Group puts great emphasis in environmental protection and sustainable development. Through the establishment of an ever-improving management system, enhancement on procedure monitoring, energy conservation and environment protection were strongly promoted, leading to the remarkable achievement of environmental management. The Group strictly complies with IMO 2020 and Chinese environmental regulations on the use of low-sulfur oil.

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

To protect the Group's intellectual property rights, the Group has registered its domain name and various trademarks have been applied for or registered in various classes in over 20 countries and regions including mainland China and Hong Kong. "SITC" has been used in all principal operation regions of the Group. The Group has established a trademark management system for strict management of the registration, renewal, transfer and use of trademarks. There has been no incident or dispute in relation to the infringement or counterfeiting of trademarks since its listing.

As a listed company, the Company has been in strict compliance with the requirements of the Listing Rules and has promptly responded to the amendments of the Listing Rules.

In respect of the safety of vessels, the Group has complied with SOLARS Convention, STCW Convention and MLC2006 Convention in line with the characteristics of the industry. In respect of sea transportation service, the Group has complied with the relevant laws and regulations such as the Maritime Code (《海商法》) and the Contract Law (《合同法》), and formulated corresponding procedures and complementary systems within the Company.

WORKPLACE QUALITY

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

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

HEALTH AND SAFETY

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

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

Report of the Board of Directors

TRAINING AND DEVELOPMENT

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

AUDITOR

The Company appointed Ernst & Young as the Auditor of the Company for the year ended 31 December 2020. The Company will submit a resolution in the coming Annual General Meeting to re-appoint Ernst & Young as the Auditor of the Company.

For and on behalf of the Board

YANG Shaopeng

Chairman

22 March 2021

Corporate Governance Report

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report in the annual report of the Group for the year ended 31 December 2020.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards.

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

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

The Board is of the view that throughout the year ended 31 December 2020, the Company has complied with all the code provisions as set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Code of Conduct throughout the year ended 31 December 2020.

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

BOARD OF DIRECTORS

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

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

Board composition

As at the date of this annual report, the Board currently comprises nine Directors, consisting of five executive Directors, one non-executive Director and three independent non-executive Directors. The composition of the Board is set out below:

Executive Directors

Mr. YANG Shaopeng	<i>Chairman</i>
Mr. YANG Xianxiang	<i>Vice-Chairman and Chief Executive Officer</i>
Mr. LIU Kecheng	
Mr. XUE Mingyuan	
Mr. LAI Zhiyong	

Non-executive Director

Ms. YANG Xin

Independent non-executive Directors

Dr. LIU Ka Ying, Rebecca
Mr. TSE Siu Ngan
Dr. HU Mantian (Mandy)

The biographical information of the Directors and the relationships between the members of the Board are set out and disclosed in the section headed "Directors and Senior Management" on pages 23 to 26 of this annual report.

Ms. Yang Xin is the daughter of Mr. Yang Shaopeng, an executive Director and the chairman of the Board of the Company. Save as disclosed above, none of the members of the Board is related to one another.

Corporate Governance Report

Chairman and Chief Executive Officer

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

Independent non-executive Directors

During the year ended 31 December 2020, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the board, with two of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors as independent.

Appointment and re-election of Directors

In accordance with the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company, provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election at the annual general meeting of the Company.

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

In accordance to the letters of appointment signed between each of the independent non-executive Directors and the Company, the term of appointment of each independent non-executive Director is one year subject to re-election by the shareholders at each annual general meeting of the Company.

Responsibilities of the Directors

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

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

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

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

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

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

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

Continuous professional development of Directors

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

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

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

During the year ended 31 December 2020, the Company organized a training session for all the Directors conducted by the legal advisors. Such training session covers a wide range of relevant topics including directors' duties and responsibilities and updates on the recent amendments to the Listing Rule.

The Company has encouraged the Directors to participate continuous professional development courses and seminars organized by professional institutions or professional firms and reading materials on relevant topics so that they can continuously update and further improve their relevant knowledge and skills.

According to the records maintained by the Company, a summary of continuous professional development received by the Directors for the year ended 31 December 2020 is as follows:

Name of Directors	Type of continuous professional development	
	Training coordinated by the Company	Attending seminars/briefings/conferences
<i>Executive Directors</i>		
Mr. YANG Shaopeng	√	√
Mr. YANG Xianxiang	√	√
Mr. LIU Kecheng	√	√
Mr. XUE Peng (resigned on 8 March 2021)	√	√
Mr. XUE Mingyuan	√	√
Mr. LAI Zhiyong	√	√
<i>Independent Non-executive Directors</i>		
Mr. TSUI Yung Kwok (resigned on 18 December 2020)	√	√
Mr. YEUNG Kwok On (resigned on 8 March 2021)	√	√
Dr. LO Wing Yan, William (resigned on 27 October 2020)	√	√
Dr. NGAI Wai Fung (resigned on 27 October 2020)	√	√
Mr. TSE Siu Ngan (appointed on 27 October 2020)	√	√
Dr. HU Mantian (Mandy) (appointed on 27 October 2020)	√	√
Ms. LIU Ka Ying, Rebecca (appointed on 18 December 2020)	√	√

Corporate Governance Report

BOARD COMMITTEES

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

Except for the Disclosure Committee and Sustainable Development Committee, the majority of the members of each Board committee are independent non-executive Directors and the list of the respective chairman and members of each board committee is set out under the section headed "Corporate Information" on page 3 of this annual report.

Audit Committee

As at the date of this annual report, the Audit Committee consist of three independent non-executive Directors, namely Ms. LIU Ka Ying, Rebecca, Mr. TSE Siu Ngan and Dr. HU Mantian. namely Ms. LIU Ka Ying, Rebecca is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee include assisting the Board in reviewing and overseeing the financial reporting system, internal control principles and risk management systems of the Company, monitoring the effectiveness of the internal audit function, determining the scope of audit and appointment of external auditors, and to review arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2020, the Audit Committee held five meetings to review the annual and interim financial results and reports for the year ended 31 December 2019 and for the six months ended 30 June 2020 and significant issues on financial reporting, operational and compliance controls, effectiveness of the risk management and internal control systems, internal audit function, appointment of external auditors and relevant scope of works, and to review connected transactions of the Company and arrangements for employees to raise concerns about possible improprieties. The Audit Committee has met with the external auditors twice without the presence of the executive Directors.

Nomination Committee

As at the date of this annual report, the Nomination Committee consists of three members, namely Mr. YANG Shaopeng, being the executive Director, Mr. TSE Siu Ngan and Dr. HU Mantian, being the independent non-executive Directors. Mr. YANG Shaopeng is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

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

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

During the year ended 31 December 2020, the Nomination Committee held three meetings to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the Annual General Meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

Remuneration Committee

As at the date of this annual report, the Remuneration Committee consists of three members, namely Mr. YANG Xianxiang, being the executive Director, Ms. LIU Ka Ying, Rebecca, and Mr. TSE Siu Ngan, being the independent non-executive Directors. Mr. TSE Siu Ngan is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the policy and structure for all Directors' and senior management remuneration, and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

During the year ended 31 December 2020, the Remuneration Committee held three meetings to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters.

Risk Management Committee

As at the date of this annual report, the Risk Management Committee consists of four members, namely Mr. YANG Xianxiang, being the executive Director, Ms. LIU Ka Ying, Rebecca, Mr. TSE Siu Ngan and Dr. HU Mantian, being the independent non-executive Directors. Mr. TSE Siu Ngan is the chairman of the Risk Management Committee. The principal duties of the Risk Management Committee include reviewing and monitoring risk management system and internal control system (except for financial control system), regularly oversee and advise the Board on the risk exposures of the Group, identifying new risk types and to ensure that appropriate arrangements are in place to effectively control and mitigate risks, formulating comprehensive risk management strategy and to establish an effective communication mechanism with the other committees of the Board.

During the year ended 31 December 2020, the Risk Management Committee held two meetings to review and make recommendation to the Board on the current risk exposures and future risk strategy of the Company, and the effectiveness of the risk management system and internal control system of the Company.

Disclosure Committee

As at the date of this annual report, the Disclosure Committee consists of four members, namely Mr. YANG Xianxiang, Mr. LIU Kecheng, Mr. XUE Mingyuan and Mr. LAI Zhiyong, all being the executive Directors. Mr. YANG Xianxiang is the chairman of the Disclosure Committee.

The principal duties of the Disclosure Committee include (a) considering and making recommendations to the Board in relation to the Company's disclosure policy and guidelines regarding inside information (as defined under Part XIVA of the SFO); (b) evaluating the information proposed to be disclosed by the secretary of the Board and, if necessary, obtain professional advice and report to the Board with relevant details; (c) setting up disclosure plan in respect of information required to be disclosed; (d) understanding and overseeing the Company's business affairs, financial conditions, events occurred or may occur and their impact on the Company; (e) actively investigating and obtaining information required for making decision; and (f) considering any other businesses as authorized by the Board.

Corporate Governance Report

Sustainable Development Committee

As at the date of this annual report, the Sustainable Development Committee consists of four members, namely Mr. YANG Xianxiang, Mr. LIU Kecheng, Mr. XUE Mingyuan and Mr. LAI Zhiyong, all being the executive Directors. Mr. YANG Xianxiang is the chairman of the Sustainable Development Committee.

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

Summary of the Board Diversity Policy

The Company's Board Diversity Policy (the "**Diversity Policy**") was adopted by the Company pursuant to the resolution of the Board passed on 14 August 2013. The Diversity Policy aims to set out the approach to diversity on the Board. The Diversity Policy applies to the Board and does not apply to diversity in relation to the employees of the Company, nor the board or employees of any subsidiary of the Company. In reviewing and assessing the Board composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge, industry, regional experience and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will review the Diversity Policy, as appropriate, to ensure the effectiveness of the Diversity Policy and will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. The Company aims to maintain an appropriate balance of diversity perspectives of the Board in supporting the attainment of its strategic objectives and its sustainable development. On 28 October 2013, the Board discussed the above measurable objectives, including but not limited to skills, knowledge, professional experience and cultural and educational background, and agreed that these measurable objectives were achieved for the diversity of the Board which contributed to the corporate strategy and the business development of the Company.

Corporate governance functions

The Board, through the Audit Committee, is responsible for performing the functions set out in the code provision D.3.1 of the CG Code. During the year ended 31 December 2020, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Code of Conduct, Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

Nomination Policy

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

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

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

- diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- requirements of independent non-executive directors on the board and independence of the proposed independent non-executive directors in accordance with the Listing Rules; and
- commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or board committee(s) of the Company.

The Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the year ended 31 December 2020, there was no change in the composition of the Board.

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

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board, Nomination Committee, Remuneration Committee, Risk Management Committee and Audit Committee meetings and the general meeting of the Company held during the year ended 31 December 2020 is set out in the table below:

Name of Director	Attendance/Number of meetings					Risk Management Committee	Annual General Meeting
	Board	Nomination Committee	Remuneration Committee	Audit Committee			
YANG Shaopeng	5/5	3/3	3/3	N/A	N/A	1/1	
YANG Xianxiang	5/5	3/3	3/3	N/A	2/2	1/1	
LIU Kecheng	5/5	N/A	N/A	N/A	N/A	1/1	
XUE Peng	5/5	N/A	N/A	N/A	2/2	1/1	
XUE Mingyuan	5/5	N/A	N/A	N/A	N/A	1/1	
LAI Zhiyong	5/5	N/A	N/A	N/A	N/A	1/1	
TSUI Yung Kwok (resigned on 18 December 2020)	4/5	N/A	3/3	4/5	2/2	1/1	
YEUNG Kwok On	5/5	3/3	3/3	N/A	N/A	1/1	
LO Wing Yan, William (resigned on 27 October 2020)	3/5	2/3	2/3	3/5	2/2	1/1	
NGAI Wai Fung (resigned on 27 October 2020)	3/5	2/3	2/3	3/5	2/2	1/1	
TSE Siu Ngan (appointed on 27 October 2020)	2/5	1/3	1/3	2/5	0/2	N/A	
HU Mantian (Mandy) (appointed on 27 October 2020)	2/5	1/3	1/3	2/5	0/2	N/A	
LIU Ka Ying, Rebecca (appointed on 18 December 2020)	1/5	N/A	1/3	1/5	0/2	N/A	

Corporate Governance Report

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of the other executive Directors during the year ended 31 December 2020.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2020.

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

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 57 to 61.

REMUNERATION OF MEMBERS OF SENIOR MANAGEMENT BY BAND

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2020 is set out below:

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

Details of the remuneration of the Directors for the year ended 31 December 2020 are set out in Note 9 to the Financial Statements.

AUDITOR'S REMUNERATION

An analysis of the remuneration paid to the external auditor of the Company, Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2020 is set out below:

Service Category	Fee paid/Payable (HK\$'000)
Audit services	3,680
Non-audit services	
– Tax advisory services	83
– Others	572
	655
Total:	4,335

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department. All divisions/departments conduct internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security.

The management, in coordination with division/department heads, assesses the likelihood of risk occurrence, provides treatment plans, and monitors the risk management and internal control systems and reports to the Audit Committee, the Risk Management Committee and the Board on all findings and the effectiveness of the systems.

The Board, through the Audit Committee and the Risk Management Committee, has reviewed the effectiveness of the risk management and internal control systems of the Company and its subsidiaries for the year ended 31 December 2020, including the adequacy of resources, staff qualification and experience, training programmes and budget of the Company's accounting and reporting function.

The Board, as supported by the Audit Committee and the Risk Management Committee, assessed the effectiveness of the risk management and internal control systems by reviewing the management report and the internal audit findings and considered that, for the year ended 31 December 2020, the risk management and internal control systems of the Company are effective and adequate.

COMPANY SECRETARY

Mr. XUE Peng, an executive Director, was appointed as the sole company secretary of the Company with effect from 18 October 2020. Mr. XUE Peng reports to the Chairman, Mr. YANG Shaopeng, and/or the Vice Chairman and Chief Executive Officer, Mr. YANG Xianxiang, depends on various matters, respectively.

Mr. XUE Peng undertook not less than 15 hours of relevant professional training during the year ended 31 December 2020.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at the general meetings of the Company, including but not limited to the election of individual Directors. All resolutions put forward at the general meetings of the Company will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting of the Company.

PROCEDURES FOR CONVENING AN EXTRAORDINARY GENERAL MEETING ("EGM") AND PUTTING FORWARD PROPOSALS AT EGM

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

Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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

Corporate Governance Report

Putting forward enquiries to the Board

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

Contact details

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

Address: 21/F., World Trade Centre, 280 Gloucester Road,
Causeway Bay, Hong Kong
(For the attention of the Company Secretary)

Fax: 852-2824 3748

Tel: 852-2850 0302

Email: ir@sitc.com

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

The chairman of the Board, respective chairman of the Audit Committee, Remuneration Committee, Nomination Committee, Risk Management Committee, Disclosure Committee and Sustainable Development Committee, or, in their absence, other members of the respective board committees, will make themselves available at the annual general meetings to meet shareholders of the Company and answer their enquiries.

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

Dividend Policy

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

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

Independent Auditor's Report



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To the shareholders of SITC International Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of SITC International Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 62 to 157, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Independent Auditor's Report

KEY AUDIT MATTERS (continued)

Key audit matter

Impairment assessment of vessels

The carrying amount of the vessels of the Group as at 31 December 2020 was US\$998,791,000, which represented 91% of the carrying amount of the Group's property, plant and equipment and 49% of the Group's total assets.

Management is required to perform impairment assessment on an asset if there is an indicator that the recoverable amount of the asset may be lower than its carrying amount. The Group performed an impairment assessment of its vessels in accordance with Hong Kong Accounting Standard ("HKAS") 36 *Impairment of Assets* issued by the HKICPA and concluded that (i) there was no impairment indicator on the container vessels as the container shipping business has been profitable in recent years; and (ii) the Group's dry bulk vessels may be impaired, given the relevant market indexes that affect charter rates are volatile. Accordingly, the Group estimated the recoverable amounts of its dry bulk vessels, using a value-in-use calculation based on the discounted cash flow method. Such assessment requires, inter alia, management's estimation on the expected future cash flows from the assets and a suitable discount rate in order to calculate the present value of those cash flows.

Given the complexity and judgemental nature of the impairment assessment, we considered this a key audit matter.

Related disclosures are included in notes 2.4, 3 and 14 to the financial statements.

How our audit addressed the key audit matter

We evaluated the assumption and data used by the Group in the forecast, and with the assistance of our internal valuation specialists, the methodology adopted for the impairment assessment and the discount rates used in the recoverable amount calculation of the Group's vessels prepared by management.

We also assessed the adequacy of the related disclosures in the notes to the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

Independent Auditor's Report

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

(continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

(continued)

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

The engagement partner on the audit resulting in this independent auditor's report is Anthony S.T. Leung.

Ernst & Young

Certified Public Accountants

Hong Kong

8 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 US\$'000	2019 US\$'000
REVENUE	5	1,685,167	1,553,718
Cost of sales		(1,240,136)	(1,255,566)
Gross profit		445,031	298,152
Other income and gains, net	6	22,911	22,406
Administrative expenses		(96,970)	(80,246)
Other expenses, net		(2,452)	(4,344)
Finance costs	7	(13,531)	(14,482)
Share of profits and losses of:			
Joint ventures	19(b)	9,863	8,585
Associates	20(b)	145	442
PROFIT BEFORE TAX	8	364,997	230,513
Income tax	11	(11,309)	(8,998)
PROFIT FOR THE YEAR		353,688	221,515
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Debt investments at fair value through other comprehensive income:			
Changes in fair value		–	1,015
Reclassification adjustments for losses on disposal included in profit or loss		–	143
		–	1,158
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year		(10,285)	(2,368)
Reclassification adjustments for losses included in profit or loss		2,093	4,111
		(8,192)	1,743
Exchange differences on translation of foreign operations		6,933	(783)
Share of other comprehensive income/(loss) of joint ventures	19(b)	650	(311)
Share of other comprehensive income/(loss) of associates	20(b)	593	(110)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		(16)	1,697
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX		(16)	1,697
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		353,672	223,212

	Note	2020 US\$'000	2019 US\$'000
Profit for the year attributable to:			
Shareholders of the Company		351,624	219,977
Non-controlling interests		2,064	1,538
		353,688	221,515
Total comprehensive income for the year attributable to:			
Shareholders of the Company		351,326	221,530
Non-controlling interests		2,346	1,682
		353,672	223,212
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic (US cents per share)	13	13.22	8.29
Diluted (US cents per share)		13.11	8.22

Consolidated Statement of Financial Position

31 December 2020

	Notes	2020 US\$'000	2019 US\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,101,059	969,957
Right-of-use assets	15(a)	169,557	164,308
Advance payments for the acquisition of vessels	16	38,451	49,954
Goodwill	17	1,083	1,016
Other intangible assets	18	1,579	1,579
Investments in joint ventures	19	35,968	34,467
Investments in associates	20	10,441	9,703
Derivative financial instruments	21	24	14
Total non-current assets		1,358,162	1,230,998
CURRENT ASSETS			
Bunkers		20,384	22,067
Trade receivables	22	103,922	70,551
Prepayments, deposits and other receivables	23	21,087	18,903
Derivative financial instruments	21	1,726	252
Financial assets at fair value through profit or loss	24	16,845	7,410
Cash and bank balances	25	518,713	399,363
Total current assets		682,677	518,546
CURRENT LIABILITIES			
Trade payables	26	173,039	137,862
Other payables and accruals	27	81,401	60,315
Derivative financial instruments	21	1,070	–
Bank borrowings	28	75,753	55,416
Lease liabilities	15(b)	42,118	38,498
Dividend payables		–	102,615
Income tax payables		4,051	1,610
Total current liabilities		377,432	396,316
NET CURRENT ASSETS		305,245	122,230
TOTAL ASSETS LESS CURRENT LIABILITIES		1,663,407	1,353,228

	Notes	2020 US\$'000	2019 US\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		1,663,407	1,353,228
NON-CURRENT LIABILITIES			
Derivative financial instruments	21	4,378	–
Bank borrowings	28	353,140	226,596
Lease liabilities	15(b)	107,856	104,656
Provision for reinstatement costs	29	2,645	2,406
Total non-current liabilities		468,019	333,658
Net assets		1,195,388	1,019,570
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	31	34,567	34,513
Reserves	33(a)	1,149,920	975,730
		1,184,487	1,010,243
Non-controlling interests		10,901	9,327
Total equity		1,195,388	1,019,570

YANG Shaopeng
Director

YANG Xianxiang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

Notes	Attributable to shareholders of the Company												
	Issued capital US\$'000	Share premium account US\$'000	Shares held under the share award scheme account US\$'000	Share-based compensation reserve US\$'000	Capital and other reserves US\$'000 (note 33(b))	Hedging reserve US\$'000	Fair value reserve US\$'000	Exchange fluctuation reserve US\$'000	Reserve funds US\$'000 (note 33(c))	Retained profits US\$'000	Total US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
At 1 January 2019	34,383	384,127	(10,272)	9,101	(7,623)	(8,054)	(1,137)	(4,486)	5,207	625,776	1,037,032	8,667	1,045,699
Profit for the year	-	-	-	-	-	-	-	-	-	219,977	219,977	1,538	221,515
Other comprehensive income/(loss) for the year:													
Changes in fair value of debt investments at fair value through other comprehensive income, net of income tax	-	-	-	-	-	1,158	-	-	-	-	1,158	-	1,158
Cash flow hedges, net of income tax	-	-	-	-	-	1,743	-	-	-	-	1,743	-	1,743
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(927)	-	-	-	(927)	144	(783)
Share of other comprehensive loss of Joint ventures	-	-	-	-	-	-	(311)	-	-	-	(311)	-	(311)
Associates	-	-	-	-	-	-	(110)	-	-	-	(110)	-	(110)
Total comprehensive income/(loss) for the year	-	-	-	-	-	1,743	(1,348)	-	-	219,977	221,530	1,682	223,212
Capital contribution from non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	538	538
Issue of shares upon exercise of share options under the pre-IPO share option scheme	86	3,401	-	(177)	-	-	-	-	-	-	3,310	-	3,310
Issue of shares upon exercise of share options under the post-IPO share option scheme	34	1,462	-	(373)	-	-	-	-	-	-	1,123	-	1,123
Repurchase of shares under the share award scheme	-	-	(5,661)	-	-	-	-	-	-	-	(5,661)	-	(5,661)
Share award expense	-	-	-	5,413	-	-	-	-	-	-	5,413	-	5,413
Transfer of share-based compensation reserve upon forfeiture or expiry of share options	-	-	-	(5)	-	-	-	-	-	5	-	-	-
Transfer to reserve funds	-	-	-	-	-	-	-	408	-	(408)	-	-	-
Dividends declared to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(1,560)	(1,560)
Final 2018 dividend paid	-	-	-	-	-	-	-	-	-	(88,558)	(88,558)	-	(88,558)
Interim 2019 dividend declared	-	-	-	-	-	-	-	-	-	(61,331)	(61,331)	-	(61,331)
Special dividend declared	-	-	-	-	-	-	-	-	-	(102,615)	(102,615)	-	(102,615)
At 31 December 2019	34,513	386,990	(15,583)	13,959	(7,623)	(6,311)	21*	(5,834)*	5,615	592,846*	1,010,243	9,327	1,019,570

Notes	Attributable to shareholders of the Company												
	Issued capital US\$'000	Share premium US\$'000	Shares held under the share award scheme account US\$'000	Share-based compensation reserve US\$'000	Capital and other reserves US\$'000 (note 33(b))	Hedging reserve US\$'000	Fair value reserve US\$'000	Exchange fluctuation reserve US\$'000	Reserve funds US\$'000 (note 33(c))	Retained profits US\$'000	Total US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
At 1 January 2020	34,513	398,990	(15,933)	13,959	(7,623)	(6,311)	21	(5,834)	5,515	592,846	1,010,243	9,327	1,019,570
Profit for the year	-	-	-	-	-	-	-	-	-	351,624	351,624	2,064	353,688
Other comprehensive income/(loss) for the year	-	-	-	-	-	(8,192)	-	-	-	-	(8,192)	-	(8,192)
Cash flow hedges, net of income tax	-	-	-	-	-	-	-	6,651	-	-	6,651	282	6,933
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of:	-	-	-	-	-	-	-	650	-	-	650	-	650
Joint ventures	-	-	-	-	-	-	-	593	-	-	593	-	593
Associates	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	-	-	-	(8,192)	-	7,894	-	351,624	351,326	2,346	353,672
Capital contribution from non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	282	282
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	210	210
Issue of shares upon exercise of share options under the pre-IPO share option scheme	31	1,197	-	(62)	-	-	-	-	-	-	1,166	-	1,166
Issue of shares upon exercise of share options under the post-IPO share option scheme	23	1,086	-	(261)	-	-	-	-	-	-	848	-	848
Exercise of share awards under the share award scheme	-	-	3,374	(3,374)	-	-	-	-	-	-	-	-	-
Repurchase of shares under the share award scheme	-	-	(15,758)	-	-	-	-	-	-	-	(15,759)	-	(15,759)
Share award expense	-	-	-	6,200	-	-	-	-	-	-	6,200	-	6,200
Transfer to reserve funds	-	-	-	-	-	-	-	-	449	(449)	-	-	-
Dividends declared to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(1,274)	(1,274)
Final 2019 dividend paid	-	-	-	-	-	-	-	-	-	(93,403)	(93,403)	-	(93,403)
Interim 2020 dividend declared	-	-	-	-	-	-	-	-	-	(76,195)	(76,195)	-	(76,195)
At 31 December 2020	34,567	401,273*	(28,317)*	16,462*	(7,623)*	(14,502)*	21*	2,068*	6,064*	774,483*	1,184,487*	10,901	1,195,388

* These reserve accounts comprise the consolidated reserves of US\$1,149,920,000 (2019: US\$975,730,000) in the consolidated statement of financial position as at 31 December 2020.

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 US\$'000	2019 US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		364,997	230,513
Adjustments for:			
Finance costs	7	13,531	14,482
Share of profits of joint ventures		(9,863)	(8,585)
Share of profits of associates		(145)	(442)
Bank interest income	6	(9,260)	(13,358)
Investment income of principal-protected investment deposits at fair value through profit or loss	6	(213)	(319)
Gain on disposal of items of property, plant and equipment, net	6	(25)	(151)
Fair value losses/(gains), net:			
Cash flow hedges (transfer from equity)	8	2,093	4,111
Financial assets at fair value through profit or loss	6	(845)	–
Derivative instruments — transactions not qualifying as hedges	6	(3,257)	(830)
Debt investments at fair value through other comprehensive income (transfer from equity on disposal)	8	–	143
Covid-19-related rent concessions from lessors	15(b)	(66)	–
Depreciation of property, plant and equipment	8	69,422	66,756
Depreciation of right-of-use assets	8	46,483	36,450
Impairment of trade receivables, net	8	321	76
Share award expense	32	6,200	5,413
		479,373	334,259
Decrease in bunkers		1,683	895
Increase in trade receivables		(30,822)	(4,960)
Decrease in prepayments, deposits and other receivables		1,793	746
Decrease in derivative financial assets		2,618	824
Increase/(decrease) in trade payables		28,018	(905)
Increase in other payables and accruals		19,709	7,775
Increase/(decrease) in derivative financial liabilities		5,448	(18)
Effect of foreign exchange rate changes, net		(3,042)	(871)
		504,778	337,745

	Notes	2020 US\$'000	2019 US\$'000
Interest income received		12,821	10,030
Interest paid		(7,562)	(9,727)
Hong Kong profits tax paid		(557)	–
Overseas income tax paid		(8,094)	(8,375)
Net cash flows from operating activities		501,386	329,673
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(151,555)	(9,804)
Proceeds from disposal of items of property, plant and equipment		25	151
Advance payments for the acquisition of vessels		(35,550)	(106,286)
Redemption of investments in joint ventures		–	480
Proceeds from disposal of debt investments at fair value through other comprehensive income		–	10,445
Net disposal/(additions) of financial assets at fair value through profit or loss		(9,435)	9,255
Proceeds from investment income of principal-protected investment deposits at fair value through profit or loss		213	319
Increase in non-pledged time deposits with original maturity of over three months		(440,011)	(475,243)
Decrease in non-pledged time deposits with original maturity of over three months		305,285	256,058
Dividends received from joint ventures		6,646	9,104
Dividends received from an associate		–	60
Withholding tax paid on dividends received		(217)	(284)
Acquisition of a subsidiary	34	885	–
Net cash flows used in investing activities		(323,714)	(305,745)

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 US\$'000	2019 US\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	31(a), (b)	2,014	4,433
Repurchase of shares	32	(15,758)	(5,661)
Capital contribution from non-controlling equity holders of subsidiaries		292	538
New bank borrowings		409,298	314,065
Repayment of bank borrowings		(266,068)	(348,223)
Payment of dividends		(272,153)	(149,889)
Principal portion of lease payments		(49,484)	(38,004)
Payment for provision for reinstatement costs		(310)	(94)
Dividends paid to non-controlling equity holders of subsidiaries		(1,274)	(1,560)
		(193,443)	(224,395)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		76,512	277,036
Effect of foreign exchange rate changes, net		398	(57)
		61,139	76,512
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances other than time deposits		53,764	74,789
Time deposits		464,949	324,574
		518,713	399,363
Cash and cash equivalents as stated in the consolidated statement of financial position		518,713	399,363
Less: Non-pledged time deposits with original maturity of over three months when acquired		(457,574)	(322,851)
		61,139	76,512
Cash and cash equivalents as stated in the consolidated statement of cash flows		61,139	76,512

Notes to Financial Statements

31 December 2020

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

Information about principal subsidiaries

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

Company name	Place of incorporation/ registration and operations	Nominal value of registered/paid-up capital	Percentage of equity attributable to the Company	Principal activities
HITC Container Service Co., Limited	Hong Kong	US\$10,000	100	Provision of container maintenance services
HITC Container Service (Thailand) Co. Ltd. #	Thailand	THB5,000,000	74	Provision of container maintenance services
New SITC Container Lines Vietnam Co., Ltd	Vietnam	VND2,328,200,000	80	Provision of freight forwarding services
New SITC International Shipping Agency (Shanghai) Co., Ltd.	People’s Republic of China (“PRC”)/ Mainland China	RMB2,000,000	100	Provision of shipping agency services
New SITC Logistics Park Management (Qingdao) Co., Ltd. *#	PRC/Mainland China	US\$30,000,000	100	Land and building holding
PT SITC Indonesia	Indonesia	IDR6,000,000,000	67	Provision of shipping agency services

Notes to Financial Statements

31 December 2020

1. CORPORATE AND GROUP INFORMATION (continued)

Information about principal subsidiaries (continued)

Company name	Place of incorporation/ registration and operations	Nominal value of registered/paid- up capital	Percentage of equity attributable to the Company	Principal activities
Qingdao Smart Cargo Logistics Company Limited ^ #	PRC/Mainland China	US\$30,000,000	60	Provision of warehousing and depot services
SITC Bangkok Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Batangas Shipping Company Limited	Hong Kong	HK\$100	100	Vessel holding and chartering services
SITC Busan Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Cagayan Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Cebu Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Chulai Shipping Company Limited	Hong Kong	US\$1	100	Provision of vessel chartering services
SITC Container Lines Company Limited	Hong Kong	HK\$1,000,000	100	Provision of container marine transportation services
SITC Container Lines (Cambodia) Co., Ltd. #	Cambodia	US\$200,000	100	Provision of shipping agency services
SITC Container Lines (Korea) Co., Ltd. #	Korea	KRW600,000,000	80	Provision of shipping agency services
SITC Container Lines Malaysia SDN. BHD #	Malaysia	MYR499,999	100	Provision of shipping agency services
SITC Container Lines (SARAWAK) SDN BDH #	Malaysia	MYR500,000	70	Provision of shipping agency services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about principal subsidiaries (continued)

Company name	Place of incorporation/ registration and operations	Nominal value of registered/paid-up capital	Percentage of equity attributable to the Company	Principal activities
SITC Container Lines (Shanghai) Co., Ltd. * #	PRC/Mainland China	US\$16,000,000	100	Provision of shipping agency services
SITC Container Lines (Thailand) Co., Ltd.	Thailand	THB12,000,000	61.25	Provision of shipping agency services
SITC Customs Broker Co., Ltd	PRC/Mainland China	RMB10,000,000	100	Provision of customs declaration services
SITC Japan Co., Ltd.	Japan	JPY10,000,000	100	Provision of shipping agency services
SITC Cowin Supply Chain (Shanghai) Limited *#	PRC/Mainland China	RMB10,000,000	60	Provision of multimodal transportation services
SITC Dalian Shipping Company Limited	Hong Kong	US\$100	60	Vessel holding and chartering services
SITC Fangcheng Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Fujian Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Guangdong Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Guangxi Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Hainan Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Haiphong Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services

Notes to Financial Statements

31 December 2020

1. CORPORATE AND GROUP INFORMATION (continued)

Information about principal subsidiaries (continued)

Company name	Place of incorporation/ registration and operations	Nominal value of registered/paid- up capital	Percentage of equity attributable to the Company	Principal activities
SITC Hakata Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Hanshin Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Hebei Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Hengshan Shipping Company Limited	Hong Kong	RMB100	100	Vessel holding and chartering services
SITC Hochiminh Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Huangshan Shipping Company Limited	Hong Kong	HK\$1	100	Vessel holding and chartering services
SITC Huashan Shipping Company Limited	Hong Kong	HK\$1	100	Vessel holding and chartering services
SITC Incheon Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Intermodal Japan Co. Ltd. #	Japan	JPY10,000,000	100	Provision of warehouse and logistics services
SITC Jakarta Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Jiangsu Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Kanto Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about principal subsidiaries (continued)

Company name	Place of incorporation/ registration and operations	Nominal value of registered/paid-up capital	Percentage of equity attributable to the Company	Principal activities
SITC Kawasaki Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Keelung Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Kwangyang Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Laem ChaBang Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Lianyungang Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Liaoning Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Logistics Co., Ltd. * #	PRC/Mainland China	RMB150,000,000	100	Provision of freight forwarding services
SITC Logistics (HK) Limited	Hong Kong	HK\$1	100	Investment holding and provision of freight forwarding services
SITC Logistics (Japan) Co., Ltd.	Japan	JPY10,000,000	100	Provision of freight forwarding services
SITC Logistics (Myanmar) Co. LTD #	Myanmar	US\$210,000	70	Provision of freight forwarding services
SITC Logistics (PTY) Ltd. #	South Africa	US\$1,320,000	55	Provision of warehousing services

Notes to Financial Statements

31 December 2020

1. CORPORATE AND GROUP INFORMATION (continued)

Information about principal subsidiaries (continued)

Company name	Place of incorporation/ registration and operations	Nominal value of registered/paid- up capital	Percentage of equity attributable to the Company	Principal activities
SITC Lushan Shipping Company Limited	Hong Kong	HK\$1	100	Vessel holding and chartering services
SITC Macao Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Makassar Shipping Company Limited	Hong Kong	US\$1	100	Vessel holding and chartering services
SITC Manila Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Moji Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Nansha Shipping Company Limited	Hong Kong	US\$1	100	Vessel holding and chartering services
SITC Ocean Shipping Company Limited	Hong Kong	HK\$1	100	Provision of freight forwarding services
SITC Osaka Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Penang Shipping Company Limited	Hong Kong	US\$1	100	Vessel holding and chartering services
SITC Port Klang Shipping Company Limited	Hong Kong	US\$1	100	Vessel holding and chartering services
SITC Pyeongtaek Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Qingdao Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about principal subsidiaries (continued)

Company name	Place of incorporation/ registration and operations	Nominal value of registered/paid-up capital	Percentage of equity attributable to the Company	Principal activities
SITC Qinzhou Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Semarang Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Sendai Shipping Company Limited	Hong Kong	US\$1	100	Vessel holding and chartering services
SITC Shandong Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering chartering services
SITC Shanghai Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Shekou Shipping Company Limited	Hong Kong	US\$1	100	Vessel holding and chartering services
SITC Shenzhen Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Shidao Shipping Company Limited	Hong Kong	US\$1	100	Vessel holding and chartering services
SITC Shimizu Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Shipping Agency (HK) Company Limited	Hong Kong	HK\$5,000,000	100	Provision of shipping agency and freight forwarding services
SITC Shipping (Hainan) Company Limited *#	PRC/Mainland China	US\$10,000,000	100	Vessel holding and chartering services

Notes to Financial Statements

31 December 2020

1. CORPORATE AND GROUP INFORMATION (continued)

Information about principal subsidiaries (continued)

Company name	Place of incorporation/ registration and operations	Nominal value of registered/paid- up capital	Percentage of equity attributable to the Company	Principal activities
SITC Subic Shipping Company Limited	Hong Kong	US\$1	100	Vessel holding and chartering services
SITC Surabaya Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Taicang Shipping Company Limited	Hong Kong	US\$1	100	Vessel holding and chartering services
SITC Taishan Shipping Company Limited	Hong Kong	HK\$1	100	Vessel holding and chartering services
SITC Technologies (Shanghai) Co., Ltd. * #	PRC/Mainland China	RMB10,000,000	100	Provision of technology support services
SITC Tokuyama Shipping Company Limited	Hong Kong	US\$1	100	Vessel holding and chartering services
SITC Toyohashi Shipping Company Limited	Hong Kong	US\$1	100	Vessel holding and chartering services
SITC Ulsan Shipping Company Limited	Hong Kong	US\$1	100	Provision of vessel chartering services
SITC Weihai Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Yantai Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services
SITC Yokkaichi Shipping Company Limited	Hong Kong	US\$100	100	Vessel holding and chartering services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about principal subsidiaries (continued)

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

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

^ Registered as limited liability companies under PRC law

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

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

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

Notes to Financial Statements

31 December 2020

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and debt and equity investments, which have been measured at fair value. These financial statements are presented in the United States dollars (the “US\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any significant impact on the financial position and performance of the Group.

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's offices have been reduced or waived by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of US\$66,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework²</i>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
HKFRS 17	<i>Insurance Contracts³</i>
Amendments to HKFRS 17	<i>Insurance Contracts^{3, 6}</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current^{3, 5}</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use²</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract²</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ²

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

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ No mandatory effective date yet determined but available for adoption

⁵ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁶ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

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

- (a) Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.
- (b) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank borrowings denominated in United States dollars and foreign currencies based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

- (c) Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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

- (d) Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- (e) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- (f) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.
- (g) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
 - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

Business combinations and goodwill

Business combinations under common control

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

Other business combinations

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

Notes to Financial Statements

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Other business combinations (continued)

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

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

Fair value measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Plant and equipment, other than construction in progress and buildings, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

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

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

Intangible assets (other than goodwill)

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

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

Trademarks and golf club membership

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

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, reinstatement costs expected to incur and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Land	2 to 50 years
Offices	2 to 8 years
Containers	1 to 6 years
Vessels	10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

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

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

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

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

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

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

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

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

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

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

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

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

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

General approach (continued)

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

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

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

(a) Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

(b) Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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

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

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

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

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Fair value hedges

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

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

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

Cash flow hedges

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

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Hedges of a net investment

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

Current versus non-current classification

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

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Shares held under a share award scheme

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

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

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

Bunkers

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

Provisions

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

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

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with interests in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with interests in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

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

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

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

- (a) Revenue from container shipping activities is recognised over time as the performance obligation is satisfied, including a share of revenue from incomplete voyages as at the end of the reporting period. Detention and demurrage fees are recognised over time up until the time of the customer's late return or pick-up of containers.
- (b) Revenue from shipping agency, freight forwarding and logistics management activities are recognised over time upon the services have been rendered.

Other revenue

- (a) Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.
- (b) Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
- (c) Revenue from a time charter is recognised on the straight-line basis over the period of the charter.
- (d) Rental income is recognised on a time proportion basis over the lease terms.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

Share option schemes

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and the fair value is determined by an external valuer using a binomial model.

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

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

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

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

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

Share award scheme

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Share award scheme (continued)

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

Retirement benefit schemes

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

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

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

Borrowing costs

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

Dividends

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

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

The functional currencies of certain overseas subsidiaries are currencies other than the US dollars. As at the end of each reporting period, the assets and liabilities of these entities are translated into US dollars at the exchange rates prevailing at the end of each reporting period and their statements of profit or loss are translated into US dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

The key judgements, estimates and assumptions, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

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

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Estimated useful lives and residual values of shipping vessels

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

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

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

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimated useful lives and residual values of shipping vessels (continued)

The Group will review the useful life and residual value of each of its shipping vessels at the end of each reporting period based on the conditions of the shipping vessels, the market condition and other regulatory requirements. The depreciation expense in future periods will change where the estimated useful life or residual value of a shipping vessel are different from the previous estimate. The carrying amount of the Group's shipping vessels carried as assets in the consolidated statement of financial position as at 31 December 2020 was US\$998,791,000 (2019: US\$866,390,000) in aggregate, further details of which are set out in note 14 to the financial statements.

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease (e.g., significant customisation to the leased asset).

Hedge accounting

At 31 December 2020, certain bank borrowings of the Group denominated in JPY with the then total carrying amount of US\$100,966,000 (2019: US\$87,150,000) were designated as hedging instruments to manage the Group's foreign currency risk in relation to forecast sales denominated in JPY (i.e., the hedged items). These bank loan balances vary with the levels of expected JPY denominated sales and changes in the JPY-US\$ forward rate. The cash flow hedges relating to the expected future sales transactions denominated in JPY were assessed by the Group to be highly effective, and hence, the Group applies hedge accounting for this cash flow hedge relationship.

The cash flow hedge accounting is dependent on the effectiveness of the hedge relationship, as such, this inherent complexity of hedge accounting involved a significant degree of management judgement. Further details are given in note 28(c) to the financial statements.

Recognition of a deferred tax liability for withholding taxes

The new Corporate Income Tax Law of the PRC, which became effective on 1 January 2008, states that the distribution of dividends by a foreign invested enterprise established in Mainland China to its foreign investors, from its earnings in 2008 and thereafter, shall be subject to withholding corporate income tax at a rate of 5% or 10%. The Group carefully evaluates the necessity of dividend distribution of its PRC subsidiaries out of profits earned after 1 January 2008 based on senior management's judgement. Further details are given in note 30(b) to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The Group did not recognise any deferred tax assets as at 31 December 2020 (2019: Nil).

Income taxes

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

4. OPERATING SEGMENT INFORMATION

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

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

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

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

Year ended 31 December 2020

	Container shipping and logistics US\$'000	Dry bulk and others US\$'000	Total US\$'000
Segment revenue (note 5)			
Sales to external customers	1,662,839	22,328	1,685,167
Segment results	364,515	3,695	368,210
<i>Reconciliation:</i>			
Bank interest income			9,260
Investment income of principal-protected investment deposits at fair value through profit or loss			213
Fair value gain on a financial asset at fair value through profit or loss			845
Finance costs			(13,531)
Profit before tax			364,997
At 31 December 2020			
Segment assets	1,354,011	138,295	1,492,306
<i>Reconciliation:</i>			
Corporate and other unallocated assets			548,533
Total assets			2,040,839
Segment liabilities	387,175	3,022	390,197
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			455,254
Total liabilities			845,451

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4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2020 (continued)

	Container shipping and logistics US\$'000	Dry bulk and others US\$'000	Total US\$'000
Other segment information:			
Share of profits and losses of:			
Joint ventures	9,827	36	9,863
Associates	145	–	145
Depreciation of property, plant and equipment	61,511	7,911	69,422
Depreciation of right-of-use assets	46,031	452	46,483
Gain on disposal of items of property, plant and equipment, net	16	9	25
Impairment of trade receivables, net	99	222	321
Investments in joint ventures	35,356	612	35,968
Investments in associates	10,441	–	10,441
Capital expenditure*	185,757	1,348	187,105

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

Year ended 31 December 2019

	Container shipping and logistics US\$'000	Dry bulk and others US\$'000	Total US\$'000
Segment revenue (note 5)			
Sales to external customers	1,527,346	26,372	1,553,718
Segment results			
	222,459	8,367	230,826
<i>Reconciliation:</i>			
Bank interest income			13,358
Interest income of debt investments at fair value through other comprehensive income			492
Investment income of principal-protected investment deposits at fair value through profit or loss			319
Finance costs			(14,482)
Profit before tax			230,513
At 31 December 2019			
Segment assets			
	1,014,505	145,184	1,159,689
<i>Reconciliation:</i>			
Corporate and other unallocated assets			589,855
Total assets			1,749,544
Segment liabilities			
	431,302	479	431,781
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			298,193
Total liabilities			729,974

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2019 (continued)

	Container shipping and logistics US\$'000	Dry bulk and others US\$'000	Total US\$'000
Other segment information:			
Share of profits and losses of:			
Joint ventures	8,975	(390)	8,585
Associates	442	–	442
Depreciation of property, plant and equipment	58,825	7,931	66,756
Depreciation of right-of-use assets	35,995	455	36,450
Gain on disposal of items of property, plant and equipment, net	151	–	151
Impairment of trade receivables, net	76	–	76
Investments in joint ventures	33,897	570	34,467
Investments in associates	9,703	–	9,703
Capital expenditure*	115,222	868	116,090

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

Geographical information

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

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

	2020 US\$'000	2019 US\$'000
Greater China*	657,527	592,566
Southeast Asia	525,487	465,022
Japan	415,687	406,557
Others	86,466	89,573
	1,685,167	1,553,718

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

Major customer information disclosure

During the year, there were no sales to any single customer which contributed 10% or more of the Group's revenue (2019: Nil).

Notes to Financial Statements

31 December 2020

5. REVENUE

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

	2020 US\$'000	2019 US\$'000
Revenue from contracts with customers	1,662,839	1,527,346
Revenue from other sources:		
Time charter income	20,782	24,885
Other rental income	1,546	1,487
	22,328	26,372
	1,685,167	1,553,718

Notes:

(a) *Disaggregated revenue information*

Year ended 31 December 2020

Segments	Container shipping and logistics US\$'000	Dry bulk and others US\$'000	Total US\$'000
Types of services			
Container shipping and supporting logistics income	1,490,286	–	1,490,286
Other container logistics income*	172,553	–	172,553
Total revenue from contracts with customers	1,662,839	–	1,662,839
Revenue from other sources	–	22,328	22,328
Total revenue	1,662,839	22,328	1,685,167
Geographical markets			
Greater China*	653,959	–	653,959
Southeast Asia	522,474	–	522,474
Japan	415,687	–	415,687
Others	70,719	–	70,719
Total revenue from contracts with customers	1,662,839	–	1,662,839
Revenue from other sources	–	22,328	22,328
Total revenue	1,662,839	22,328	1,685,167
Timing of revenue recognition			
Total revenue from contracts with customers –			
Services transferred over time	1,662,839	–	1,662,839
Revenue from other sources	–	22,328	22,328
Total revenue	1,662,839	22,328	1,685,167

5. REVENUE (continued)

Notes: (continued)

(a) *Disaggregated revenue information (continued)*

Year ended 31 December 2019

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

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

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

(b) *Performance obligations*

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

Container shipping and supporting logistics income

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

Other container logistics income

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

Remaining performance obligations

The amount of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 was US\$44,739,000 (2019: US\$25,886,000), which is expected to be recognised within one year from the end of the reporting period.

Notes to Financial Statements

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6. OTHER INCOME AND GAINS, NET

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

	2020 US\$'000	2019 US\$'000
Other income		
Bank interest income	9,260	13,358
Interest income of debt investments at fair value through other comprehensive income	–	492
Investment income of principal-protected investment deposits at fair value through profit or loss	213	319
Government subsidies*	3,972	1,667
Others	68	134
	13,513	15,970
Gains, net		
Gain on disposal of items of property, plant and equipment, net	25	151
Fair value gains, net :		
Financial asset at fair value through profit or loss	845	–
Derivative instruments – transactions not qualifying as hedges	3,257	830
Foreign exchange differences, net	5,271	5,455
	9,398	6,436
Other income and gains, net	22,911	22,406

* The amount represented (i) subsidies received from certain governmental authorities in Mainland China and Japan for the Group's operation of container shipping and logistics businesses, where there are no unfulfilled conditions or contingencies relating to these grants; and (ii) subsidies under the Employment Support Scheme in Hong Kong which the Group required to undertake not to implement redundancy during the subsidy period and to use the subsidy to pay wages of the employees, all conditions relating to these grants have been fulfilled.

7. FINANCE COSTS

	Notes	2020 US\$'000	2019 US\$'000
Interest on bank borrowings		7,293	9,188
Interest on lease liabilities	15(b)	6,133	5,209
Increase in discounted amounts of provision for reinstatement costs arising from the passage of time	29	105	85
Total finance costs		13,531	14,482

8. PROFIT BEFORE TAX

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

	Notes	2020 US\$'000	2019 US\$'000
Cost of services provided:			
Cost of bunkers consumed		169,501	207,885
Others		1,070,635	1,047,681
		1,240,136	1,255,566
Depreciation of property, plant and equipment	14	69,422	66,756
Less: Included in cost of services provided		(66,057)	(65,751)
		3,365	1,005
Depreciation of right-of-use assets	15(a)	46,483	36,450
Less: Included in cost of services provided		(43,057)	(33,897)
		3,426	2,553
Lease payments not included in the measurement of lease liabilities		83,073	97,652
Less: Included in cost of services provided		(77,605)	(91,659)
		5,468	5,993
Auditor's remuneration		397	393
Employee benefit expense (including directors' remuneration (note 9)):			
Wages and salaries		110,316	84,486
Share award expense	32	6,200	5,413
Pension scheme contributions (defined contribution schemes)		5,203	8,795
		121,719	98,694
Less: Included in cost of services provided		(47,740)	(42,187)
		73,979	56,507
Impairment of trade receivables, net*	22(c)	321	76
Fair value losses, net:			
Cash flow hedges (transfer from equity)*		2,093	4,111
Debt investments at fair value through other comprehensive income (transfer from equity on disposal)*		—	143

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

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9. DIRECTORS' REMUNERATION

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

	2020 US\$'000	2019 US\$'000
Fees	329	306
Other emoluments:		
Salaries, allowances and benefits in kind	2,069	1,914
Performance-related bonuses	2,875	2,642
Share award expense	875	1,352
Pension scheme contributions	18	27
	5,837	5,935
	6,166	6,241

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

9. DIRECTORS' REMUNERATION (continued)

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

	Fees US\$'000	Salaries, allowances and benefits in kind US\$'000	Performance- related bonuses US\$'000	Share award expense US\$'000	Pension scheme contributions US\$'000	Total remuneration US\$'000
Year ended 31 December 2020						
Executive directors:						
Mr. Yang Shaopeng	28	814	1,090	–	5	1,937
Mr. Yang Xianxiang*	28	615	802	169	2	1,616
Mr. Liu Kecheng	28	151	246	160	2	587
Mr. Xue Peng	28	147	240	125	2	542
Mr. Xue Mingyuan	28	222	351	255	2	858
Mr. Lai Zhiyong	28	120	146	102	5	401
	168	2,069	2,875	811	18	5,941
Independent non-executive directors:						
Mr. Tsui Yung Kwok ^{oo}	35	–	–	16	–	51
Mr. Yeung Kwok On	35	–	–	16	–	51
Dr. Lo Wing Yan, William, J.P.^	38	–	–	16	–	54
Dr. Ngai Wai Fung^	41	–	–	16	–	57
Mr. Tse Siu Ngan ^s	6	–	–	–	–	6
Dr. Hu Mantian ^s	6	–	–	–	–	6
Dr. Liu Ka Ying, Rebecca [#]	–	–	–	–	–	–
	161	–	–	64	–	225
Total	329	2,069	2,875	875	18	6,166

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9. DIRECTORS' REMUNERATION (continued)

	Fees US\$'000	Salaries, allowances and benefits in kind US\$'000	Performance- related bonuses US\$'000	Share award expense US\$'000	Pension scheme contributions US\$'000	Total remuneration US\$'000
Year ended 31 December 2019						
Executive directors:						
Mr. Yang Shaopeng	28	777	1,025	–	5	1,835
Mr. Yang Xianxiang*	28	581	754	259	2	1,624
Mr. Liu Kecheng	28	144	229	254	2	657
Mr. Xue Peng	28	139	223	182	2	574
Mr. Xue Mingyuan	28	203	306	430	2	969
Mr. Lai Zhiyong	28	70	105	123	14	340
	168	1,914	2,642	1,248	27	5,999
Independent non-executive directors:						
Mr. Tsui Yung Kwok	34	–	–	26	–	60
Mr. Yeung Kwok On	34	–	–	26	–	60
Dr. Lo Wing Yan, William, J.P.	34	–	–	26	–	60
Dr. Ngai Wai Fung	36	–	–	26	–	62
	138	–	–	104	–	242
Total	306	1,914	2,642	1,352	27	6,241

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

∞ Mr. Tsui Yung Kwok resigned as an independent non-executive director of the Company on 18 December 2020.

^ Dr. Lo Wing Yan, William, J.P. and Dr. Ngai Wai Fung resigned as independent non-executive directors of the Company on 27 October 2020.

§ Mr. Tse Siu Ngan and Dr. Hu Mantian were appointed as independent non-executive directors of the Company on 27 October 2020.

* Dr. Liu Ka Ying, Rebecca was appointed as an independent non-executive director of the Company on 18 December 2020.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2019: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year are five (2019: five) executive directors, details of whose remuneration are set out in note 9 above.

11. INCOME TAX

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

	2020 US\$'000	2019 US\$'000
Current:		
Hong Kong	993	379
Underprovision/(overprovision) in prior years – Hong Kong	(227)	44
Mainland China	2,186	1,262
Elsewhere	8,357	7,313
Total tax expense for the year	11,309	8,998

Notes:

- (a) Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%). Taxes on profits assessable in Mainland China and elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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11. INCOME TAX (continued)

Notes: (continued)

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

Year ended 31 December 2020

	Mainland China		Hong Kong		Elsewhere		Total	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
Profit before tax	17,426		246,747		100,824		364,997	
Tax expense at the statutory tax rate	4,356	25.0	40,713	16.5	8,084	8.0	53,153	14.6
Lower tax rate(s) for specific provinces or enacted by local authority	(46)	(0.3)	(21)	–	–	–	(67)	–
Effect of withholding tax at 10% of the interest income of the Group	–	–	–	–	620	0.6	620	0.2
Effect of withholding tax at 5% of the distributable profits of the Group's PRC joint ventures	339	2.0	–	–	–	–	339	0.1
Adjustments in respect of current tax of previous periods	–	–	(227)	(0.1)	–	–	(227)	(0.1)
Profits and losses attributable to joint ventures and associates	(2,024)	(11.6)	(6)	–	(362)	(0.4)	(2,392)	(0.7)
Income not subject to tax	(911)	(5.2)	(59,852)	(24.3)	(24,001)	(23.8)	(84,764)	(23.2)
Expenses not deductible for tax	478	2.7	19,832	8.0	24,016	23.8	44,326	12.1
Tax losses utilised from previous periods	(6)	–	–	–	–	–	(6)	–
Tax loss not recognised	–	–	327	0.1	–	–	327	0.1
Tax expense at the Group's effective tax rate	2,186	12.5	766	0.3	8,357	8.3	11,309	3.1

Year ended 31 December 2019

	Mainland China		Hong Kong		Elsewhere		Total	
	US\$'000	%	US\$'000	%	US\$'000	%	US\$'000	%
Profit before tax	12,405		155,954		62,154		230,513	
Tax expense at the statutory tax rate	3,101	25.0	25,732	16.5	5,819	9.4	34,652	15.0
Lower tax rate(s) for specific provinces or enacted by local authority	–	–	–	–	51	0.1	51	–
Effect of withholding tax at 5% of the distributable profits of the Group's PRC joint ventures	303	2.4	–	–	62	0.1	365	0.2
Adjustments in respect of current tax of previous periods	–	–	44	–	–	–	44	–
Profits and losses attributable to joint ventures and associates	(1,811)	(14.6)	64	–	(372)	(0.6)	(2,119)	(0.9)
Income not subject to tax	(522)	(4.2)	(44,356)	(28.4)	(23,384)	(37.6)	(68,262)	(29.6)
Expenses not deductible for tax	387	3.1	18,868	12.1	25,137	40.4	44,392	19.3
Tax losses utilised from previous periods	(196)	(1.6)	–	–	–	–	(196)	(0.1)
Temporary difference not recognised	–	–	71	–	–	–	71	–
Tax expense at the Group's effective tax rate	1,262	10.2	423	0.3	7,313	11.8	8,998	3.9

- (c) The share of tax expense attributable to joint ventures amounting to US\$2,842,000 (2019: US\$2,164,000) and the share of tax expense attributable to associates amounting to US\$143,000 (2019: tax credit of US\$93,000) are included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss and other comprehensive income.

12. DIVIDENDS

	2020		2019	
	HK\$'000	US\$'000 equivalent	HK\$'000	US\$'000 equivalent
Interim – HK22 cents (equivalent to approximately US2.84 cents) (2019: HK18 cents, equivalent to approximately US2.30 cents) per ordinary share	589,749	76,135	481,064	61,331
Special – (2019: HK30 cents, equivalent to approximately US3.83 cents) per ordinary share	–	–	803,246	102,615
Proposed final – HK60 cents (equivalent to approximately US7.74 cents) (2019: HK27 cents, equivalent to approximately US3.47 cents) per ordinary share	1,608,967	207,557	723,143	93,403*
	2,198,716	283,692	2,007,453	257,349

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

- * These was a difference of US\$541,000 between the amount of the 2019 final dividend disclosed above and the amount disclosed in the consolidated financial statements for the year ended 31 December 2019, which arose from (i) an increase in the 2019 final dividend paid of HK\$76,000 (equivalent to approximately US\$10,000) as the result of additional 283,200 ordinary shares issued by the Company subsequent to the approval of the consolidated financial statements for the year ended 31 December 2019 and prior to the date of closure of the register of members for entitlement to the 2019 final dividend following the exercise of certain share options; and (ii) an increase in the amount of the 2019 final dividend translated in US\$ of US\$531,000, as a result of the difference in the exchange rate used for converting HK\$ into US\$ for the amount of the proposed 2019 final dividend disclosed in the consolidated financial statements for the year ended 31 December 2019 and that prevailing on the 2019 final dividend settlement date.

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13. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

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

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

	2020 US\$'000	2019 US\$'000
Earnings		
Profit attributable to shareholders of the Company, used in the basic and diluted earnings per share calculation	351,624	219,977
	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year less shares held under the share award scheme, used in the basic earnings per share calculation	2,659,893,672	2,654,606,606
Effect of dilution – weighted average number of ordinary shares:		
Share options	2,908,708	5,442,581
Shares held under the share award scheme	19,437,688	16,677,638
Weighted average number of ordinary shares during the year, used in the diluted earnings per share calculation	2,682,240,068	2,676,726,825

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings US\$'000	Vessels US\$'000	Containers US\$'000	Computers, furniture and equipment US\$'000	Motor Vehicles US\$'000	Total US\$'000
31 December 2020						
At 1 January 2020:						
Cost	44,228	1,213,469	88,309	36,691	4,267	1,386,964
Accumulated depreciation	(14,006)	(347,079)	(25,060)	(27,631)	(3,231)	(417,007)
Net carrying amount	30,222	866,390	63,249	9,060	1,036	969,957
Net carrying amount:						
At 1 January 2020	30,222	866,390	63,249	9,060	1,036	969,957
Additions	129	191,284	2,570	3,992	633	198,608
Acquisition of a subsidiary (note 34)	–	–	–	63	26	89
Depreciation provided during the year	(1,798)	(58,482)	(5,934)	(2,976)	(232)	(69,422)
Disposals/write-off	(14)	(401)	(126)	(57)	(39)	(637)
Exchange realignment	1,950	–	59	380	75	2,464
At 31 December 2020	30,489	998,791	59,818	10,462	1,499	1,101,059
At 31 December 2020:						
Cost	47,263	1,404,294	90,271	41,648	4,665	1,588,141
Accumulated depreciation	(16,774)	(405,503)	(30,453)	(31,186)	(3,166)	(487,082)
Net carrying amount	30,489	998,791	59,818	10,462	1,499	1,101,059

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings US\$'000	Vessels US\$'000	Containers US\$'000	Computers, furniture and equipment US\$'000	Motor Vehicles US\$'000	Total US\$'000
31 December 2019						
At 1 January 2019:						
Cost	44,075	1,103,639	87,689	34,609	4,243	1,274,255
Accumulated depreciation	(11,770)	(291,686)	(20,690)	(24,759)	(3,111)	(352,016)
Net carrying amount	32,305	811,953	66,999	9,850	1,132	922,239
Net carrying amount:						
At 1 January 2019	32,305	811,953	66,999	9,850	1,132	922,239
Additions	716	110,225	1,733	2,588	232	115,494
Depreciation provided during the year	(2,410)	(55,392)	(5,284)	(3,371)	(299)	(66,756)
Disposals/write-off	–	(396)	(199)	(38)	(15)	(648)
Exchange realignment	(389)	–	–	31	(14)	(372)
At 31 December 2019	30,222	866,390	63,249	9,060	1,036	969,957
At 31 December 2020:						
Cost	44,228	1,213,469	88,309	36,691	4,267	1,386,964
Accumulated depreciation	(14,006)	(347,079)	(25,060)	(27,631)	(3,231)	(417,007)
Net carrying amount	30,222	866,390	63,249	9,060	1,036	969,957

Note: At 31 December 2020, certain of the Group's vessels and containers with aggregate net carrying amounts of approximately US\$736,131,000 (2019: US\$454,397,000) and US\$32,623,000 (2019: US\$34,835,000), respectively, were pledged to secure bank loans granted to the Group (note 28(a)).

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of land, offices, containers and a vessel. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 2 to 50 years. No ongoing payments will be made under the terms of these land leases. Leases of offices generally have lease terms between 2 and 8 years, while containers generally have lease terms between 1 and 6 years. A vessel is accounted for as a finance lease and has a lease term of 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There is a lease contract that includes an extension option, which is further discussed below.

(a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Land US'000	Offices US'000	Containers US'000	Vessel US'000	Total US'000
As at 1 January 2019	42,261	3,921	82,885	5,275	134,342
Additions	2,047	5,004	61,982	–	69,033
Depreciation charge	(2,577)	(1,573)	(31,764)	(536)	(36,450)
Early termination of leases	(1,815)	(56)	–	–	(1,871)
Exchange realignment	(290)	(456)	–	–	(746)
As at 31 December 2019 and 1 January 2020	39,626	6,840	113,103	4,739	164,308
Additions	5,264	4,980	39,022	–	49,266
Acquisition of a subsidiary (note 34)	–	324	–	–	324
Depreciation charge	(3,186)	(3,580)	(39,181)	(536)	(46,483)
Early termination of leases	(395)	(86)	(128)	–	(609)
Exchange realignment	2,481	270	–	–	2,751
As at 31 December 2020	43,790	8,748	112,816	4,203	169,557

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15. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	Notes	2020 US\$'000	2019 US\$'000
Carrying amount at 1 January		143,154	111,195
New leases		48,822	66,618
Acquisition of a subsidiary	34	324	–
Early termination of leases		(493)	(1,088)
Accretion of interest recognised during the year	7	6,133	5,209
Covid-19-related rent concessions from lessors		(66)	–
Payments		(49,484)	(38,004)
Exchange realignment		1,584	(776)
Carrying amount at 31 December		149,974	143,154
Analysed into:			
Current portion		42,118	38,498
Non-current portion		107,856	104,656

The maturity analysis of lease liabilities is disclosed in note 40 to the financial statements.

As disclosed in note 2.2 to the financial statements, the Group has early adopted the amendment to HKFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain plant and equipment during the year.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 US\$'000	2019 US\$'000
Interest on lease liabilities	6,133	5,209
Depreciation charge of right-of-use assets	46,483	36,450
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2020 (included in cost of sales and administrative expenses)	83,073	97,652
Covid-19-related rent concessions from lessors	(66)	–
Total amount recognised in profit or loss	135,623	139,311

15. LEASES (continued)

The Group as a lessee (continued)

(d) Extension option

The Group has a land lease contract that includes an extension option. This option is negotiated by management to provide flexibility in managing the leased-asset portfolio and it is aligned with the Group's business needs. The undiscounted potential future rental payments relating to periods following the exercise date of the extension option that is not included in the lease term are US\$266,000 (2019: US\$248,000), which are payable within five years.

(e) The total cash outflow for leases is disclosed in note 35(c) to the financial statements.

The Group as a lessor

The Group leases certain of its dry bulk vessels and land and buildings to third parties and joint ventures under operating lease arrangements. Leases for dry bulk vessels are negotiated for terms ranging from 10 months to 2 years and those for land and buildings are for terms ranging from 2 to 7 years.

Rental income recognised by the Group during the year was US\$22,328,000 (2019: US\$26,372,000), details of which are included in note 5 to the financial statements.

At 31 December 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 US\$'000	2019 US\$'000
Within one year	17,243	11,542
After one year but within two years	801	1,277
After two years but within three years	97	693
After three years but within four years	–	73
	18,141	13,585

16. ADVANCE PAYMENTS FOR THE ACQUISITION OF VESSELS

The balance represented advance payments for the purchase of container vessels. Further details of the capital commitments resulting from the purchase of container vessels are set out in note 36 to the financial statements.

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17. GOODWILL

	2020 US\$'000	2019 US\$'000
Cost and net carrying amount at 1 January	1,016	1,029
Exchange realignment	67	(13)
Cost and net carrying amount at 31 December	1,083	1,016

Impairment testing of goodwill

Goodwill of the Group arose from the acquisition of Tianjin Xin Hua Xi Logistics Co., Ltd. ("Tianjin Xin Hua Xi") in 2014. Tianjin Xin Hua Xi is engaged in the provision of depot services and is considered a cash-generating unit that generates independent cash flows.

The goodwill so arising was allocated to the Tianjin Xin Hua Xi cash-generating unit for impairment testing.

The recoverable amount of the Tianjin Xin Hua Xi cash-generating unit has been determined based on a value-in-use calculation using pre-tax cash flow projection of financial budget covering a five-year period approved by senior management. The discount rate applied to the cash flow projection is 15.8% (2019: 15.3%). The growth rate used to extrapolate the cash flows of the business beyond the five-year period is 2% (2019: 2%). This growth rate represents the average growth rate of the industry in which the business operates. Assumptions were used in the value-in-use calculation of the Tianjin Xin Hua Xi cash-generating unit. The following describes each key assumption which management has adopted for its cash flow projection for the purpose of undertaking the impairment testing of the goodwill:

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

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

18. OTHER INTANGIBLE ASSETS

	Golf club membership US\$'000	Trademarks US\$'000	Total US\$'000
Cost and net carrying amount:			
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	558	1,021	1,579

19. INVESTMENTS IN JOINT VENTURES

	2020 US\$'000	2019 US\$'000
Share of net assets	35,968	34,467

Notes:

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

Company name	Registered capital	Place of registration and operations and business	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Smart International Logistics Co., Ltd [#]	RMB25,000,000	PRC/Mainland China	51%	50%	51%	Provision of depot, warehousing and freight forwarding services
Singamas Logistics (Qingdao) Co., Ltd [#]	RMB47,455,820	PRC/Mainland China	40%	40%	40%	Provision of depot and warehousing services
SITC-Dinhvu Logistics Co., Ltd	US\$12,000,000	Vietnam	51%	50%	51%	Provision of depot and warehousing services

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

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

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

	2020 US\$'000	2019 US\$'000
Share of the joint ventures' profit for the year	9,863	8,585
Share of the joint ventures' other comprehensive income/(loss)	650	(311)
Share of the joint ventures' total comprehensive income	10,513	8,274
Aggregate carrying amount of the Group's investments in joint ventures	35,968	34,467

(c) The Group's trade receivable balances and trade payable balances with joint ventures are disclosed in notes 22(d) and 26(b) to the financial statements, respectively. Other non-trade balances with joint ventures are disclosed in note 23(b) to the financial statements.

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20. INVESTMENTS IN ASSOCIATES

	2020 US\$'000	2019 US\$'000
Share of net assets	10,441	9,703

Notes:

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

Company name	Registered/ paid-up/issued capital	Place of registration and operation	Percentage of ownership interest attributable to the Group	Principal activities
APL-SITC Terminal Holdings Pte. Ltd.	10 ordinary shares of US\$1 each	Singapore	20%	Investment holding

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

	2020 US\$'000	2019 US\$'000
Share of the associates' profit for the year	145	442
Share of the associates' other comprehensive income/(loss)	593	(110)
Share of the associates' total comprehensive income	738	332
Aggregate carrying amount of the Group's investments in associates	10,441	9,703

(c) The Group's trade receivable balances and trade payable balances with associates are disclosed in notes 22(d) and 26(b) to the financial statements, respectively.

21. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	2020		2019	
		Assets US\$'000	Liabilities US\$'000	Assets US\$'000	Liabilities US\$'000
Forward currency contracts	(a)	1,721	–	–	–
Interest rate swaps	(b)	29	5,448	266	–
		1,750	5,448	266	–
Portion classified as non-current – Interest rate swaps		(24)	(4,378)	(14)	–
Current portion		1,726	1,070	252	–

Notes:

- (a) The Group has entered into various forward currency contracts to manage its exchange rate exposures. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. A net gain on fair value changes in non-hedging forward currency contracts amounting to US\$3,330,000 (2019: US\$1,068,000) was recognised in profit or loss during the year.
- (b) The Group has entered into various interest rate swap contracts to manage its interest rate exposures. These interest rate swap contracts are not designated for hedge purposes and are measured at fair value through profit or loss. A net loss on fair value changes in interest rate swaps amounting to US\$73,000 (2019: US\$238,000) was recognised in profit or loss during the year.
- (c) Derivative financial instruments of the Group were conducted with creditworthy banks.

Cash flow hedge – Foreign currency risk

Bank borrowings of the Group denominated in JPY are designated as hedging instruments in cash flow hedges of forecast sales in JPY. These forecast sales transactions are highly probable and comprise about 15% of the Group's expected sales in JPY. The bank borrowings balances vary with the level of expected foreign currency sales and changes in foreign exchange forward rates. At 31 December 2020, the Group had certain bank borrowings denominated in JPY outstanding with an aggregate amount of US\$100,966,000 (2019: US\$87,150,000), as detailed in note 28(b) to the financial statements.

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

Hedge ineffectiveness can arise from:

- differences in the timing of the cash flows of the forecasted sales and the hedging instruments
- changes to the forecasted amounts of cash flows of hedged items and hedging instruments

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21. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash flow hedge – Foreign currency risk (continued)

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

	At 31 December 2020		At 31 December 2019	
	JPY'000	US\$'000	JPY'000	US\$'000
<i>Bank borrowings repayable within:</i>				
Within one year	2,832,582	27,464	2,425,508	22,319
In the second year	2,832,582	27,464	2,425,508	22,319
In the third to fifth years, inclusive	3,033,781	29,227	3,869,088	35,157
After five years	1,761,484	16,811	807,520	7,355
	10,460,429	100,966	9,527,624	87,150

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

	2020	2019
	US\$'000	US\$'000
Bank borrowings denominated in JPY		
– Decrease in fair value upon settlement during the year	2,093	4,111

22. TRADE RECEIVABLES

	Notes	2020	2019
		US\$'000	US\$'000
Trade receivables	(a)	104,350	70,870
Impairment	(c)	(428)	(319)
		103,922	70,551

22. TRADE RECEIVABLES (continued)

Notes:

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

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

	2020 US\$'000	2019 US\$'000
Within 1 month	90,128	60,916
1 to 2 months	9,955	7,529
2 to 3 months	2,533	1,046
Over 3 months	1,306	1,060
	103,922	70,551

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

	2020 US\$'000	2019 US\$'000
At beginning of year	319	287
Impairment loss, net	321	76
Amount written off as uncollectible	(212)	(44)
At end of year	428	319

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss rate of 0.1% (2019: 0.108%) is provided for the external customers with good credit. External customers with credit deterioration (i.e. overdue by more than 3 months) will be assessed on an individual basis for the provision of expected credit losses. Generally, trade receivables will be written off when past due for more than one year and are not subject to enforcement activity.

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

(d) Included in the Group's trade receivables as at 31 December 2020 are amounts of US\$3,860,000 (2019: US\$8,614,000), US\$120,000 (2019: US\$36,000) and US\$21,000 (2019: US\$374,000) due from joint ventures, associates and companies controlled by the Controlling Shareholder, respectively, which are repayable on credit terms similar to those offered to the selected customers of the Group.

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23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2020 US\$'000	2019 US\$'000
Prepayments		5,996	3,617
Deposits and other receivables	(a)	15,091	14,259
Due from joint ventures	(b)	–	1,027
		21,087	18,903

Notes:

- (a) None of these assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.
- (b) The balances with joint ventures are unsecured, interest-free and repayable on demand.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 US\$'000	2019 US\$'000
Principal-protected investment deposits	651	7,410
Unlisted investment	16,194	–
	16,845	7,410

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

25. CASH AND BANK BALANCES

	2020 US\$'000	2019 US\$'000
Cash and bank balances other than time deposits	53,764	74,789
Time deposits	464,949	324,574
Cash and bank balances	518,713	399,363

Notes:

- (a) At the end of the reporting period, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US\$2,489,000 (2019: US\$6,538,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.
- (b) Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods ranging between seven days and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

26. TRADE PAYABLES

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

	2020 US\$'000	2019 US\$'000
Within 1 month	137,131	104,582
1 to 2 months	22,860	22,706
2 to 3 months	4,127	5,099
Over 3 months	8,921	5,475
	173,039	137,862

- (b) Included in the Group's trade payables as at 31 December 2020 are amounts of US\$4,647,000 (2019: US\$4,050,000), US\$18,545,000 (2019: US\$5,946,000) and US\$673,000 (2019: US\$344,000) due to joint ventures, associates and companies controlled by the Controlling Shareholder, respectively, which are repayable within 30 days.
- (c) The trade payables are non-interest-bearing and are normally settled on terms ranging from 15 to 45 days.

Notes to Financial Statements

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27. OTHER PAYABLES AND ACCRUALS

	Notes	2020 US\$'000	2019 US\$'000
Other payables	(a)	32,843	26,705
Accruals		37,014	22,986
Contract liabilities	(b)	11,544	10,624
		81,401	60,315

Notes:

- (a) Other payables are non-interest-bearing and have an average credit term of three months.
- (b) Contract liabilities represented advance payments received from the customers for the container shipping service, which will be recognised as revenue as the performance obligation is satisfied.

28. BANK BORROWINGS

	2020			2019		
	Effective interest rate (%)	Maturity	US\$'000	Effective interest rate (%)	Maturity	US\$'000
<i>Current</i>						
Bank loans – secured	–	–	–	1.85	2020	7,524
Current portion of long term bank loans – secured	LIBOR+0.29 – LIBOR+1.20	2021	45,365	LIBOR+0.49 – LIBOR+1.20	2020	44,724
	LIBOR*+0.95 – LIBOR*+1.65	2021	28,804	LIBOR*+1.65	2020	1,584
	2.39-2.49	2021	1,584	2.39-2.49	2020	1,584
			75,753			55,416
<i>Non-current</i>						
Non-current portion of long term bank loans – secured	LIBOR+0.29 – LIBOR+1.20	2022-2030	173,274	LIBOR+0.49 – LIBOR+1.20	2021-2029	220,554
	LIBOR*+0.95 – LIBOR*+1.65	2022-2030	178,378	LIBOR*+1.65	2021-2029	3,021
	2.39-2.49	2022-2030	1,488	2.39-2.49	2021-2029	3,021
			353,140			226,596
Total bank borrowings			428,893			282,012
Analysed into bank loans repayable:						
Within one year or on demand			75,753			55,416
In the second year			75,453			47,892
In the third to fifth years, inclusive			159,676			105,418
After five years			118,011			73,286
			428,893			282,012

* The LIBOR is fixed at 0.45% to 1.62% under interest rate swap contracts.

28. BANK BORROWINGS (continued)

Notes:

(a) The Group's bank loans were secured by mortgages over the Group's vessels and containers which had net carrying amounts of approximately US\$736,131,000 (2019: US\$454,397,000) and US\$32,623,000 (2019: US\$34,835,000) as at 31 December 2020, respectively.

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

	2020 US\$'000	2019 US\$'000
JPY:		
Floating rate loans	100,966	87,150
US\$:		
Fixed rate loans	210,254	16,734
Floating rate loans	117,673	178,128
	327,927	194,862
Total	428,893	282,012

(c) The Group's bank loans denominated in JPY with a total carrying amount of US\$100,966,000 (2019: US\$87,150,000) as at 31 December 2020 are designated as hedging instruments in respect of highly probable forecast sales transactions denominated in JPY.

The terms of these bank loans match the terms of the highly probable forecast sales transactions. The cash flow hedges relating to expected future sales transactions denominated in JPY were assessed to be highly effective and a net loss of US\$8,192,000 (2019: net gain of US\$1,743,000) was included in the hedging reserve as follows:

	2020 US\$'000	2019 US\$'000
Total fair value losses on bank loans included in the hedging reserve	(10,285)	(2,368)
Reclassified from other comprehensive loss and recognised in profit or loss	2,093	4,111
Net gain/(loss) recognised in the hedging reserve during the year on bank loans designated as cash flow hedges	(8,192)	1,743

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29. PROVISION FOR REINSTATEMENT COSTS

The carrying amount of provision for reinstatement costs and the movements during the year are as follows:

	2020 US\$'000	2019 US\$'000
Carrying amount at 1 January	2,406	–
Additions	444	2,415
Accretion of interest recognised during the year (note 7)	105	85
Payments	(310)	(94)
Carrying amount at 31 December	2,645	2,406

Provision for reinstatement costs represents the present value of the estimated cost for the restoration work of the Group's leased containers agreed to be carried out upon the expiry of the relevant leases. The amount of the provision for the reinstatement costs is estimated based on past experience of the level of restoration work performed. The estimation basis is reviewed on an ongoing basis and revised where appropriate. The related reinstatement costs, upon initial recognition, have been included as right-of-use assets in the consolidated statement of financial position.

30. DEFERRED TAX

- (a) The Group did not have tax losses arising in Hong Kong during the year (2019: Nil).

At 31 December 2020, the Group had tax losses arising in Mainland China of US\$124,000 (2019: US\$897,000), that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

At 31 December 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and joint ventures established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and joint ventures will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures in Mainland China for which deferred tax liabilities have not been recognised totalled approximately US\$49,554,000 (2019: US\$33,486,000) and US\$14,682,000 (2019: US\$12,498,000), as at 31 December 2020, respectively.

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

31. SHARE CAPITAL

Shares

	2020		2019	
	HK\$'000	US\$'000 equivalent	HK\$'000	US\$'000 equivalent
Authorised:				
5,000,000,000 ordinary shares of HK\$0.1 each	500,000		500,000	
Issued and fully paid:				
2,681,328,360 (2019: 2,677,203,260) ordinary shares of HK\$0.1 each	268,133	34,567	267,720	34,513

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

	Notes	Number of issued and fully paid ordinary shares	Issued capital US\$'000	Share premium account US\$'000	Shares held under the share award scheme US\$'000	Total US\$'000
At 1 January 2019		2,667,784,360	34,393	453,539	(10,272)	477,660
Exercise of share options granted under the pre-IPO share option scheme	(a)	6,781,900	86	3,401	–	3,487
Exercise of share options granted under the post-IPO share option scheme	(b)	2,637,000	34	1,462	–	1,496
Repurchase of ordinary shares for the share award scheme	32	–	–	–	(5,661)	(5,661)
At 31 December 2019 and 1 January 2020		2,677,203,260	34,513	458,402	(15,933)	476,982
Exercise of share options granted under the pre-IPO share option scheme	(a)	2,370,100	31	1,197	–	1,228
Exercise of share options granted under the post-IPO share option scheme	(b)	1,755,000	23	1,086	–	1,109
Repurchase of ordinary shares for the share award scheme	32	–	–	–	(15,758)	(15,758)
Exercise of share awards under the share award scheme	32	–	–	–	3,374	3,374
At 31 December 2020		2,681,328,360	34,567	460,685	(28,317)	466,935

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31. SHARE CAPITAL (continued)

Shares (continued)

Notes:

- (a) During the year ended 31 December 2020, subscription rights attaching to 2,370,100 (2019: 6,781,900) share options granted under the pre-IPO share option scheme were exercised at the subscription price of HK\$3.824 (2019: HK\$3.824) per share (note 32), resulting in the issue of 2,370,100 (2019: 6,781,900) shares of HK\$0.1 each for a total cash consideration, before expenses, of approximately HK\$9,063,000 (2019: HK\$25,934,000) (equivalent to approximately US\$1,166,000 (2019: US\$3,310,000)). An amount of HK\$484,000 (2019: HK\$1,385,000) (equivalent to approximately US\$62,000 (2019: US\$177,000)) was transferred from the share option reserve to the share premium account upon the exercise of the share options.
- (b) During the year ended 31 December 2020, subscription rights attaching to 462,000 (2019: 1,140,000) and 1,293,000 (2019: 1,497,000) share options granted under the post-IPO share option scheme were exercised at the subscription prices of HK\$1.968 (2019: HK\$1.968) and HK\$4.378 (2019: HK\$4.378) per share (note 32), respectively, resulting in the issue of a total of 1,755,000 (2019: 2,637,000) shares of HK\$0.1 each for a total cash consideration, before expenses, of approximately HK\$6,511,000 (2019: HK\$8,797,000) (equivalent to approximately US\$848,000 (2019: US\$1,123,000)). An amount of HK\$2,038,000 (2019: HK\$2,920,000) (equivalent to approximately US\$261,000 (2019: US\$373,000)) was transferred from the share option reserve to the share premium account upon the exercise of the share options.

Share options and share awards

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

32. SHARE OPTION AND SHARE AWARD SCHEMES

Pre-IPO Share Option Scheme

The Company adopted a share option scheme in 2010 (the "Pre-IPO Share Option Scheme"). The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of certain employees, executives or officers of the Company made or may have made to the growth of the Company and/or the listing of shares on the Hong Kong Stock Exchange. Eligible participants of the Pre-IPO Share Option Scheme include the Company's directors, including independent non-executive directors, and other employees of the Group. The Pre-IPO Share Option Scheme was approved and adopted on 10 September 2010 and no further options will be offered under the Pre-IPO Share Option Scheme after the listing of the Company's Shares on the Hong Kong Stock Exchange in 2010.

The exercise price of share options is HK\$3.824 per share, which was determined at a price equivalent to a 20% discount to the IPO price of the Company's shares of HK\$4.78 per share. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

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

32. SHARE OPTION AND SHARE AWARD SCHEMES (continued)

Pre-IPO Share Option Scheme (continued)

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

	2020		2019	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	3.824	2,370	3.824	9,352
Exercised during the year	3.824	(2,370)	3.824	(6,782)
Forfeited during the year	–	–	3.824	(200)
At 31 December	–	–	3.824	2,370

The weighted average share price at the date of exercise of share options during the year was HK\$8.51 per share (2019: HK\$8.38 per share).

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

Number of options '000		Exercise price* HK\$ per share		Exercise period
2020	2019			
–	2,370	3.824		30 September 2014 (fourth anniversary of the IPO date) to 31 March 2020

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

The above share options were all granted in 2010 and had a total fair value on the grant date of US\$2,084,000. The fair value of these share options had been fully recognised in profit or loss in the prior years, and hence, no share option expense in respect of these share options was recognised in profit or loss in the current year.

At 31 December 2020, the Company had no share options outstanding under the Pre-IPO Share Option Scheme.

Notes to Financial Statements

31 December 2020

32. SHARE OPTION AND SHARE AWARD SCHEMES (continued)

Post-IPO Share Option Scheme

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

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

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

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

	2020		2019	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	3.963	3,768	3.705	6,405
Exercised during the year	3.743	(1,755)	3.336	(2,637)
At 31 December	4.154	2,013	3.963	3,768

The weighted average share price at the date of exercise of share options during the year was HK\$9.38 per share (2019: HK\$8.60 per share).

32. SHARE OPTION AND SHARE AWARD SCHEMES (continued)

Post-IPO Share Option Scheme (continued)

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

Number of options		Exercise price*	
	'000	HK\$	Exercise period
2020	2019	per share	
187	649	1.968	25 October 2013 to 25 October 2021
1,826	3,119	4.378	10 March 2016 to 9 March 2025
2,013	3,768		

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

At 31 December 2020, the Company had 2,013,000 share options outstanding under the Post-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 2,013,000 additional ordinary shares of the Company and additional share capital of HK\$201,000 (equivalent to approximately US\$26,000) and share premium of HK\$8,161,000 (equivalent to approximately US\$1,053,000) before any issue expenses and without taking into account any transfer of the share-based compensation reserve to the share premium account.

Subsequent to the end of the reporting period, 284,000 share options issued under the Post-IPO Share Option Scheme were exercised.

Share Award Scheme

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

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

On 20 March 2020 (2019: 25 March 2019), the Company granted an aggregate of 967,963 awarded shares (2019: 904,510) to nine directors, namely Messrs. Yang Xianxiang, Liu Kecheng, Xue Peng, Xue Mingyuan, Lai Zhiyong, Tsui Yung Kwok, Yeung Kwok On, Dr. Lo Wing Yan and Dr. Ngai Wai Fung and 5,801,142 awarded shares (2019: 5,444,233) (collectively referred to as the "Awarded Shares") to other employees of the Group (collectively referred to as the "Selected Participants"). Subject to the acceptance of the Selected Participants and that the Selected Participants remain as employees of the Group on the vesting date of the Awarded Shares, the Awarded Shares shall vest in them on 20 March 2023 (2019: 25 March 2022), at which time the Awarded Shares were transferred to the Selected Participants at nil consideration.

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32. SHARE OPTION AND SHARE AWARD SCHEMES (continued)

Share Award Scheme (continued)

During the year, 3,615,173 share awards were exercised by the Selected Participants.

During the year, the Company repurchased 11,501,105 (2019: 6,349,000) shares of the Company through the trustee of the Share Award Scheme from the open market. The total amount paid to acquire the shares was HK\$122,751,000 (equivalent to approximately US\$15,758,000) (2019: HK\$44,421,000 (equivalent to approximately US\$5,661,000)) and has been deducted from shareholders' equity. The Awarded Shares that are not yet vested were recorded in shares held under the share award scheme account of the Group. The Group recognised a share award expense of HK\$48,578,000 (equivalent to approximately US\$6,200,000) (2019: HK\$42,434,000 (equivalent to approximately US\$5,413,000)) during the year ended 31 December 2020 in respect of the Awarded Shares granted in the current and prior years. As at 31 December 2020, there were 24,695,592 (2019: 16,809,660) shares held through the trustee of the Share Award Scheme.

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

	2020		2019	
	Weighted average repurchase cost US\$ per share	Number of Shares	Weighted average repurchase cost US\$ per share	Number of Shares
At 1 January	0.95	16,809,660	0.98	10,460,660
Exercise of share awards	0.94	(3,615,173)	–	–
Repurchase of ordinary shares during the year	1.38	11,501,105	0.89	6,349,000
At 31 December	1.15	24,695,592	0.95	16,809,660

33. RESERVES

(a) The amounts of the Group's reserves and the movements for the current and prior years are presented in the consolidated statement of changes in equity.

(b) Capital and other reserves

The capital and other reserves comprise the following:

- (i) the par value of ordinary shares of the Company which had been repurchased and cancelled in prior years;
- (ii) the excess of the Company's share of the nominal value of the paid-up capital of the subsidiaries acquired, over the Company's cost of acquisition of the subsidiaries under common control; the capital contribution from the then holding companies of the Group's subsidiaries; and the deemed distributions to the Controlling Shareholder and the acquisition of subsidiaries through business combinations under common control; and
- (iii) the premium paid on repurchase of the Company's own ordinary shares in prior years over their par values.

33. RESERVES (continued)

(c) Reserve funds

Pursuant to the relevant laws and regulations, a portion of the profits of the Company's subsidiaries established in the PRC and other countries has been transferred to statutory reserve funds which are not distributable in the form of cash dividends.

34. BUSINESS COMBINATION

On 1 January 2020, the Group acquired an additional 12.25% equity interest in SITC Container Lines (Thailand) Co. Ltd. ("SITC (Thailand)", the then joint venture in which the Group had 49% equity interest) from the joint venture partners at a cash consideration of Thai Baht 5,664,000 (equivalent to US\$190,000). SITC (Thailand) is principally engaged in the provision of shipping agency services. The acquisition was made as part of the Group's strategy to expand its shipping agency services in Thailand.

The fair values of the identifiable assets and liabilities of SITC (Thailand) as at the date of acquisition were as follows:

	Notes	2020 Fair value recognised on acquisition US\$'000
Property, plant and equipment	14	89
Right-of-use assets	15(a)	324
Trade receivables		2,870
Prepayments, deposits and other receivables		5,315
Cash and bank balances		1,075
Trade payables		(7,159)
Other payables and accruals		(1,647)
Lease liabilities	15(b)	(324)
Total identifiable net assets at fair value		543
Non-controlling interests		(210)
		<hr/>
		333
Satisfied by:		
Cash consideration		190
Reclassification of interest in a joint venture held prior to the acquisition of interest in a subsidiary		143
		<hr/>
		333

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34. BUSINESS COMBINATION (continued)

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

	2020 US\$'000
Cash consideration paid	(190)
Cash and bank balances acquired	1,075
	<hr/>
Net inflow of cash and bank balances included in cash flows from investing activities	885
Transaction costs of the acquisition included in cash flows from operating activities	(59)
	<hr/>
	826

Since the acquisition, SITC (Thailand) contributed US\$43,412,000 to the Group's revenue and US\$58,000 to the consolidated profit for the year ended 31 December 2020.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of US\$49,266,000 (2019: US\$69,033,000) and US\$48,822,000 (2019: US\$66,618,000), respectively, in respect of lease arrangements for land, offices and containers.

(b) Changes in liabilities arising from financing activities

	Notes	Bank borrowings		Lease liabilities		Dividend payables	
		2020 US'000	2019 US'000	2020 US'000	2019 US'000	2020 US'000	2019 US'000
At 1 January 2020		282,012	313,665	143,154	111,195	102,615	–
Changes from financing cash flows		143,230	(34,158)	(49,484)	(38,004)	(272,153)	(149,889)
Non-cash changes:							
Dividend declared	12	–	–	–	–	169,538	252,504
New leases	15(b)	–	–	48,822	66,618	–	–
Early termination of leases	15(b)	–	–	(493)	(1,088)	–	–
Accretion of interest recognised during the year	7	–	–	6,133	5,209	–	–
Covid-19-related rent concessions from lessors	15(b)	–	–	(66)	–	–	–
Amortisation of issuance cost		(2,311)	(427)	–	–	–	–
Increase arising from acquisition of a subsidiary		–	–	324	–	–	–
Exchange realignment	34	5,962	2,932	1,584	(776)	–	–
		<hr/>		<hr/>		<hr/>	
At 31 December 2020		428,893	282,012	149,974	143,154	–	102,615

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 US\$'000	2019 US\$'000
Within operating activities	83,073	97,652
Within financing activities	49,484	38,004
	132,557	135,656

36. CAPITAL COMMITMENTS

At 31 December 2020, the Group had capital commitments of US\$459,180,000 (2019: US\$146,750,000) in total, which are contracted, but not provided for, in respect of acquisition of vessels.

Notes to Financial Statements

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37. RELATED PARTY DISCLOSURES

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

	Notes	2020 US\$'000	2019 US\$'000
Companies controlled by the Controlling Shareholder:			
Container marine transportation service income*	(i)	22,961	19,919
Container vessel rental expenses*	(ii)	10,242	7,348
Container rental expenses	(ii)	608	606
Shipping agency fee expenses*	(iii)	1,886	1,820
Joint ventures:			
Container marine transportation service income	(i)	82,350	92,347
Freight forwarding service income for marine transportation	(i)	7,021	4,383
Warehousing expenses	(iii)	2,711	1,295
Freight forwarding service expenses	(iii)	1,601	2,227
Shipping agency fee expenses	(iii)	11	1,367
Rental income from land and buildings	(iv)	1,705	1,670
Technology outsourcing service income	(iv)	325	441
Container maintenance income	(iv)	563	629
Associates:			
Container marine transportation service income	(i)	181,955	174,968
Shipping agency fee expenses	(iii)	2,431	2,298

Notes:

- (i) The service income from companies controlled by the Controlling Shareholder, joint ventures and associates was received according to the published prices and conditions similar to those offered to the selected customers of the Group.
- (ii) The container vessel rental expenses paid to companies controlled by the Controlling Shareholder are based on market prices.
- (iii) These expenses paid and payable to companies controlled by the Controlling Shareholder, joint ventures and associates were charged according to the published prices and conditions similar to those offered by the major suppliers of the Group.
- (iv) These income from joint ventures are based on market prices.
- * These transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

- (b) Key management personnel of the Group are directors of the Company, details of whose emoluments are included in note 9 to the financial statements.

38. FINANCIAL INSTRUMENTS BY CATEGORY

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

At 31 December 2020

Financial assets

	Financial assets at fair value through profit or loss – designated as such upon initial recognition US\$'000	Financial assets at amortised cost US\$'000	Total US\$'000
Trade receivables	–	103,922	103,922
Financial assets included in prepayments, deposits and other receivables	–	15,091	15,091
Derivative financial instruments	1,750	–	1,750
Financial assets at fair value through profit or loss	16,845	–	16,845
Cash and bank balances	–	518,713	518,713
	18,595	637,726	656,321

Financial liabilities

	Financial liabilities at fair value through profit or loss – designated as such upon initial recognition US\$'000	Financial liabilities at amortised cost US\$'000	Total US\$'000
Trade payables	–	173,039	173,039
Financial liabilities included in other payables and accruals	–	32,843	32,843
Derivative financial instruments	5,448	–	5,448
Bank borrowings	–	428,893	428,893
Lease liabilities	–	149,974	149,974
	5,448	784,749	790,197

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38. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

At 31 December 2019

Financial assets

	Financial assets at fair value through profit or loss – designated as such upon initial recognition US\$'000	Financial assets at fair value through other comprehensive income – debt investments US\$'000	Financial assets at amortised cost US\$'000	Total US\$'000
Trade receivables	–	–	70,551	70,551
Financial assets included in prepayments, deposits and other receivables	–	–	15,286	15,286
Derivative financial instruments	266	–	–	266
Principal-protected investment deposits at fair value through profit or loss	7,410	–	–	7,410
Cash and bank balances	–	–	399,363	399,363
	7,676	–	485,200	492,876

Financial liabilities

	Financial liabilities at fair value through profit or loss – designated as such upon initial recognition US\$'000	Financial liabilities at amortised cost US\$'000	Total US\$'000
Trade payables	–	137,862	137,862
Financial liabilities included in other payables and accruals	–	26,705	26,705
Bank borrowings	–	282,012	282,012
Lease liabilities	–	143,154	143,154
Dividend payables	–	102,615	102,615
	–	692,348	692,348

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and dividend payables approximate to their carrying amounts largely due to the short term maturities of these instruments. In addition, management considers that the Group's exposure to fair value and cash flow interest rate risks on the bank borrowings is insignificant as majority of the balances bear interest at variable interest rates which have not significantly fluctuated in recent years.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the Chief Financial Officer and the Audit Committee.

At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the Chief Financial Officer. The valuation process and results are discussed with the Audit Committee twice a year for interim and annual financial reporting.

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

- (a) The Group places principal-protected investment deposits with creditworthy banks, and their fair values are determined with reference to market observable inputs currently available for investments with similar terms and credit risk. The carrying amounts of principal-protected investment deposits are the same as their fair values.
- (b) The Group places into derivative financial instruments with various counterparties, principally financial institutions of creditworthy banks. Derivative financial instruments, including forward currency contracts and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

The carrying amounts of forward currency contracts and interest rate swaps are the same as their fair values.

- (c) The Group enters unlisted fund with a creditworthy securities firm, and its fair value has been based on the reported net asset value in the monthly statement provided by the fund administrator. The net asset value is determined with reference to unobservable inputs for the underlying assets, using the best available assumptions for the purposes of pricing of underlying assets. The carrying amount of unlisted fund investment is the same as its fair value.

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

At 31 December 2020

	Fair value measurement using			Total US\$'000
	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	
Derivative financial instruments	–	1,750	–	1,750
Principal-protected investment deposits at fair value through profit or loss	–	651	–	651
Unlisted investment at fair value through profit or loss	–	–	16,194	16,194
	–	2,401	16,194	18,595

At 31 December 2019

	Fair value measurement using			Total US\$'000
	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	
Derivative financial instruments	–	266	–	266
Principal-protected investment deposits at fair value through profit or loss	–	7,410	–	7,410
	–	7,676	–	7,676

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

Liabilities measured at fair value

At 31 December 2020

	Fair value measurement using			Total US\$'000
	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	
Derivative financial instruments	–	5,448	–	5,448

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 (2019: Nil) and no transfer into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. To manage this mix in a cost-effective manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2020, after taking into account the effect of the interest rate swaps, approximately 49% (2019: 6%) of the Group's borrowings are at fixed interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax US\$'000
2020		
US\$	100	(1,177)
JPY	100	(1,010)
US\$	(100)	1,177
JPY	(100)	1,010
2019		
US\$	100	(1,856)
JPY	100	(872)
US\$	(100)	1,856
JPY	(100)	872

Foreign currency risk

The Group has minimal transactional currency exposure as most of the Group's sales and purchases by operating units are denominated in the functional currencies of the relevant operating units. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

The Group shall use derivative contracts to hedge against its exposure to currency risk only when it is required. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. At 31 December 2020, the Group had hedged 12.7% (2019: 11.0%) of its foreign currency sales for which firm commitments existed at the end of the reporting period.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB and JPY exchange rates against US\$, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of certain bank borrowings designated as hedging instruments).

	Increase/ (decrease) in rate %	Increase/ (decrease) in profit before tax US\$'000	Increase/ (decrease) in equity US\$'000
2020			
If US\$ weakens against RMB	(5.0)	468	–
If US\$ strengthens against RMB	5.0	(468)	–
If US\$ weakens against JPY	(5.0)	1,607	(5,083)
If US\$ strengthens against JPY	5.0	(1,607)	5,083
2019			
If US\$ weakens against RMB	(5.0)	(504)	–
If US\$ strengthens against RMB	5.0	504	–
If US\$ weakens against JPY	(5.0)	2,021	(5,527)
If US\$ strengthens against JPY	5.0	(2,021)	5,527

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, financial assets at fair value through profit or loss, deposits and other receivables and certain derivative financial instruments arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 22 to the financial statements.

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group's policy is that not more than 90% of borrowings should mature in any 12-month period. 19% (2019: 20%) of the Group's debts will mature in less than one year from 31 December 2020 based on the carrying values of borrowings included in the financial statements.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within one year or on demand US\$'000	In the second year US\$'000	In the third to fifth years, inclusive US\$'000	In the sixth to tenth years, inclusive US\$'000	Total US\$'000
At 31 December 2020					
Trade payables	173,039	–	–	–	173,039
Financial liabilities included in other payables and accruals	32,843	–	–	–	32,843
Bank borrowings	85,878	80,055	167,978	122,077	455,988
Lease liabilities	48,872	41,620	58,857	24,288	173,637
	340,632	121,675	226,835	146,365	835,507

	Within one year or on demand US\$'000	In the second year US\$'000	In the third to fifth years, inclusive US\$'000	In the sixth to tenth years, inclusive US\$'000	Total US\$'000
At 31 December 2019					
Trade payables	137,862	–	–	–	137,862
Financial liabilities included in other payables and accruals	26,705	–	–	–	26,705
Bank borrowings	60,448	52,157	114,561	77,790	304,956
Lease liabilities	43,663	36,739	60,707	17,227	158,336
Dividend payables	102,615	–	–	–	102,615
	371,293	88,896	175,268	95,017	730,474

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain a healthy ratio. Net debt includes bank borrowings, lease liabilities, trade and other payables and accruals, less cash and bank balances. Adjusted capital includes equity attributable to shareholders of the Company less hedging reserve. The gearing ratios as at the end of the reporting period were as follows:

	31 December 2020 US\$'000	31 December 2019 US\$'000
Bank borrowings	428,893	282,012
Lease liabilities	149,974	143,154
Trade payables	173,039	137,862
Other payables and accruals	81,401	60,315
Less: Cash and bank balances	(518,713)	(399,363)
Net debt	314,594	223,980
Equity attributable to shareholders of the Company	1,184,487	1,010,243
Less: Hedging reserve	14,503	6,311
Adjusted capital	1,198,990	1,016,554
Adjusted capital and net debt	1,513,584	1,240,534
Gearing ratio	21%	18%

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41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company as at the end of the reporting period is as follows:

	2020 US\$'000	2019 US\$'000
NON-CURRENT ASSETS		
Investment in a subsidiary	59,413	59,413
Total non-current assets	59,413	59,413
CURRENT ASSETS		
Due from a subsidiary	486,703	580,152
Deposits and other receivables	13	14
Cash and bank balances	33	2,763
Total current assets	486,749	582,929
CURRENT LIABILITIES		
Other payables	2,839	3,677
Dividend payables	2	102,615
Total current liabilities	2,841	106,292
NET CURRENT ASSETS	483,908	476,637
TOTAL ASSETS LESS CURRENT LIABILITIES	543,321	536,050
Net assets	543,321	536,050
EQUITY		
Issued capital	34,567	34,513
Reserves (note)	508,754	501,537
Total equity	543,321	536,050

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note: A summary of the Company's reserves is as follows:

	Notes	Share premium account US\$'000	Shares held under share award scheme account US\$'000	Share-based compensation award reserve US\$'000	Capital and other reserves US\$'000	Retained profits US\$'000	Total US\$'000
1 January 2019		453,539	(10,272)	4,504	202	37,900	485,873
Profit for the year and total comprehensive income for the year		-	-	-	-	264,103	264,103
Issue of shares upon exercise of share options under the Pre-IPO share option scheme	31(a)	3,401	-	(177)	-	-	3,224
Issue of shares upon exercise of share options under the Post-IPO share option scheme	31(b)	1,462	-	(373)	-	-	1,089
Repurchase of shares under the share award scheme	32	-	(5,661)	-	-	-	(5,661)
Share award expense	32	-	-	5,413	-	-	5,413
Transfer of share-based compensation reserve upon forfeiture or expiry of share options		-	-	(5)	-	5	-
Final 2018 dividend declared		-	-	-	-	(88,558)	(88,558)
Interim 2019 dividend declared	12	-	-	-	-	(61,331)	(61,331)
Special dividend declared	12	-	-	-	-	(102,615)	(102,615)
At 31 December 2019 and 1 January 2020		458,402	(15,933)	9,362	202	49,504	501,537
Profit for the year and total comprehensive income for the year		-	-	-	-	184,353	184,353
Issue of shares upon exercise of share options under the Pre-IPO share option scheme	31(a)	1,197	-	(62)	-	-	1,135
Issue of shares upon exercise of share options under the Post-IPO share option scheme	31(b)	1,086	-	(261)	-	-	825
Exercise of share awards under the share award scheme	32	-	3,374	(3,374)	-	-	-
Repurchase of shares under the share award scheme	32	-	(15,758)	-	-	-	(15,758)
Share award expense	32	-	-	6,200	-	-	6,200
Final 2019 dividend declared	12	-	-	-	-	(93,403)	(93,403)
Interim 2020 dividend declared	12	-	-	-	-	(76,135)	(76,135)
At 31 December 2020		460,685	(28,317)	11,865	202	64,319	508,754

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 8 March 2021.

Five Year Financial Summary

A summary of consolidated results and of the assets, liabilities and equity of SITC International Holdings Company Limited (the "Company") and its subsidiaries (together the "Group") for the last five financial years, as extracted from the published audited financial statements for the year ended 31 December 2020 and the annual report for the year ended 31 December 2019, is set out below.

The summary below does not form part of the audited financial statements.

	2020 US\$'000	Year ended 31 December			
		2019 US\$'000	2018 US\$'000	2017 US\$'000	2016 US\$'000
RESULTS					
REVENUE	1,685,167	1,553,718	1,449,088	1,348,385	1,215,791
Cost of sales	(1,240,136)	(1,255,566)	(1,196,489)	(1,096,679)	(1,016,256)
Gross profit	445,031	298,152	252,599	251,706	199,535
Other income and gains, net	22,911	22,406	31,210	18,658	8,797
Administrative expenses	(96,970)	(80,246)	(76,449)	(74,333)	(68,801)
Other expenses, net	(2,452)	(4,344)	(428)	(946)	(13,933)
Finance costs	(13,531)	(14,482)	(9,368)	(8,640)	(6,872)
Share of profits and losses of:					
Joint ventures	9,863	8,585	9,961	11,093	11,504
Associates	145	442	171	481	442
PROFIT BEFORE TAX	364,997	230,513	207,696	198,019	130,672
Income tax	(11,309)	(8,998)	(8,599)	(7,907)	(6,434)
PROFIT FOR THE YEAR	353,688	221,515	199,097	190,112	124,238
Profit attributable to:					
Shareholders of the Company	351,624	219,977	197,514	188,613	122,790
Non-controlling interests	2,064	1,538	1,583	1,499	1,448
	353,688	221,515	199,097	190,112	124,238

	2020 US\$'000	At 31 December			
		2019 US\$'000	2018 US\$'000	2017 US\$'000	2016 US\$'000
ASSETS, LIABILITIES AND EQUITY					
TOTAL ASSETS	2,040,839	1,749,544	1,551,891	1,608,363	1,455,638
TOTAL LIABILITIES	(845,451)	(729,974)	(506,192)	(636,925)	(568,398)
NET ASSETS	1,195,388	1,019,570	1,045,699	971,438	887,240
Represented by:					
Equity attributable to shareholders of the Company	1,184,487	1,010,243	1,037,032	963,518	879,997
Non-controlling interests	10,901	9,327	8,667	7,920	7,243
TOTAL EQUITY	1,195,388	1,019,570	1,045,699	971,438	887,240