SITC

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1308

Annual Report

2016

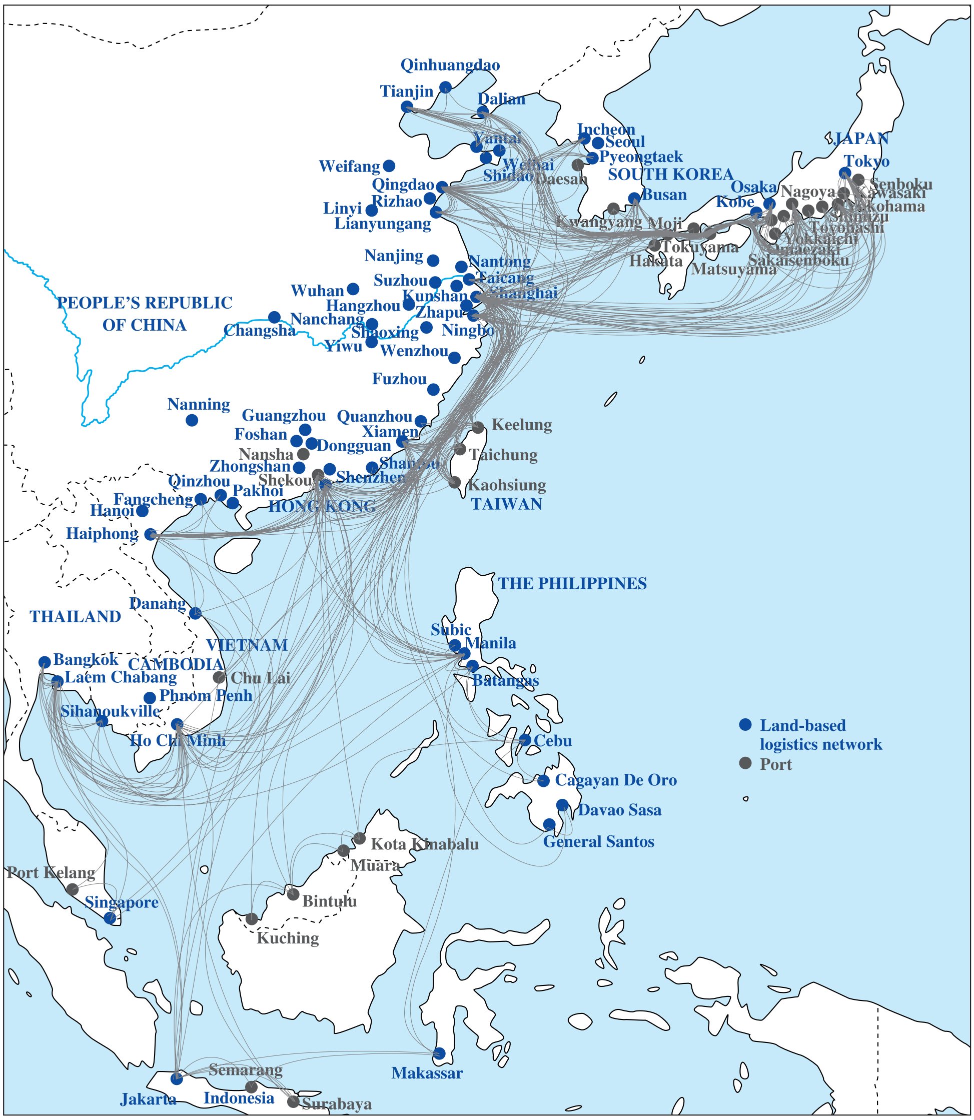

SITC
SITC
SITC
107

Contents

Corporate Profile

SITC International Holdings Company Limited (the "**Company**" or "**SITC**" or "**we**") is a leading Asia-based shipping logistics company that provides integrated transportation and logistics solutions. As at 31 December 2016, we ranked the 21st among international container shipping companies in terms of shipping capacity. We focus exclusively on servicing the intra-Asia trade market, which is the largest in the world and one of the fastest growing in terms of shipping volume, according to Drewry Maritime Services (Asia) Pte Ltd, an independent industry consultant.

The following map illustrates our intra-Asia container shipping routes (including trade lanes operated through joint services and container slot exchange arrangements) and land-based logistics network as of 31 December 2016:



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

Corporate Information

DIRECTORS

Executive Directors

YANG Shaopeng (Chairman)

YANG Xianxiang (Vice-Chairman and Chief Executive Officer)

LIU Kecheng

XUE Peng (Joint Company Secretary)

LAI Zhiyong

XUE Mingyuan

Independent Non-Executive Directors

TSUI Yung Kwok

YEUNG Kwok On

LO Wing Yan, William

NGAI Wai Fung

BOARD COMMITTEES

Audit Committee

TSUI Yung Kwok (Chairman)

LO Wing Yan, William

NGAI Wai Fung

Remuneration Committee

YEUNG Kwok On (Chairman)

NGAI Wai Fung

TSUI Yung Kwok

YANG Shaopeng

YANG Xianxiang

Nomination Committee

YANG Shaopeng (Chairman)

LO Wing Yan, William

NGAI Wai Fung

YANG Xianxiang

YEUNG Kwok On

Disclosure Committee

YANG Xianxiang (Chairman)

LIU Kecheng

XUE Peng (Joint Company Secretary)

LAI Zhiyong

XUE Mingyuan

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

CORPORATE HEADQUARTER

21/F., World Trade Centre

280 Gloucester Road

Causeway Bay

Hong Kong

AUTHORIZED REPRESENTATIVES

LIU Kecheng

XUE Peng (Joint Company Secretary)

JOINT COMPANY SECRETARIES

XUE Peng

CHAN Wai Ling (FCS, FCIS (PE))

PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, P.O. Box 1586

Grand Cayman KY1-1110

Cayman Islands

Corporate Information

HONG KONG SHARE REGISTRAR

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

PLACE OF LISTING

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

NAME OF STOCK

SITC International Holdings Company Limited (SITC)

STOCK CODE

01308

PRINCIPAL BANKERS

Citibank
Standard Chartered Bank
Bank of America
Commonwealth Bank of Australia
Australia and New Zealand Banking Group Limited
The Hongkong and Shanghai Banking Corporation Limited
Crédit Industriel et Commercial
DNB Bank ASA
Bank of China (Hong Kong) Limited
Bank of China
China Merchants Bank

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

		2016	2015	Change
Results				
Turnover	US$'000	**1,215,791**	1,288,055	**(5.6%)**
Profit attributable to shareholders of the Company	US$'000	**122,790**	143,247	**(14.3%)**
Basic earnings per share	US cents	**4.70**	5.50	**(14.5%)**
Profit margin	%	**10.2**	11.2	**(1.0) pt.**
Net cash flows from operating activities	US$'000	**180,188**	179,759	**0.2%**
Financial Position				
Equity attributable to shareholders of the Company	US$'000	**879,997**	848,442	**3.7%**
Net current assets	US$'000	**228,544**	169,261	**35.0%**
Interest bearing bank borrowings	US$'000	**409,571**	354,579	**15.5%**
Financial Ratio				
Return on equity (note 1)	%	**14.3**	17.4	**(3.1) pt.**
Return on assets (note 2)	%	**8.8**	10.4	**(1.6) pt.**
Assets turnover ratio (note 3)	times	**0.86**	0.93	**(0.07)**
Gearing ratio	%	**20**	22	**(2) pt.**
Operating Statistics				
Number of container vessels operated as at year end	vessels	**78**	71	**7**
Shipping volume – Sea freight logistics	TEU	**2,333,439**	2,163,179	**170,260**
Freight forwarding volume – Land-based logistics	TEU	**1,755,225**	1,616,974	**138,251**

Note 1

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

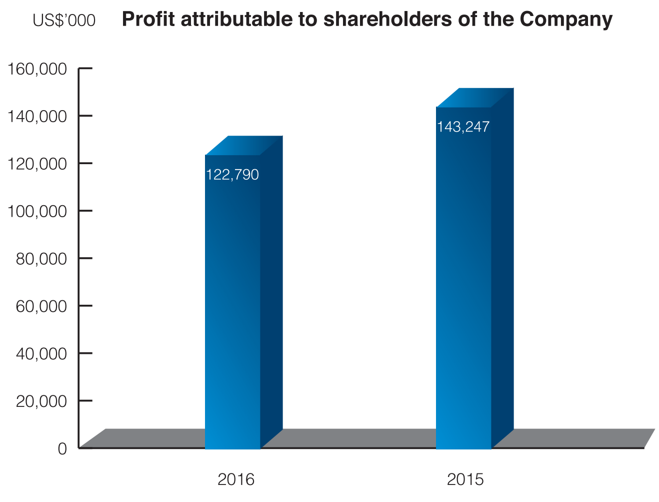
Note 2

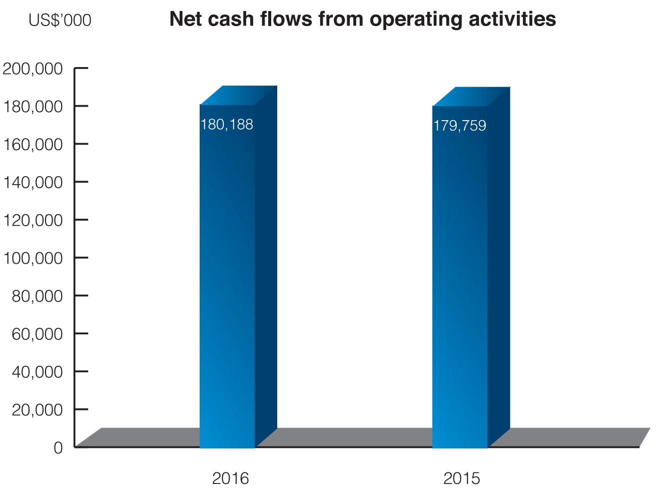
Return on assets is calculated by using the profit of the year and the average balance of total assets as at beginning of year and end of year.

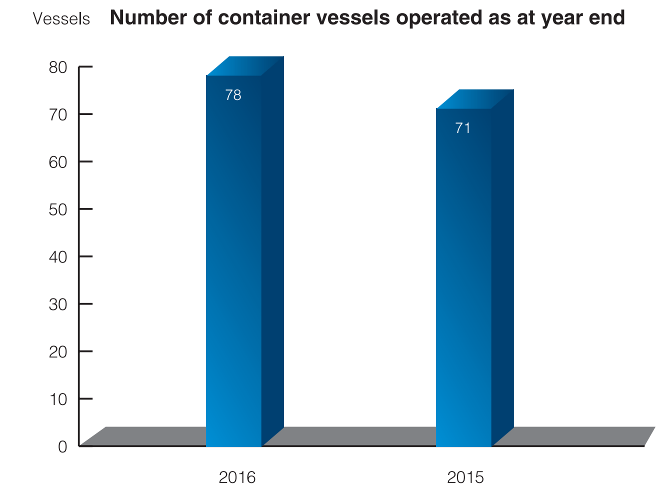
Note 3

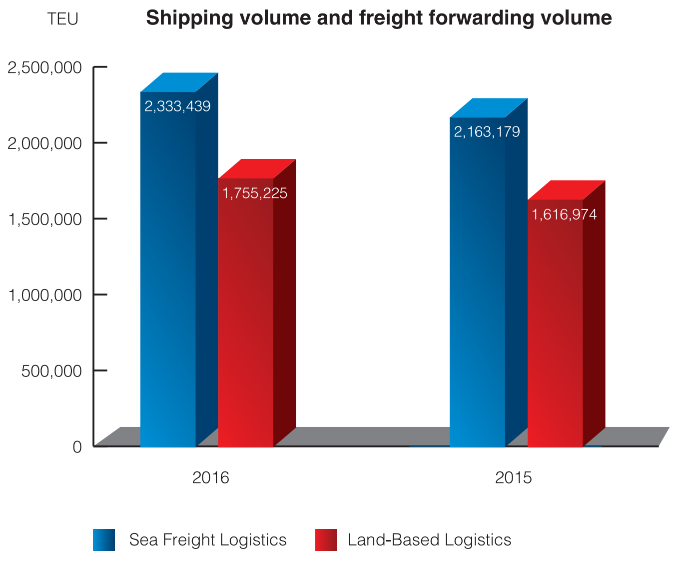
Assets turnover ratio is calculated by using the turnover and the average balance of total assets as at beginning of year and end of year.

Financial and Operating Highlights









Major Milestones in 2016

FEBRUARY 2016

SITC and Pelindo4, a port operator in Indonesia signed a memorandum of deepening cooperation in Jakarta, Indonesia. Through the signing of such memorandum, SITC aimed to establish a long-term, all-round and multi-sectoral cooperation with Pelindo4 in Makassar and East Indonesia to further strengthen the strategic cooperation between both parties.

MARCH 2016

Ningbo Free Trade Zone Xingao Logistics Co., Ltd. was opened in Ningbo Free Trade Zone, Zhejiang Province. The company is located in the Ningbo Free Trade Zone, adjacent to China's largest deep-water port - Ningbo Beilun Port, covering an area of over 40,000 square meters. It is equipped with the world's advanced equipment and powerful information support system, providing customers with high quality and efficient container maintenance and stockpiling management services.

The naming ceremony of the vessel "SITC Hanshin" (海豐阪神) was held at the Keelung Factory of CSBC Corporation in Taiwan by SITC and CSBC Corporation of Taiwan.

SITC officially became a stock subject to Shanghai-Hong Kong Stock Connect. Mainland China investors can trade shares of SITC through the Shanghai Stock Exchange.

APRIL 2016

The Company independently developed the WeChat Enterprise Edition, achieved an all-round real-time information sharing across departments and regions and improved the decision-making effectiveness of the business departments and the management.

SITC Ships Management Co., Ltd. passed the annual review for its qualification of domestic waterway transportation and auxiliary transportation conducted by Qingdao Municipal Port and Shipping Administration Authority (青島市港航管理局). The audit team highly appraised the management and system operation of the company.

SITC Ships Management Co., Ltd. passed the annual audit for the Hong Kong flag DOC under its management conducted by the China Classification Society. The annual audit comprehensively reviewed the DOC operation as well as the offshore and onshore management of the company, and highly appraised the performance of the company in ship management.

MAY 2016

The China Classification Society conducted a renewal examination for the DOC of SITC Ships Management Co., Ltd.. In accordance with the requirements of the ISM Code, the audit team comprehensively reviewed the DOC operation as well as the offshore and onshore management of the company, and highly appraised the outstanding performance of the company's management personnel despite the increasing number of vessels and complicated shipping routes. The company is a high-performance company in the Tokyo PSC memo.

Mr. Yang Xianxiang, the Vice Chairman of the Board of Directors and CEO of SITC, was honored with the "Distinguished Leader Award (傑出領袖獎)" at the "China Shipping Forum (中國航運論壇)" sponsored by Capital Link, an international professional company engaging in shipping financing services. The award is also the only award presented by the China Shipping Forum for the year 2016.

The naming and delivery ceremony of the vessel "SITC Kanto" (海豐關東) was held at the Keelung Factory of CSBC Corporation in Taiwan by SITC and CSBC Corporation of Taiwan.

A magnitude 6.5 powerful earthquake occurred in Kumamoto Prefecture of Japan. In the aftermath of the disaster, SITC JAPAN took immediate action and set up the "Come on, Kumamoto!" emergency project team, organized internal fund-raising of the Company to support the living of people in disaster areas, and established contact window of hotlines for customers in disaster areas to timely understand their special needs and promptly provide services in various aspects.

JUNE 2016

The opening ceremony of SAAS Logistics Holdings Limited was held in Hong Kong. The company will provide air transportation logistics services in Asia, including freight space wholesale for airlines, logistics services required for e-commerce and air transportation warehousing. The new company has set up branches in the main hubs for air travel in Mainland China and Hong Kong.

The "Global Trade and Container Transport Conference (全球貿易與集裝箱運輸大會)", jointly organized by units including the China Communications and Transportation Association, the China Shipowners' Association (中國船東協會) and China Shipping Gazette (中國航務週刊), had its grand opening during the period the 13th China International Logistics Festival (第十三屆中國國際物流節) was held in Shanghai. SITC was honored with the "Top Ten Global Container Carriers in terms of Satisfaction (全球滿意度十佳集裝箱承運人)" award in the award presentation events of this China International Logistics Festival.

Major Milestones in 2016

JULY 2016

Mr. Diao Jiandong (刁 建 東), the president of Shandong Foreign Trade Vocational College, visited SITC together with students of "Caribbean Countries Economic and Trade Minister Seminar (加勒比國家經貿部長研討班)". The participants were 15 dominant leaders of different areas from six Caribbean countries.

SEPTEMBER 2016

SITC became one of the constituent stocks of the Hang Seng Corporate Sustainability Benchmark Index.

The second volunteer campaign of SITC (第二屆海豐國際志願者活動)" kicked off again at the Jinan Orphans Home (濟南市兒童福利院). Six volunteers carried out week-long supportive nursing work in the nursing centers for orphans and disabled children (孤殘兒童養護中心).

"Ming Pao" published a special feature for SITC as an "Outstanding Hong Kong Listed Company", reporting the outstanding corporate vision and culture, successful business model and operation philosophy as well as sustained social care and responsibility of SITC.

OCTOBER 2016

At the "Standard Chartered Bank Treasury Management Forum 2016 (2016渣打銀行財資管理論壇)" held by Standard Chartered China, SITC was awarded the "Best Fund Management Technical Support Award (最佳資金管理技術支持獎)".

SITC Container Lines launched a self-operated direct shipping route serving the Philippines, achieving full coverage of all major port services in the Philippines.

NOVEMBER 2016

The "Economic Digest (經濟一週)" published an interview with SITC's Chief Executive Officer, Mr. Yang Xianxiang, introducing aspects such as the business model, business development, capital expenditure and dividend policy of SITC, and making a foresight of the industry outlook.

DECEMBER 2016

The "Momentum" reported an interview with Mr. Yang Xianxiang, the Vice Chairman of the Board of Directors and the Chief Executive Officer of SITC International Holdings Limited, revealing the driving factors that enable SITC to achieve sustainable and stable development in the challenging industry condition.

The "China Shipping Gazette (中國航務週刊)" published an interview with Mr. Yang Xianxiang, the Vice Chairman of the Board of Directors and the Chief Executive Officer of SITC introducing the management philosophy and business model behind SITC's contrarian profitability and the competition strategy for seeking stable development under the current market environment.

The Company optimized its HR system, enhanced its automation level, achieved the automatic transmission of data and financial systems and OA, reduced the human intervention and saved its labor costs.

The Company applied a network performance evaluation, achieved multi-dimensional feedbacks and communication, and enhanced the communication frequency and efficiency.

SITC Container Lines launched a new direct shipping route serving Ho Chi Minh and Indonesia. By then, SITC Container Lines will first launch service for Semarang while optimizing the import and export services in Makassar to further improve the shipping routes service network in Indonesia.

Mr. Yang Shaopeng, the Chairman of the Board of Directors of SITC, was selected to be included in the list of "Top 100 Chinese Receiving Most Attention in 2016 (2016年度最受關注的100位中國 人)" released by the China Shipping 100 Organizing Committee (中國航運百人組委會) together with www.ship.sh. The list aims to recognize individuals who have made outstanding contribution to the development of China's shipping industry.

In the award ceremonies for the fourth "China Shipping 50 Forum (中國航運50人論壇)", the "13th China Freight Industry Award • Innovation Award (第十三屆中國貨運業大獎•創新獎)" and the "China Shipping Celebrities List 2016 (2016中國航運名人榜)", SITC won the "China Shipping (shipping companies) Enterprise Innovation Award (中國航運 (船公司) 企業創新獎)" and the "China Shipping Internet Service Innovation Award (中國航運互聯網服務創新獎)". Mr. Yang Shaopeng, SITC's Chairman of the Board of Directors, Mr. Yang Xianxiang, SITC's Vice Chairman and CEO, and Mr. Xue Mingyuan, the president of SITC Shipping Group, were honored to be included in the "China Shipping Celebrity List 2016 (2016中國航運名人榜)" published by the "China Shipping Gazette (中國航務週刊)".

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

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "**Board**") of SITC International Holdings Company Limited ("**SITC**" or the "**Company**", together with its subsidiaries referred to as the "**Group**"), I hereby present to you the Group's annual results for the year ended 31 December 2016.

During the year ended 31 December 2016, despite signs of bottoming up in the global economy and trade environment, the growth of the global container logistics slowed down while excess shipping capacity resulted in increased competition and declining freight rates. The whole industry generally operated under challenging conditions.

In line with the development in economy and trading and the increasing spending power in Asia as well as the relocation of more production bases within the region, consequently, merchandise trade within this region also kept increasing. Beneficial from the above factors, the overall intra-Asia container shipping volume experienced continuous growth in 2016 on a year-on-year basis and remained the world's largest container shipping market. Consequently, the overall intra-Asia container shipping volume experienced continuous growth in 2016 on a year-on-year basis and remained the world's largest container shipping market.

SITC is a leading shipping logistics company dedicated to serving the intra-Asia trade market. The Group leverages on the comprehensive coverage of its shipping and logistics supply chain, unique business model, high quality customer base and its high-density, highfrequency container shipping route and logistics network covering major ports in Asia to derive full benefits of the growth in the trade and economies of China and other Asian countries. Despite the declining shipping rate as a result of the intense competition in the sea freight market as well as significant volatile in currency rate fuel costs, the Group's operation still performed well during the year under review, with turnover reaching approximately US$1,215.8 million, representing an decrease of approximately 5.6% as compared with 2015. Meanwhile gross profit reached approximately US$199.5 million, representing an increase of approximately 7.5% as compared with 2015. Profit before income tax amounted to approximately US$130.7 million, representing an decrease of approximately 14.0% from 2015. Profit attributable to owners of the parent amounted to approximately US$122.8 million and earnings per share was approximately US$4.70 cents. For the year ended 31 December 2016, the Board resolved to recommend the payment of a final dividend of HK$16 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 7.9% to 2,333,439 TEU, with average freight rate of US$388.3/TEU (excluding slot exchange fee rate), down 6.5% year on year. The Group's land-based freight forwarding business achieved total volume of 1,755,225 TEU, up 8.5% year on year. SITC maintained stable growth in intra-Asia shipping market share in 2016.

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 2016, a total of 2 new vessels and 2 secondhand vessels were delivered. Our total fleet capacity at the end of 2016 reached 99,986 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 2016, the Group had 48 self-owned container vessels and 30 chartered container vessels. Meanwhile, the Group owned 6 dry bulk vessels with a gross tonnage of 438,593 DWT.

In respect of the sea freight logistics business, the Group continued to implement various extension and upgrade to certain container shipping route services networks. We have added new self-operated direct freight services to the Philippines to realize full coverage of all the key ports in the Philippines; additional direct freight services to Ho Chi Minh and Indonesia with pioneer service at Samarang, while further improving the trade lane network of Indonesia by optimizing import and export services for Makasar. As of 31 December 2016, the Group operated 62 trade lanes, including 10 trade lanes through joint services and 24 trade lanes through container slot exchange arrangements.

In respect of the land-based logistics business, the Group actively developed the land-based third party logistics businesses and operated (including through joint ventures) approximately 1,000,000 m^2 of depot and 100,000 m^2 of warehousing space. In 2016, the Group and its partners set up a new company, Ningbo Free Trade Zone Xingao Logistics Co., Ltd (寧波保税區新高物流有限公司). The company is located in the Ningbo Free Trade Zone, adjacent to China's largest deep-water port - Ningbo Beilun Port, covering an area of over 40,000 square meters. It is equipped with the world's advanced equipment and powerful information support system, providing customers with high quality and efficient container maintenance and stockpiling management services. In addition, SAAS Logistics Holdings Limited (海豐空運物流控股有限公司) started operation in 2016.The company will provide air transportation logistics services in Asia, including freight space wholesale for airlines, logistics services required for e-commerce and air transportation warehousing. It has set up branches in the main hubs for air travel in Mainland China and Hong Kong.

While the global shipping industry is expected to face various difficulties and challenges in 2017, the Group's management remains confident about the business environment in intra-Asia logistics market in the year of 2017. As its business expands, SITC will continue to optimize its unique business model, expand its intra-Asia service network, work for the objective of becoming the first choice of customers, provide its customers with quality services through construction of comprehensive logistics facilities and tailor-made logistics solutions, and bring itself closer to the goal of becoming a world-class integrated logistics service provider.

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

YANG Shaopeng
Chairman
24 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Business Review

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

During the year ended 31 December 2016, the Group's sea freight logistics business continued to provide container shipping services that focused exclusively on the intra-Asia market as the Company believes that the intra-Asia trade market will continue to experience healthy growth. As of 31 December 2016, the Group operated 62 trade lanes, including 10 trade lanes through joint services and 24 trade lanes through container slot exchange arrangements. These trade lanes covered 65 major ports in the Mainland China, Japan, Korea, Taiwan, Hong Kong, Vietnam, Thailand, Philippines, Cambodia, Indonesia, Singapore, Malaysia and Brunei. As of 31 December 2016, the Group operated a fleet of 78 container vessels with a total capacity of 99,986 TEU, comprised of 48 self-owned (62,907 TEU) and 30 chartered vessels (37,079 TEU), with an average age of 7.6 years. 61 of these 78 container vessels were of the 1,000 TEU type. For the year ended 31 December 2016, US$60.4 million out of US$64.7 million of paid out capital expenditure was attributable to vessel purchases. Revenue generated by the Group's sea freight logistics business before inter-segment elimination decreased by 2.2% from approximately US$990.3 million for the year ended 31 December 2015 to approximately US$968.7 million for the year ended 31 December 2016. Such decrease was due to (i) the increase of approximately US$7.5 million in the revenue as a result of the combined effect of the container shipping business volume increased by 7.9% from 2,163,179 TEU in 2015 to 2,333,439 TEU in 2016, and the average container shipping freight rate (excluding slot exchange fee income) decreased by 6.5% from US$415.5/TEU in 2015 to US$388.3/TEU in 2016; (ii) the decrease of approximately US$19.8 million in the slot exchange fee income, as a result of the decrease in average cooperative trade lanes. The sea freight logistics business also included leasing out dry bulk vessels. As of 31 December 2016, the Company owned 6 dry bulk vessels with a gross tonnage of 438,593 DWT and an average age of 4.1 years.

The land-based logistics business is another key component of the Group's business model, which comprised freight forwarding, shipping agency, terminal, depot and warehousing, trucking and ship brokerage businesses. As of 31 December 2016, the Group's freight forwarding network covered 36 major cities, including but not limited to the Mainland China, Japan, Korea, Vietnam, Hong Kong, Singapore, Philippines and Cambodia, while the Group's shipping agency network covered 57 major ports and cities, including but not limited to the Mainland China, Japan, Korea, Hong Kong, Vietnam, Thailand, Philippines, Singapore, Cambodia and Indonesia. The Group also operated (including through joint ventures) approximately 1,000,000 m^2 of depot and 100,000 m^2 of warehousing space. Revenue generated by the Group's land-based logistics business before inter-segment elimination decreased by 4.9% from approximately US$743.1 million for the year ended 31 December 2015 to approximately US$707.0 million for the year ended 31 December 2016. Such decrease was a combined effect of a 12.7% decrease in average freight forwarding rate from US$375.5/TEU in 2015 to US$327.7/TEU in 2016, as well as a 8.5% growth in the freight forwarding volume from 1,616,974 TEU in 2015 to 1,755,225 TEU in 2016.

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

Market Review

During the year ended 31 December 2016, although the global economic and trade environment showed signs of bottoming up, but the industry generally operated under the harsh conditions due to slower growth of global container logistics as well as intensified market competition and decreasing shipping prices resulted from overcapacity. Despite so, the Group still maintained growth in both business volume and gross profit, benefiting from its cost control and unique business model.

Financial Overview

	Year ended 31 December							
	2016	2015	2016	2015	2016	2015	2016	2015
	Sea freight logistics		Land-based logistics		Inter-segment sales		Total	
	US$'000	US$'000 (Restated)	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000 (Restated)
Revenue	**968,726**	990,268	**706,955**	743,094	**(459,890)**	(445,307)	**1,215,791**	1,288,055
Cost of sales	**(889,633)**	(929,575)	**(586,513)**	(618,195)	**459,890**	445,307	**(1,016,256)**	(1,102,463)
Gross profit	**79,093**	60,693	**120,442**	124,899			**199,535**	185,592
Other income and gains (excluding bank interest income and other investment income)	**3,927**	26,738	**129**	1,318			**4,056**	28,056
Administrative expenses	**(16,754)**	(17,756)	**(52,047)**	(56,358)			**(68,801)**	(74,114)
Share of profits and losses of:								
Joint ventures	—	—	**11,504**	9,913			**11,504**	9,913
Associates	—	—	**442**	617			**442**	617
Other expenses and losses	**(13,233)**	(1,030)	**(700)**	—			**(13,933)**	(1,030)
Segment results	**53,033**	68,645	**79,770**	80.389			**132,803**	149,034
Finance costs							**(6,872)**	(8,532)
Interest and investment income							**4,741**	11,420
Profit before tax							**130,672**	151,922
Income tax							**(6,434)**	(7,772)
Profit for the year							**124,238**	144,150
Profit for the year attributable to:								
Owners of the parents							**122,790**	143,247
Non-controlling interests							**1,448**	903
							124,238	144,150

Revenue

The Group's total revenue after inter-segment elimination decreased by 5.6% from approximately US$1,288.1 million for the year ended 31 December 2015 to approximately US$1,215.8 million for the year ended 31 December 2016. The decrease was primarily attributable to the decrease in container shipping freight rate and freight forwarding rate in both of the sea freight logistics and land-based logistics businesses.

Cost of Sales

The Group's cost of sales after inter-segment elimination decreased by 7.8% from approximately US$1,102.5 million for the year ended 31 December 2015 to approximately US$1,016.3 million for the year ended 31 December 2016. The decrease was primarily attributable to the significant decrease in bunker cost and the decrease in freight forwarding rate in land-based logistics businesses.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit increased from approximately US$185.6 million for the year ended 31 December 2015 to approximately US$199.5 for the year ended 31 December 2016. The Group's gross profit margin increased from 14.4% for the year ended 31 December 2015 to 16.4% for the year ended 31 December 2016.

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

For the year ended 31 December 2016, the Group's other income and gains (excluding bank interest income and other investment income) was approximately US$4.1 million, decreased by approximately US$24.0 million from approximately US$28.1 million in 2015. The decrease was mainly attributable to (i) the realisation of Japanese Yen hedging losses of US$1.8 million in 2016 as compared to the realised hedging gain of Japanese Yen of US$16.6 million in 2015; and (ii) a year-on-year decrease of US$3.0 million in government subsidies from US$6.2 million in 2015 to US$3.2 million in 2016.

Administrative Expenses

The Group's administrative expenses decreased by 7.2% from approximately US$74.1 million for the year ended 31 December 2015 to approximately US$68.8 million for the year ended 31 December 2016. The decrease was primarily attributable to (i) the overall decrease in staff cost and (ii) the decrease in legal service fees for vessel financing and office expenses.

Share of profits and losses of joint ventures

The Group's share of profits of joint ventures increased by 16.2% from approximately US$9.9 million in 2015 to approximately US$11.5 million in 2016. The increase was mainly attributable to the expansion in the warehouse and depot business.

Share of profits and losses of associates

The Group's share of profits and losses of associates was US$0.4 million and US$0.6 million for 2016 and 2015, respectively. There was no material change in the amount.

Other Expenses and Losses

The Group's other expenses and losses were US$13.9 million and US$1.0 million for the year ended 31 December 2016 and 2015, respectively. The increase was mainly attributable to (i) the impairment loss of US$6.6 million on dry-bulk vessels; and (ii) foreign exchange translation loss of approximately US$5.0 million arising from the Renminbi ("**RMB**") assets as RMB depreciated against US dollar in the year 2016.

Finance Costs

The Group's finance costs decreased from US$8.5 million for the year ended 31 December 2015 to US$6.9 million for the year ended 31 December 2016. The decrease was mainly attributable to the decrease in the average bank borrowing interest rate in 2016.

Interest and Investment Income

The Group's amount of interest and investment income was approximately US$4.7 million and US$11.4 million for the years ended 31 December 2016 and 2015, respectively. This was mainly attributable to the decrease in the average principal amount of bank deposits and the average deposit interest rate.

Profit before Tax

As a result of the foregoing, the Group's profit before tax decreased by 14.0% from approximately US$151.9 million for the year ended 31 December 2015 to approximately US$130.7 million for the year ended 31 December 2016.

Income Tax Expenses

The Group's income tax expense was approximately US$6.4 million and US$7.8 million for the years ended 31 December 2016 and 2015, respectively. The decrease was primarily attributable to the decrease in taxable profit of the Group.

Profit for the Year

The Group's profit for the year ended 31 December 2016 was approximately US$124.2 million, representing a decrease of 13.9% as compared to the profit of approximately US$144.2 million for the year ended 31 December 2015.

Sea Freight Logistics

The following table sets forth selected income statement data for the Group's sea freight logistics segment for the periods indicated:

	Year ended 31 December			
	2016		2015	
	Amount (US$'000)	**% of segment revenue**	Amount (US$'000) (restated)	% of segment revenue
Income Statement Data:				
Sales to external customers — container shipping	**526,261**	**54.3%**	552,440	55.8%
Sales to external customers — Dry bulk chartering	**14,728**	**1.5%**	23,929	2.4%
Inter-segment sales	**427,737**	**44.2%**	413,899	41.8%
Segment revenue	**968,726**	**100.0%**	990,268	100.0%
Cost of Sales	**(889,633)**	**(91.8)%**	(929,575)	(93.9)%
Equipment and cargos transportation costs	**(565,478)**	**(58.4)%**	(547,133)	(55.3)%
Voyage costs	**(162,095)**	**(16.7)%**	(208,086)	(21.0)%
Container shipping vessels cost	**(147,150)**	**(15.2)%**	(156,536)	(15.8)%
Dry bulk vessel costs	**(14,910)**	**(1.5)%**	(17,820)	(1.8)%
Gross Profit	**79,093**	**8.2%**	60,693	6.1%
Other income and gains (excluding bank interest income and other investment income)	**3,927**	**0.4%**	26,738	2.7%
Administrative expenses	**(16,754)**	**(1.7)%**	(17,756)	(1.8)%
Other expenses and losses	**(13,233)**	**(1.4)%**	(1,030)	(0.1)%
Segment results	**53,033**	**5.5%**	68,645	6.9%

Segment results

The following table sets forth the number of trade lanes of the Group for the years ended 31 December 2015 and 2016, and port calls per week and the average freight rates for the years indicated:

Year ended 31 December		As of 31 December			
2016	2015	**2016**	2015	**2016**	2015
Average freight rate (US$ per TEU, excluding slot exchange fee rate)		Number of trade lanes		Port calls per week	
388.3	415.5	**62**	61	**385**	360

Revenue

Revenue of the Group's sea freight logistics business before inter-segment elimination decreased by 2.2% from approximately US$990.3 million for the year ended 31 December 2015 to approximately US$968.7 million for the year ended 31 December 2016. Such decrease was due to (i) the increase of approximately US$7.5 million in the revenue as a result of the combined effect of the container shipping business volume increased by 7.9% from 2,163,179 TEU in 2015 to 2,333,439 TEU in 2016, and the average container shipping freight rate (excluding slot exchange fee income) decreased by 6.5% from US$415.5/TEU in 2015 to US$388.3/TEU in 2016; and (ii) the decrease of approximately US$19.8 million in the slot exchange fee income.

Cost of Sales

The cost of sales of the Group's sea freight logistics business before inter-segment elimination decreased by 4.3% from approximately US$929.6 million for the year ended 31 December 2015 to approximately US$889.6 million for year ended 31 December 2016. Such decrease was primarily attributable to (i) the decrease in bunker cost; and (ii) the decrease in vessel costs (external charter hire and operating costs for self-owned vessels).

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Company recorded gross profit of approximately US$79.1 million in its sea freight logistics business for the year ended 31 December 2016, representing an increase of 30.3% as compared to approximately US$60.7 million for the year ended 31 December 2015. The gross profit margin of the Group's sea freight logistics increased from 6.1% in 2015 to 8.2% in 2016.

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

For the year ended 31 December 2016, the other income and gains (excluding bank interest income and other investment income) of the Group's sea freight logistics business decreased to approximately US$3.9 million from approximately US$26.7 million for the year ended 31 December 2015. The decrease was primarily attributable to (i) the realisation of Japanese Yen hedging losses of US$1.8 million in 2016 from the gains of US$16.6 million in 2015; and (ii) the decrease in the government subsidies from US$5.5 million in 2015 to US$3.1 million in 2016.

Administrative Expenses

Administrative expenses of the Group's sea freight logistics business decreased by 5.6% from approximately US$17.8 million for the year ended 31 December 2015 to approximately US$16.8 million for the year ended 31 December 2016. The change in the amount was mainly attributable to the decrease in legal service fees for vessel financing and office expenses.

Other Expenses and Losses

Other expenses and losses increased from US$1.0 million for the year ended 31 December 2015 to US$13.2 million for the year ended 31 December 2016, mainly attributable to (i) the impairment loss of US$6.6 million on dry-bulk vessels; and (ii) the exchange losses of approximately US$5.0 million arising from the RMB assets as RMB depreciated against US dollar in the year 2016.

Segment Results

As a result of the foregoing, the segment results of the Group's sea freight logistics business decreased by approximately US$15.6 million from approximately US$68.6 million for the year ended 31 December 2015 to approximately US$53.0 million for the year ended 31 December 2016.

Land-Based Logistics

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

	Year ended 31 December			
	2016		2015	
	Amount (US$'000)	% of segment revenue	Amount (US$'000)	% of segment revenue
Income Statement Data:				
Sales to external customers	674,802	95.5%	711,686	95.8%
Inter-segment sales	32,153	4.5%	31,408	4.2%
Segment revenue	706,955	100.0%	743,094	100.0%
Freight forwarding and shipping agency	661,417	93.6%	698,474	94.0%
Other land-based logistics business	45,538	6.4%	44,620	6.0%
Cost of Sales	(586,513)	(83.0)%	(618,195)	(83.2)%
Freight forwarding and shipping agency	(555,584)	(78.6)%	(588,365)	(79.2)%
Other land-based logistics business	(30,929)	(4.4)%	(29,830)	(4.0)%
Gross Profit	120,442	17.0%	124,899	16.8%
Other income and gains (excluding bank interest income and other investment income)	129	0.1%	1,318	0.2%
Administrative expenses	(52,047)	(7.4)%	(56,358)	(7.6)%
Other expenses and losses	(700)	(0.1)%	—	—%
Share of profit and losses of:				
Joint ventures	11,504	1.6%	9,913	1.3%
Associates	442	0.1%	617	0.1%
Segment results	79,770	11.3%	80,389	10.8%

Revenue

The revenue of the Group's land-based logistics business before inter-segment elimination decreased by 4.9% from approximately US$743.1 million for the year ended 31 December 2015 to approximately US$707.0 million for year ended 31 December 2016. The decrease was mainly attributable to the decrease in revenue of freight forwarding and shipping agency. Revenue of the Group's freight forwarding and shipping agency business decreased by 5.3% from approximately US$698.5 million for the year ended 31 December 2015 to approximately US$661.4 million for the year ended 31 December 2016. This primarily reflected the decrease in the average freight forwarding rate from US$375.5/TEU for the year ended 31 December 2015 to US$327.7/TEU for the year ended 31 December 2016, which offset the continuous growth in the freight forward volume from 1,616,974 TEU for 2015 to 1,755,225 TEU for 2016.

Cost of Sales

The cost of sales of the Group's land-based logistics business decreased by 5.1% from approximately US$618.2 million for the year ended 31 December 2015 to approximately US$586.5 million for the year ended 31 December 2016. The decrease was mainly due to the decrease in cost of Freight forwarding and shipping agency. Cost of sales of freight forwarding and shipping agency business decreased by 5.6% from approximately US$588.4 million for the year ended 31 December 2015 to approximately US$555.6 million for year ended 31 December 2016, primarily reflecting a decrease in the Group's average freight forwarding rate.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit of the Group's land-based logistics business decreased by 3.6% from approximately US$124.9 million for the year ended 31 December 2015 to approximately US$120.4 million for the year ended 31 December 2016, but meanwhile the gross profit margin increased from 16.8% for 2015 to approximately 17.0% for 2016.

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

Other income and gains (excluding bank interest income and other investment income) of the Group's land-based business was US$0.1 million and US$1.3 million for the years ended 31 December 2016 and 2015, respectively. This was mainly attributable to the decrease in the government subsidies.

Administrative Expenses

Administrative expenses of the Group's land-based logistics business decreased by 7.8% from approximately US$56.4 million for the year ended 31 December 2015 to approximately US$52.0 million for the year ended 31 December 2016. The decrease was primarily attributable to the decrease in staff cost.

Other Expenses and Losses

Other expenses incurred by the Group's land-based logistics business for 2016 was approximately US$0.7 million, which was due to the impairment provision on investment projects.

Share of Profits of Joint Ventures

The Group's share of profits of joint ventures increased by 16.2% from approximately US$9.9 million for the year ended 31 December 2015 to approximately US$11.5 million for the year ended 31 December 2016. The increase was mainly attributable to the expansion in warehouse and depot business.

Share of Profits of Associates

The Group's share of profits of associates was approximately US$0.6 million and US$0.4 million for the years ended 31 December 2015 and 2016, respectively. There was no material fluctuation to the amount.

Segment Results

As a result of the foregoing, the segment results of the Group's land-based logistics business in 2015 and 2016 were US$80.4 million and US$79.8 million, respectively. There was no material change to the amount.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Total assets of the Group increased by 5.7% from approximately US$1,377.4 million as at 31 December 2015 to approximately US$1,455.6 million as at 31 December 2016. As at 31 December 2016, the Group had cash and cash equivalents amounting to approximately US$353.0 million, mainly denominated in US dollar, Renminbi, Japanese Yen and other currencies.

Total liabilities of the Group increased by 8.9% from approximately US$522.1 million as at 31 December 2015 to approximately US$568.4 million as at 31 December 2016. At 31 December 2016, the Group had secured interest-bearing bank loans of approximately US$409.6 million. The maturity profile is spread over a period, with approximately US$63.7 million repayable within one year or on demand, approximately US$52.5 million within the second year, approximately US$152.3 million within third to fifth years and approximately US$141.1 million beyond five years.

Further, the Group has transactional currency exposure. Such exposure arises from sales or purchases by operating units in currencies other than the units' functional currencies. As at 31 December 2016, the Group hedged approximately 27.0% (31 December 2015: 18.4%) of its foreign currency sales for which firm commitments existed at the end of the reporting period.

As at 31 December 2016, the Group's current ratio (being the current assets divided by the current liabilities) amounted approximately 2.0 as compared to that of 1.8 as at 31 December 2015. The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain a healthy gearing ratio. Net debt includes interest-bearing bank borrowings, trade and other payables, accruals, amounts due to related companies, less cash and cash equivalents. Adjusted capital includes equity attributable to owners of the parent less the hedging reserve. The Group's gearing ratio was 22% and 20% as at 31 December 2015 and 31 December 2016, respectively.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group had no significant contingent liabilities.

CHARGE ON ASSETS

As at 31 December 2016, the Group's bank loans were secured by mortgages over the Group's container vessels, dry-bulk vessels and containers which had an aggregate carrying value at the end of the reporting period of approximately US$650.3 million (31 December 2015: US$578.4 million).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2016, the Group had an aggregate of 1,433 full-time employees (excluding crew members, 31 December 2015: 1,324). The related employees' costs for the period (including directors' emoluments) amounted to approximately US$76.9 million (31 December 2015: US$74.1 million). The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the directors) with reference to corporate performance, individual performance and current market salary scale. Further, the Group adopted the pre-IPO share option scheme and post-IPO share option scheme on 10 September 2010. Further information of those share option schemes will be available in the annual report of the Company.

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2016, the Group did not have any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2016, 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 vessels and/or containers and invest in land-based logistic 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 annual report.

FINAL DIVIDEND

At the Board meeting held on 24 March 2017 (Friday), it was proposed that a final dividend of HK$16 cents (equivalent to US$2.06 cents) per ordinary share would be paid on 31 May 2017 (Wednesday) to the shareholders of the Company whose names appear on the Company's register of members at the close of business at 4:30 p.m. on 18 May 2017 (Thursday). The proposed final dividend is subject to approval by the shareholders at the annual general meeting of the Company to be held on 12 May 2017 (Friday) (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 12 May 2017 (Friday). 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 10 May 2017 (Wednesday) to 12 May 2017 (Friday), 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 9 May 2017 (Tuesday).

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 19 May 2017 (Friday) to 22 May 2017 (Monday), 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 18 May 2017 (Thursday).

Purchase, Sale and Redemption of Shares

During the year ended 31 December 2016, 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 2016, 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 2016, save and except for the deviation of code provision E.1.2 of the CG Code.

Further information of the corporate governance practice of the Company will the also be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2016.

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 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. 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 2016.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") consists of Mr. Tsui Yung Kwok, Dr. Lo Wing Yan, William and Dr. Ngai Wai Fung, all of whom are the Company's independent non-executive directors. The chairman of the Audit Committee is Mr. Tsui Yung Kwok. The annual results for the year ended 31 December 2016 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 2016. The Company will submit a resolution in the coming Annual General Meeting to re-appoint Ernst & Young as the auditor of the Company.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Yang Shaopeng (楊紹鵬), aged 60, is the Chairman of the Board, an Executive Director, the chairman of the nomination committee ("**Nomination Committee**") and a member of the remuneration committee ("**Remuneration Committee**") of our Company. Mr. Yang has been the Chairman of our Company since April 2006 and has been actively and extensively involved in the management and strategic development of our Company, and oversees the overall development of our Group. Mr. Yang graduated from Asia International Open University (Macau) in 2000 with a master's degree in business administration and completed a CEO class in China Europe International Business School in 2004. The CEO program is a non-degree specialized executive education program that is offered to address the business and management issues relating to industry consolidation, globalization, and economic reform. Mr. Yang has over 39 years of experience in the shipping industry through his employment in the shipping and foreign trade companies. From November 1988, Mr. Yang worked as an assistant general manager at Sinotrans (Shandong) Co., Ltd. (中國外運(山東)公司), a state-owned shipping enterprise. From September 1990, he served as the deputy manager in the storage and transportation department of Shandong Foreign Trade Corporation ("**SFTC**"), a state-owned foreign trade corporation. From May 1991 to May 1992, he served as a deputy general manager of Shandong International Transportation Corporation and as general manager between May 1992 and December 1996. From December 1996 to January 2002, he served as the general manager in SITC Maritime (Group) Co., Ltd. ("**SITC Group**"). Prior to its restructuring in December 2000, SITC Group was a state-owned enterprise. From October 1998 to December 2000, Mr. Yang was a vice-president of SFTC. From January 2002 to January 2005, Mr. Yang served as the president of SITC Maritime Group Co., Ltd. (山東海豐國際航運集團有限公司) ("**Shangdong SITC**") and also as the chairman of the same company from January 2001 to November 2011. Save as disclosed above, Mr. Yang is not related to any other Directors or senior management or substantial shareholder of our Company.

Mr. Yang Xianxiang (楊現祥), aged 50, is the Vice-Chairman of the Board, Chief Executive Officer, an Executive Director, the chairman of the disclosure committee ("**Disclosure Committee**") as well as a member of the Nomination Committee and the Remuneration Committee of our Company. Mr. Yang has been a Director and chief executive officer of our Company since January 2008. He is actively involved in the management and the decision-making process of our Company. Mr. Yang graduated from Asia International Open University (Macau) with a master's degree in Business Administration in 2000 and completed a chief executive officer class in Tsinghua University in 2003. He also received a master's degree in business administration from China Europe International Business School in 2006. He completed a non-degree course in Sinology in Fudan University in 2009, which is a course on Chinese heritage classical study, and completed another non-degree Chief Executive Officer Class at the Cheung Kong Graduate School of Business in 2010. Mr. Yang has over 30 years of experience in the shipping industry through his employment in the shipping companies. In July 1987, Mr. Yang joined Lufeng Shipping Co., Ltd. (魯豐航運有限公司) ("**Lufeng Shipping**"), a container shipping company, and was subsequently promoted to be a manager before he left in July 1997. From August 1997 to December 2001, he served as a general manager in SITC Container Lines (Shandong) Co., Ltd. (山東省海豐船務有限公司). Between January 2002 and January 2005, he served as executive vice president in Shangdong SITC and as president in the same company between January 2005 and May 2007. From May 2007 to January 2008, he served as president of SITC Container Lines and as a chief executive officer of SITC Steamship (Shanghai) Co., Ltd. Mr. Yang was appointed as an Executive Director on 9 April 2010. Save as disclosed above, Mr. Yang is not related to any other Directors or senior management or substantial shareholder of our Company.

Mr. Liu Kecheng (劉克誠), aged 43, is an Executive Director, chief financial officer, authorized representative and a member of the Disclosure Committee of our Company. Mr. Liu has been a Director of our Company since December 2006. From September 2010 to May 2013, he served as joint company secretary of our Company. Since October 2010, Mr. Liu has been appointed as the director for investment and securities, responsible for investments and equity funding. Since May 2013, Mr. Liu has been appointed as the chief financial officer of our Company, responsible for finance accounting and cash management in our Company. Mr. Liu graduated from Shandong Foreign Economic and Trade School in 1994 where he majored in foreign trade and accounting, and from Shandong University of Economics in 1996 where he majored in accounting. In 2005, he graduated from Renmin University of China majoring in accounting. He also received a master's degree in business administration from China Europe International Business School in 2007. Mr. Liu has over 23 years of experience in the shipping industry through his employment in the shipping companies. Mr. Liu worked with the finance department of Shandong Foreign Trade Corporation, a state-owned foreign trade corporation, from July 1994 to June 1998. From July 1998 to May 2000, he served as a finance manager in Shandong SITC International Container Storage and Transportation Company Limited (山東海豐國際集裝箱儲運有限公司). Between June 2000 and January 2003, he served as the manager of the finance centre and the deputy general manager of Shandong SITC. From January 2003 to October 2003, he served as the deputy general manager in the planning & development center of Shandong SITC. Between October 2003 and December 2006, Mr. Liu served as the general manager of the investment and development center in Shandong SITC. From December 2006 to January 2008, he served as the director and chief financial officer of SITC Group Company Limited ("**SITC Holding**") and Shandong SITC. Mr. Liu was appointed an Executive Director on 9 April 2010. Save as disclosed above, Mr. Liu is not related to any other Directors or senior management or substantial shareholder of our Company.

Mr. Xue Peng (薛鵬), aged 46, is an Executive Director, joint company secretary, authorized representative and a member of the Disclosure Committee of our Company. Mr. Xue has been a Director of our Company since January 2008. From January 2008 to May 2013, he served as a chief financial officer of our Company. Mr. Xue graduated from Shandong Province Foreign Trade and Economic University in 1991 majoring in financial accounting, and graduated from Shangdong University of Economics in 1997 majoring in accounting. He was qualified as an accountant in 2004 and also obtained an undergraduate degree in accounting from Renmin University of China in 2006. He received a master's degree in business administration from China Europe International Business School in 2011. Mr. Xue has over 24 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. Save as disclosed above, Mr. Xue is not related to any other Directors or senior management or substantial shareholder of our Company.

Mr. Lai Zhiyong (賴智勇), aged 44, an Executive Director and a member of the Disclosure Committee of our Company. He has been serving as the president of SITC Logistics Group since December 2012. Mr. Lai graduated from Ocean University of China (中國海洋大學) in July 1994 specialising in international trade. Mr. Lai has over 22 years of experience in the shipping industry. During the period from August 1997 to November 2012, Mr. Lai had served as the supervisor of the import division of SITC Lianji (Shandong) Co., Ltd. (山東海豐聯集有限公司) ("**Shandong SITC Lianji**"), the manager of the import department, operation department and marketing department of SITC Container Lines and the general manager of SITC Container Lines (Hong Kong) Co., Ltd. (新海豐集運(香港)有限公司). Mr. Lai was appointed as an Executive Director on 11 March 2013. Save as disclosed above, Mr. Lai is not related to any other Directors or senior management or substantial shareholder of our Company.

Mr. Xue Mingyuan (薛明元), aged 43, an Executive Director and a member of the Disclosure Committee of our Company. He has been serving as the president of SITC Shipping Group and the general manager of SITC Container Lines since December 2012. Mr. Xue obtained a master degree in international shipping and logistics management from The Hong Kong Polytechnic University (香港理工大學) in November 2004. Mr. Xue has over 20 years of experience in the shipping industry. During the period from August 1997 to November 2012, Mr. Xue had served as the export supervisor of Shandong SITC Lianji, the manager of the customers service department and the sales and marketing department of SITC Container Lines, the deputy general manager and general manager of SITC Container Lines (Korea) Co., Ltd. and the general manager of SITC Container Lines. Mr. Xue was appointed as an Executive Director on 11 March 2013. Save as disclosed above, Mr. Xue is not related to any other Directors or senior management or substantial shareholder of our Company.

Independent Non-executive Directors

Mr. Tsui Yung Kwok (徐容國), aged 48, is an Independent Non-executive Director, the chairman of the audit committee ("**Audit Committee**") and a member of the Remuneration Committee of our Company. Mr. Tsui was appointed as our Independent Non-executive Director in September 2010. He was awarded a bachelor's degree in business (accounting) from Curtin University of Technology, Australia in 1992 and a master's degree in corporate governance from The Hong Kong Polytechnic University in 2007. Mr. Tsui has over 20 years of experience in accounting and finance through his senior position in an international accounting firm in Hong Kong from February 1994 to October 2003 and his office as the chief financial officer of Qin Jia Yuan Media Services Company Limited, a company listed on the Stock Exchange (Stock Code: 2366) from 2003 to 2004. Mr. Tsui has been the chief financial officer and the company secretary of Ju Teng International Holdings Limited, a company listed on the Stock Exchange (Stock Code: 3336), since 2004. Mr. Tsui became an executive director of Ju Teng International Holdings Limited in June 2005. Mr. Tsui has also served as an independent non-executive director of Shenguan Holdings (Group) Limited (Stock Code: 829), 361 Degrees International Limited (Stock Code: 1361) and Cabbeen Fashion Limited (Stock Code: 2030) since September 2009, September 2012 and February 2013 respectively, all are companies listed on the Stock Exchange. Mr. Tsui is a member of Chartered Accountants Australia and New Zealand, CPA Australia, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Chartered Secretaries.

Mr. Yeung Kwok On (楊國安), aged 56, an Independent Non-executive Director, the chairman of the Remuneration Committee and a member of the Nomination Committee of our Company. Mr. Yeung was appointed as our Independent Non-executive Director in September 2010. He is Philips Adjunct Professor of human resources management at China Europe International Business School. He received a Ph.D. of business administration from University of Michigan in 1990. Mr. Yeung worked in Acer Group as chief human resources officer from early 1999 to June 2002. During the same period of time, he simultaneously served as the president of Aspire Academy under Acer Foundation. Mr. Yeung is a member of five editorial advisory boards, including Human Resources Management Journal (USA), and Human Relations Journal (USA). Mr. Yeung is also the Senior Management Consultant of Tencent Group. Mr. Yeung is an expert in organizational capabilities, human resources strategy, and leadership development. He is an independent director of Trina Solar Limited, a company listed on the New York Stock Exchange (NYSE: TSL) and an independent non-executive director of Country Garden Holdings Company Limited, a company listed on the Stock Exchange (Stock Code: 2007), respectively. He was an independent non-executive director of Kingdee International Software Group Company Limited (Stock Code: 268) from 2003 to 2014. Mr. Yeung also serves as independent board director for other three private corporations, and advises chief executive officers of several leading Chinese firms.

Dr. Lo Wing Yan, William (盧永仁), aged 56, was appointed as an Independent Non-executive Director and a member of the Audit Committee and Nomination Committee of our Company in September 2010. He received an M. Phil. and a Ph.D. degree, both from the University of Cambridge in England in March 1986 and March 1988, respectively. Dr. Lo is currently the Vice-Chairman of Lovable International Holdings Limited, Chairman of VS Media & Strategenes Limited and the Founding Governor of Charles K Kao Foundation for Alzheimer's disease. He was also a Bye-Fellow of Downing College, the University of Cambridge. In 1999, he was appointed as a Justice of Peace (J.P.) by the government of Hong Kong. In 2003, he was appointed as a member of Shantou Committee of the Chinese People's Political Consultative Conference. He is also a governor of an independent school, the ISF Academy in Hong Kong, as well as a director of Junior Achievement Hong Kong. Dr. Lo is currently an independent non-executive director of Jingrui Holdings Limited (the Stock Exchange, Stock Code: 1862), CSI Properties Limited (the Stock Exchange, Stock Code: 497), Television Broadcasts Limited (the Stock Exchange, Stock Code: 511) and Ronshine China Holdings Limited (the Stock Exchange, Stock Code: 3301). He is also an independent non-executive director of Nam Tai Property Inc. (New York Stock Exchange, Stock Code: NTP) (Formerly: Nam Tai Electronics, Inc. (New York Stock Exchange, Stock Code: NTE)). He was appointed as a non-executive director of South China Land Limited (GEM of the Stock Exchange, Stock Code: 8155) from September 2011 to March 2014. He was also appointed as an independent non-executive director of International Housewares Retail Company Limited (the Stock Exchange, Stock Code: 1373) from September 2013 to September 2015, E2-Capital Holdings Limited (Singapore Stock Exchange, Stock Code: 5OF) (Formerly: Westminster Travel Limited (Singapore Stock Exchange, Stock Code: WTL)) from June 2009 to November 2015 and Varitronix International Limited (the Stock Exchange, Stock Code: 710) from July 2004 to June 2016.

Dr. Ngai Wai Fung (魏偉峰), aged 55, was appointed as an Independent Non-executive Director as well as a member of the Audit Committee, Remuneration Committee and Nomination Committee of our Company in September 2010. Dr. Ngai is the Immediate Past President of Hong Kong Institute of Chartered Secretaries, the Adjunct Professor of Law of Hong Kong Shue Yan University, a member of the Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants and a member of the General Committee of the Chamber of Hong Kong Listed Companies. He was appointed by the Chief Executive of The HKSAR as a member of Working Group on Professional Services under the Economic Development Commission for two years in 2013 and reappointed for further two years in 2017. Dr. Ngai was appointed by the Ministry of Finance of the People's Republic of China as an account consultant in June 2016. Dr. Ngai is currently the chief executive officer of SW Corporate Services Group Limited, a specialty corporate and compliance services provider to companies in pre-IPO and post-IPO stages. Prior to that, he was the director and head of listing services of an independent integrated corporate services provider. He has over 20 years of senior management experience, most of which are in the area of finance, accounting, internal control and regulatory compliance, corporate governance and secretarial work for listed issuers including major red chips companies. Dr. Ngai received a master's degree in business administration from Andrews University of Michigan in 1992, a master's degree in corporate finance from Hong Kong Polytechnic University in 2002 and a doctorate in Economics (Finance) from Shanghai University of Finance and Economics in 2011. Dr. Ngai is a fellow of the Association of Chartered Certified Accountants in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Secretaries and Administrators, a fellow of the Hong Kong Institute of Company Secretaries, a fellow of the Hong Kong Institute of Directors and a member of the Hong Kong Securities and Investment Institute. Dr. Ngai is currently an independent non-executive director of Bosideng International Holdings Limited (the Stock Exchange, Stock Code 3998), BaWang International (Group) Holdings Limited (the Stock Exchange, Stock Code: 1338), Powerlong Real Estate Holdings Limited (the Stock Exchange, Stock Code: 1238), Biostime International Holdings Limited (the Stock Exchange, Stock Code: 1112), China Coal Energy Company Limited (the Stock Exchange, Stock Code: 1898 and the Shanghai Stock Exchange, Stock Code: 601898), Beijing Capital Juda Limited (the Stock Exchange, Stock Code: 1329), China Railway Group Limited (the Stock Exchange, Stock Code: 390 and the Shanghai Stock Exchange, Stock Code: 601390), Yangtze Optical Fire and Cable Joint Stock Limited Company (the Stock Exchange, Stock Code: 6869), BBMG Corporation (the Stock Exchange, Stock Code: 2009 and the Shanghai Stock Exchange, Stock Code: 601992), Travelsky Technology Limited (the Stock Exchange, Stock Code: 696) and China HKBridge Holdings Limited (Formerly: Topsearch International (Holdings) Limited) (the Stock Exchange, Stock Code: 2323). Dr. Ngai is also an independent director of LDK Solar Co., Ltd. (was listed on the New York Stock Exchange, Stock Code: LDK, now listed on the OTC Pink Limited Information, Stock Code: LDKYQ) and SPI Energy Co., Ltd. (the NASDAQ, Stock Code: SPI).

Dr. Ngai was an independent non-executive director of China Railway Construction Corporation Limited (the Stock Exchange, Stock Code: 1186) from November 2007 to October 2014 and Sany Heavy Equipment International Holdings Company Limited (the Stock Exchange, Stock Code: 631) from November 2009 to December 2015.

JOINT COMPANY SECRETARIES

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

Ms. Chan Wai Ling (陳蕙玲), FCIS, FCS (PE), was appointed as our joint company secretary on 9 March 2015. She is a director of Corporate Services of Tricor Services Limited and a fellow member of both The Hong Kong Institute of Chartered Secretaries ("**HKICS**") and The Institute of Chartered Secretaries and Administrators ("**ICSA**") in the United Kingdom. She has more than 20 years of experience in the corporate secretarial field. Ms. Chan is currently the joint company secretary of IMAX China Holding, Inc. (Stock Code: 1970) as well as the company secretary of China Polymetallic Mining Limited (Stock Code: 2133), China Maple Leaf Educational Systems Limited (Stock Code: 1317), Sun Art Retail Group Limited (Stock Code: 6808) and TCC International Holdings Limited (Stock Code: 1136).

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 2016.

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 2016 are provided in the section headed "Chairman's Statement" on pages 9 to 11, the section headed "Management Discussion and Analysis" on pages 12 to 24 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 2016 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 12 to 24 of this annual report.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2016 are set out in the Consolidated Statement of Profit and Loss and Other Comprehensive Income. The financial position as of 31 December 2016 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 2016 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 2016 are set out in Note 30 to the Financial Statements.

FINAL DIVIDEND

At the Board meeting held on 24 March 2017 (Friday), it was proposed that a final dividend of HK$16 cents (equivalent to US$ 2.06 cents) per ordinary share would be paid on 31 May 2017 (Wednesday) to the shareholders of the Company whose names appear on the Company's register of members at the close of business at 4:30 p.m. on 18 May 2017 (Thursday). The proposed final dividend is subject to approval by the shareholders at the annual general meeting of the Company to be held on 12 May 2017 (Friday) (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 10 May 2017 (Wednesday) to 12 May 2017 (Friday), 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 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 9 May 2017 (Tuesday).

For determining the entitlement to the proposed final dividend (subject to approval by the Shareholder at the Annual General Meeting), the register of members of the Company will be closed from 19 May 2017 (Friday) to 22 May 2017 (Monday), 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 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 18 May 2017 (Thursday).

RESERVE

Details of the changes in reserve of the Group during the year ended 31 December 2016 are set out in Note 32 to the Financial Statements.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for distribution of dividends to the shareholders subject to the provisions of the Company's articles of association (the "**Articles of Association**"), with the sanction of an ordinary resolution, dividend may be declared and paid out of share premium account of any other fund or account which can be authorised for this propose. As at 31 December 2016, the Company had distributable reserves of approximately US$488 million.

PROPERTY, PLANT AND EQUIPMENTS

The changes in property, plant and equipments during the year ended 31 December 2016 are set out in Note 13 to the Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, the aggregate percentage of purchases attributable to the Group's five largest suppliers accounted for approximately 18.9% of the Group's total purchase. The percentage of turnover attributable to the Group's five largest customers accounted for approximately 20.5% of the Group's total turnover.

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

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 Mainland China and Hong Kong amounted to approximately US$0.9 million.

DIRECTORS

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

Executive Directors

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

Independent Non-executive Directors

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

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

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

SERVICE CONTRACTS OF DIRECTORS

Details of service contracts for Executive Directors are set out under the section headed "Directors' Re-election" 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 LISTING RULES

With effect from 1 February 2017, the Directors' fees were changed and are set out below pursuant to Rule 13.51B(1) of the Listing Rules:-

Name of Director	Details of changes
Mr. Yang Shaopeng	HK$4,650,000 (unchanged)
Mr. Yang Xianxiang	HK$3,480,000 (unchanged)
Mr. Liu Kecheng	HK$1,261,390
Mr. Xue Peng	HK$1,229,890
Mr. Xue Mingyuan	HK$913,000
Mr. Lai Zhiyong	HK$781,000
Mr. Tsui Yung Kwok	HK$250,000
Mr. Yeung Kwok On	HK$250,000
Dr. Lo Wing Ying, William, JP	HK$250,000
Dr. Ngai Wai Fung	HK$270,000

DIRECTORS' INTERESTS IN CONTRACTS

Other than those transactions disclosed in Note 35 to the Financial Statements and in the section headed "Related Party Disclosures" below, there was no other significant contract with any member of the Group as the contracting party and in which the Directors of the Company possessed direct or indirect substantial interests, and which was still valid on the year end date or any time during the year and related to the business of the Group.

DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

The Chairman of the Company, Mr. YANG Shaopeng, through Better Master Limited ("**Better Master**") and Resourceful Link Management Limited ("**Resourceful Link**") and by virtue of his direct interest, owns approximately 52.54% of the issued share capital in the Company as at the date of this report. Mr. YANG Shaopeng, Better Master and Resourceful Link are the controlling shareholders of the Company. Ms. Liu Rongli, the spouse of Mr. YANG Shaopeng, one of the controlling shareholders of the Company, the chairman and an executive Director also owns as to 62.5% in SITC Maritime Group Company Limited (青島海豐國際航運集團有限公司) ("**Qingdao SITC Shipping**"), which is involved in various business which had been excluded from the deed of non-competition provided by the controlling shareholders and as supplemented by a supplemental deed of non-competition entered into between the Company and Qingdao SITC Shipping (hereinafter, the "**Deed of Non-Competition**"). Pursuant to the Deed of Non-Competition, the following businesses have been excluded from the Deed of Non-Competition provided by the controlling shareholders to the Company:

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

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

(c) As at the date of this annual report, the Company has invested in Shandong Hanjin Container Logistics Co., Ltd. (山東韓進集裝箱儲運有限公司) ("**Shandong Hanjin Container Logistics**") in which Qingdao SITC Shipping also has shareholding.

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

The Independent Non-executive Directors have reviewed the Deed of Non-Competition and whether the controlling shareholders have abided by the Deed of Non-Competition. The Independent Non-executive Directors confirmed that they had determined that the controlling shareholders have not been in breach of the Deed of Non-Competition during the year ended 31 December 2016.

Save as disclosed, none of the Directors or their respective connected persons have any interests in any business that competed or might compete with the business that the Group's business during the year ended 31 December 2016.

POST-IPO SHARE OPTION SCHEME

On 10 September 2010, the Company adopted a share option scheme (the "**Post-IPO Share Option Scheme**") whereby the Board can grant options for the subscription of the shares of the Company (the "**Shares**") to the employees, managerial staff and senior employees and those other persons that the Board considers that they will contribute or have contributed to the Group (the "**Participants**") as described in the Share Option Scheme in order to serve as compliment and to reciprocate their contribution to the Group. The maximum number of shares that can be issued according to the Post-IPO Share Option Scheme was 260,000,000 shares which is equivalent to 10% of the issued capital of the Company after completion of the Global Offering (as defined in the Prospectus) and approximately 9.9% of the issued capital of the Company as at the date of the annual report.

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

Each grantee shall pay a consideration of HK$1.00 at the time the option is granted. The Post-IPO Share Option Scheme shall take effect from the date it is adopted (i.e. 10 September 2010) 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 2016:

Grantee and position	Date of grant of options	Number of options outstanding as at 1 January 2016	Number of Options granted during the period	Number of Options exercised/ cancelled/ lapsed during the period	Number of options not yet exercised on 31 December 2016	Approximate percentage of shareholding upon the exercise of the options
Executive Director						
YANG Shaopeng	10 March 2015	1,000,000	—	—	1,000,000	0.04%
YANG Xianxiang	10 March 2015	1,000,000	—	—	1,000,000	0.04%
LIU Kecheng	25 October 2011	300,000	—	—	300,000	0.03%
	10 March 2015	400,000	—	—	400,000	
XUE Peng	25 October 2011	300,000	—	—	300,000	0.03%
	10 March 2015	400,000	—	—	400,000	
LAI Zhiyong	25 October 2011	100,000	—	—	100,000	0.03%
	10 March 2015	600,000	—	—	600,000	
XUE Mingyuan	25 October 2011	500,000	—	—	500,000	0.04%
	10 March 2015	600,000	—	—	600,000	
Independent non-executive Director						
TSUI Yung Kwok	10 March 2015	400,000	—	—	400,000	0.02%
YEUNG Kwok On	10 March 2015	400,000	—	—	400,000	0.02%
LO Wing Yan, William	10 March 2015	400,000	—	—	400,000	0.02%
NGAI Wai Fung	25 October 2011	400,000	—	—	400,000	0.03%
	10 March 2015	400,000	—	—	400,000	
Other employees						
Other employees	25 October 2011	3,118,000	—	303,000	2,815,000	
	10 March 2015	8,050,000	—	195,000	7,855,000	0.41%
Total		18,368,000	—	498,000	17,870,000	0.68%

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 2016, the Company had 17,870,000 share options outstanding under the Post-IPO Scheme, which represented approximately 0.68% of the Shares of the Company in issue as at the date of this annual report.

PRE-IPO SHARE OPTION SCHEME

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

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

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

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

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

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

The followings are details of the options granted pursuant to the Pre-IPO Share Option Scheme but not yet exercised during the year ended 31 December 2016:

Grantee and position	Date of grant of options	Number of options granted outstanding as at 1 January 2016	Number of options exercised/ cancelled/ lapsed during the period	Number of options not yet exercised on 31 December 2016	Approximate percentage of shareholding upon the exercise of the options
Executive Directors					
LIU Kecheng	10 September 2010	800,000	—	800,000	0.03%
XUE Peng	10 September 2010	800,000	—	800,000	0.03%
LAI Zhiyong	10 September 2010	200,000	—	200,000	0.01%
XUE Mingyuan	10 September 2010	800,000	—	800,000	0.03%
Others					
Other employees	10 September 2010	45,149,000	2,753,000	42,396,000	1.62%
Total		47,749,000	2,753,000	44,996,000	1.72%

As at 31 December 2016, the Company had 44,996,000 share options outstanding under the Pre-IPO Scheme, which represented approximately 1.72% of the Shares of the Company in issue as at the date of this annual report. The grantees to whom an option has been granted under the Pre-IPO Share Option Scheme will be entitled to exercise his/her option in the following manner:

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

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

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

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

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

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

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

DEBENTURE

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

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

As at the date 31 December 2016, the interest or short position of the Directors or chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**") required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to Model Code, are as follows:

(i) Interest in the Company

Name of Director	Nature of Interest	Number of Shares[1]	Approximate percentage of Shareholding
YANG Shaopeng[2]	Beneficiary of the Pengli Trust	1,375,390,231(L)	52.60%
	Beneficiary Owner	9,619,000 (L)	0.37%
YANG Xianxiang	Beneficiary Owner	7,220,000(L)	0.28%
XUE Peng[3]	Settlor of the Xue Trust	12,866,176(L)	0.49%
LAI Zhiyong[4]	Beneficiary of the Go Thrive Trust	3,037,847(L)	0.12%
	Beneficial Owner	185,000(L)	0.01%
XUE Mingyuan[4]	Beneficiary of the Go Thrive Trust	1,906,100(L)	0.07%
TSUI Yung Kwok	Beneficial Owner	400,000(L)	0.02%
YEUNG Kwok On	Beneficial Owner	301,000(L)	0.01%

Notes:

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

(2) 1,375,390,231 Shares are held by Resourceful Link. The issued share capital of Resourceful Link is owned as to 79.82% by Better Master. Better Master is owned as to 100% by UBS Nominees Limited. UBS Trustees (B.V.I.) Limited, as the trustee, holds such interests for the beneficiaries of the Pengli Trust, namely Mr. YANG Shaopeng and his family. The Pengli Trust is a revocable discretionary trust established under the laws and regulations of the Cayman Islands. Mr. YANG Shaopeng is the settlor and a beneficiary of the Pengli Trust.

(3) 12,866,176 Shares were held by Watercrests Profits Limited, which was owned as to 53% by Add Investments Company Limited, which was owned as to 100% by JTC Trustees (BVI) Limited as the trustee of the Xue Trust holding such interests for the beneficiary of the Xue Trust, namely Ms. JIAO Lei, the spouse of Mr. XUE Peng. Mr. XUE Peng is the settlor.

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

(ii) Interest in underlying Shares

Name of Director	Nature of Interest	Number of Shares in the Company subject to options under the Pre-IPO Share Option Scheme	Number of Shares in the Company subject to options under the Post-IPO Share Option Scheme	Approximate percentage of shareholding attributable to the options under the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme (Note)
YANG Shaopeng	Beneficial owner	—	1,000,000	0.04%
YANG Xianxiang	Beneficial owner	—	1,000,000	0.04%
LIU Kecheng	Beneficial owner	800,000	700,000	0.06%
XUE Peng	Beneficial owner	800,000	700,000	0.06%
LAI Zhiyong	Beneficial owner	200,000	700,000	0.03%
XUE Mingyuan	Beneficial owner	800,000	1,100,000	0.07%
TSUI Yung Kwok	Beneficial owner	—	400,000	0.02%
YEUNG Kwok On	Beneficial owner	—	400,000	0.02%
LO Wing Yan, William	Beneficial owner	—	400,000	0.02%
NGAI Wai Fung	Beneficial owner	—	800,000	0.03%

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

(iii) Interest in associated corporations

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

Notes:

(1) Resourceful Link is interested in approximately 52.54% of the issued share capital of the Company. Resourceful Link is owned as to 79.82% by Better Master, which is owned as to 100% by UBS Nominees Limited. UBS Trustees (B.V.I.) Limited, as the trustee, holds such interests for the beneficiaries of the Pengli Trust, namely Mr. YANG Shaopeng and his family. The Pengli Trust is a revocable discretionary trust established under the laws and regulations of the Cayman Islands. Mr. YANG Shaopeng is the settlor and a beneficiary of the Pengli Trust.

(2) Resourceful Link is interested in approximately 52.54% of the issued share capital of the Company. Jixiang Limited is interested in 17.00% of the issued share capital of Resourceful Link. Jixiang Limited is in turn owned as to 100% by UBS Nominees Limited. UBS Trustees (B.V.I.) Limited, as the trustee, holds such interests for the beneficiaries of the Jixiang Trust, namely Mr. YANG Xianxiang and his family. The Jixiang Trust is a revocable discretionary trust established under the laws and regulations of the Cayman Islands. Mr. YANG Xianxiang is the settlor and a beneficiary of the Jixiang Trust. YANG Xianxiang is the settlor and a beneficiary of the Jixiang Trust.

(3) Resourceful Link is interested in approximately 52.54% of the issued share capital of the Company. Yicheng Group Limited is interested in 3.18% of the issued share capital of Resourceful Link. Yicheng Group Limited is in turn owned as to 100% by UBS Nominees Limited. UBS Trustees (B.V.I.) Limited, as the trustee, holds such interests for the beneficiaries of the Yicheng Trust, namely Mr. LIU Kecheng and his family. The Yicheng Trust is a revocable discretionary trust established under the laws and regulations of the Cayman Islands. Mr. LIU Kecheng is the settlor and a beneficiary of the Yicheng Trust.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at the date 31 December 2016, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

(i) Interest in the Company

Name	Capacity	Number of Shares[1]	Percentage of Shareholding
LIU Rongli[2]	Beneficiary of the Pengli Trust	1,375,390,231(L)	52.60%
Resourceful Link[3]	Beneficial owner	1,375,390,231(L)	52.60%
Better Master[3]	Interest in controlled corporation	1,375,390,231(L)	52.60%
UBS Trustees (B.V.I.) Limited[3]	Trustee	1,375,390,231(L)	52.60%

Notes:

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

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

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

SUBSIDIARIES

Details of the major subsidiaries of the Company as of 31 December 2016 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.

CONNECTED TRANSACTIONS

On 28 June 2016, New SITC Development Co., Ltd. ("**New SITC Development**"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with SITC Shipping Group Company Limited ("**SITC Shipping**"), pursuant to which New SITC Development agreed to transfer the entire issued share capital of Hai Lian Shipping Enterprises Inc. ("**Hai Lian Shipping**"), a company incorporated in Panama, to SITC Shipping, at a consideration of US$6,641,985.25 (equivalent to approximately HK$51,541,805.54) (the "**Disposal**"). Upon completion of the Disposal, SITC Shipping holds the entire issued share capital of Hai Lian Shipping, which owns the legal title of the vessel "*SITC Ningbo*", the vessel used by the Group for operating the mainland China-Taiwan route.

SITC Shipping is a wholly-owned subsidiary of SITC Maritime Group Company Limited (青島海豐國際航運集團有限公司), which is a company in which 62.5% interest is owned by Ms. Liu Rongli, the spouse of Mr. Yang Shaopeng. Mr. Yang Shaopeng is a controlling shareholder, chairman and an executive Director. SITC Shipping is therefore a connected person of the Company for the purpose of the Listing Rules and the entering of the Sale and Purchase Agreement constitutes a connected transaction for the Company. As the applicable percentage ratios in respect of the Disposal are more than 0.1% but less than 5%, the entering into the Sale and Purchase Agreement and the Disposal contemplated thereunder are subject to the reporting and announcement requirements but exempted from shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the above transaction is set out in the announcement of the Company dated 28 June 2016.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions entered into by the Group during the year ended 31 December 2016.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2016, the Group entered into the following continuing connected transactions with its connected persons. Details of the continuing connected transactions of the Company are as follows:

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

1. Agency Services

On 27 December 2012, the Company entered into a renewed master agency agreement (the "**2012 Master Agency Agreement**") with SITC Maritime Group Company Limited (青島海豐國際航運集團有限公司) ("**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 ended on 31 December 2015. On 1 September 2015, the Company entered into a supplemental master agency agreement with Qingdao SITC to increase the annual cap of the service fees to be paid by the Company under the 2012 Master Agency Agreement for the year ended 31 December 2015 to US$4,000,000.

Details of renewed master agency agreement are set out in the announcements of the Company dated 27 December 2012 and 1 September 2015.

As the 2012 Master Agency Agreement with Qingdao SITC expired on 31 December 2015, on 21 December 2015, the Company and Qingdao SITC entered into the renewed agreement (the "**2015 Master Agency Agreement**") to renew the terms of the 2012 Master Agency Agreement for a further period of two years commenced from 1 January 2016 and ending on 31 December 2017.

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

For the year ended/ending 31 December	Service fees received by the Company (US$)	Service fees paid by the Company (US$)
2016	24,000,000	3,500,000
2017	25,000,000	4,500,000

During the year under review, the total actual amount of service fees received by the Company and paid by the Company pursuant to the 2015 Master Agency Agreement was US$22,144,153 and US$2,401,687 respectively.

Qingdao SITC is a company owned as to 62.5% by Ms. Liu Rongli, the spouse of Mr. Yang Shaopeng, one of the controlling shareholders of the Company, chairman and an executive Director. Accordingly, Qingdao SITC is a connected person of the Company and the 2015 Master Agency Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Details of the 2015 Master Agency Agreement are set out in the announcement of the Company dated 21 December 2015.

2. Chartering of Vessels – Hai Feng Lian Xing

On 25 March 2015, Lifeng Shipping Enterprises Inc., our wholly owned subsidiary, entered into a charter agreement ("**Charter Agreement**") with SITC Steamships Co., Ltd. (山東海豐航運有限公司) ("**SITC Steamship**"), a wholly-owned subsidiary of SITC Manitime Group Company Limited (青島海豐國際航運集團有限公司), to charter a PRC flag vessel, Hai Feng Lian Jie, for a fixed term with retrospective effect from 21 March 2015 to 31 December 2017 on a time charter basis in order to meet the Company's operating requirements.

The annual caps for the three years ended/ending 31 December 2017 are as follows:

	US$
For the period from 21 March 2015 to 31 December 2015	2,600,000
For the year ended 31 December 2016	2,700,000
For the year ending 31 December 2017	2,800,000

Shandong Steamship is indirectly owned as to 62.5% by Ms. Liu Rongli, the spouse of by Mr. Yang Shaopeng, an Executive Director and the controlling shareholder of the Company. Accordingly, SITC Steamship is a connected person of the Company and the entering into of the Charter Agreement and the chartering of the vessel, *Hai Feng Lian Xing*, contemplated thereunder constitutes continuing connected transactions for the Company under Chapter 14A of the Listing Rule.

During the year under review, the total actual amount of chartering fee payable by the Group was US$2,000,214.

Details of the Charter Agreement are set out in the announcement of the Company dated 25 March 2015.

CONFIRMATION OF INDEPENDENCE

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

CORPORATE GOVERNANCE

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strived to maintain high corporate governance standard and has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules as in effective from time to time (the "**CG Code**") for the year ended 31 December 2016, and there has been no derivation from the code provisions for the year ended 31 December 2016, save and except for the deviation of code provision E.1.2 of the CG Code.

Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting.

Due to prior business engagement external to the Company, Mr Yang Shaopeng, the chairman of the Company, was unable to attend the 2016 annual general meeting held on 22 April 2016.

Further information of the corporate governance practice of the Company is set out in the Corporate Governance Report.

INDEMNITY AND INSURANCE PROVISIONS

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

PURCHASE, SALE AND RE-PURCHASE OF SHARES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2016.

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 172 of this annual report.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 December 2016.

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 respect of corporate strategies, the Group's business is subject to the ever-changing market conditions. In the face of 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 respect 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 training system to provide specific training for its employees at different levels and have given training materials to all departments of the Group. Through improving employees' capability, the Company has effectively reduced the risks arising from job-related mistakes.

In respect of business operation, the Company has strictly complied with the operation, inspection and supervision requirements under the relevant safety management system and procedures to avoid the risks of sea freight logistics such as difficulties in berthing and leaving due to bad weather, terrorist attacks, engine failure, loss of power, fire disaster at machine room and cargo cabin, leakage and falling of chemicals and dangerous goods overboard. For the repair and maintenance of vessels, the Company has strictly complied with the Convention and its vessels were inspected by the classification society. With these effective risk control measures, no vessel retention and material safety accident were recorded during the year ended 31 December 2016.

In addition, the Group's operating results are mainly affected by the risk arising from its major costs component, such as fluctuations in fuel price and quality. Through its creditworthy and long-term suppliers, monitoring of fuel price fluctuations and cargo fuel surcharges which reduced the impacts of fuel price fluctuations, the Company has been able to maintain its operating results despite the volatile fuel price fluctuations.

In respect of financing, the Company has hedged the exchange rate risks by payments and long-term borrowings. In connection with the risks related to receivables and prepayments, the Company has carried out integrated assessment on its customers and suppliers and has conducted reconciliation and verification. Measures such as the follow-up of receivables by the persons in charge have effectively avoided losses arising from bad debts and enhanced the quality of customers and the efficiency in use of funds.

In respect of daily operation, the Company has carried out real-time monitoring and warning initiatives and has had standby generators and wires in place to prevent the risks arising from emergencies such as the failure of I.T. system, computer and network. In addition, the Company has developed a business and OA system of which it has intellectual property rights, to conducted system upgrade at anytime as required for avoiding the risks arising from computer system deficiencies.

ENVIRONMENTAL PROTECTION

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

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

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

WORKPLACE QUALITY

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

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

HEALTH AND SAFETY

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

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

TRAINING AND DEVELOPMENT

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

AUDITOR

The Company appointed Ernst & Young as the Auditor of the Company for the year ended 31 December 2016. 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
24 March 2017

Corporate Governance Report

The board ("**Board**") of directors ("**Directors**") is pleased to present this Corporate Governance Report in the Annual Report of the Group for the year ended 31 December 2016.

CORPORATE GOVERNANCE PRACTICES

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

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

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

The Board is of the view that throughout the year ended 31 December 2016, the Company has complied with all the code provisions as set out in the CG Code, save and except for the deviation of code provision E.1.2 of the CG Code. Code provision E.1.2 provides that the chairman of the board should attend the annual general meeting. Due to prior business engagement external to the Company, Mr. Yang Shaopeng, the Chairman of the Company was unable to attend the 2016 annual general meeting held on 22 April 2016.

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 2016.

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

BOARD OF DIRECTORS

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

The composition of the Board is set out below:

Executive Directors

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

Independent Non-executive Directors

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

The biographical information of the Directors and the relationships between the members of the Board are set out and disclosed in the section headed "Directors and Senior Management" on pages 25 to 30 of this Annual Report.

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

Chairman and Chief Executive Officer

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

Independent Non-executive Directors

During the year ended 31 December 2016, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors representing one-third of the Board with two of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Directors' Re-election

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

Continuous Professional Development of Directors

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

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

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

During the year ended 31 December 2016, the Company organized[one] training session conducted by the lawyer for all Directors on the relevant content of the Competition Ordinance of Hong Kong. The Company has been encouraging the Directors to participate continuous professional development courses and seminars organized by professional institutions or professional firms and reading materials on relevant topics so that they can continuously update and further improve their relevant knowledge and skills. According to the records maintained by the Company, a summary of continuous professional development received by the Directors for the year ended 31 December 2016 is as follows:

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

BOARD COMMITTEES

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

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

Audit Committee

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

During the year ended 31 December 2016, the Audit Committee held five meetings to review the annual and interim financial results and reports in respect of the year ended 31 December 2015 and for the six months ended 30 June 2016 and significant issues on the financial reporting, operational and compliance procedures, internal control and risk management systems, internal audit function, scope of work and appointment of external auditors, connected transactions and arrangements for employees to raise concerns about possible improprieties.

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

Remuneration Committee

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

During the year ended 31 December 2016, the Remuneration Committee met twice to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the Executive Directors and senior management and other related matters of the Company.

Nomination Committee

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

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

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

During the year ended 31 December 2016, the Nomination Committee met twice to review the structure, size and composition of the Board and the independence of the Independent Non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the Annual General Meeting.

Disclosure Committee

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

Summary of the Board Diversity Policy

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

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

Corporate Governance Functions

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

During the year ended 31 December 2016, 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.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board, Nomination Committee, Remuneration Committee and Audit Committee meetings and the general meetings of the Company held during the year ended 31 December 2016 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**	**Annual General Meeting**
YANG Shaopeng	4/5	2/2	2/2	N/A	0/1
YANG Xianxiang	5/5	2/2	2/2	N/A	1/1
LIU Kecheng	5/5	N/A	N/A	N/A	1/1
XUE Peng	5/5	N/A	N/A	N/A	1/1
XUE Mingyuan	5/5	N/A	N/A	N/A	1/1
LAI Zhiyong	4/5	N/A	N/A	N/A	0/1
TSUI Yung Kwok	5/5	N/A	2/2	5/5	1/1
YEUNG Kwon On	4/5	2/2	2/2	N/A	0/1
LO Wing Yan, William	5/5	2/2	N/A	5/5	1/1
NGAI Wai Fung	5/5	2/2	2/2	5/5	1/1

Apart from regular Board meetings, the Chairman also held a meeting with the Independent Non-executive Directors without the presence of Executive Directors during the year ended 31 December 2016.

DIRECTORS' RESPONSIBILTY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 67 to 73.

AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2016 amounted to HK$3,010,000 and HK$444,000 respectively.

An analysis of the remuneration paid to the external auditors of the Company, Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2016 is set out below:

Service Category	Fees Paid/ Payable (HK'$000)
Audit Services	3,010
Non-audit Services	
– Tax advisory services	94
– Others	350
Total:	3,454

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 assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Board, through the Audit 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 2016.

The management monitors the assessment of the risk management and internal controls and has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2016.

The Company has developed and adopted different risk management procedures and guidelines with defined authority. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

All divisions/departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress.

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

The Board, as supported by the Audit 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 2016, the risk management and internal control systems of the Company are effective and adequate.

JOINT COMPANY SECRETARIES

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

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

Mr. XUE and Ms. CHAN undertook not less than 15 hours of relevant professional training during the year ended 31 December 2016.

SHAREHOLDERS' RIGHTS

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

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

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

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

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

Putting Forward Enquiries to the Board

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

Contact Details

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

Address:	21/F., World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong (For the attention of the Company Secretary)
Fax:	852-2824 3748
Tel:	852-2850 0302
Email:	ir@sitc.com

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

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

Environmental, Social and Governance Report

About This Section

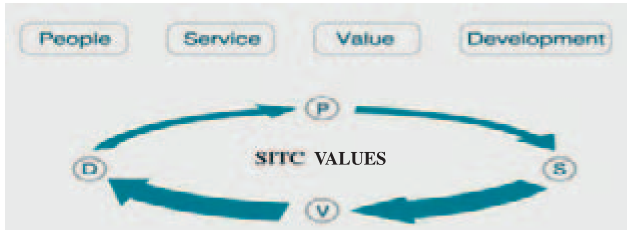
SITC International Holdings Company Limited (the "**Company**") has been committed to achieving sustainable development and shouldering more social responsibility and has added the "Social Responsibility Report" section to the annual report since 2014 to enable the public to gain a comprehensive understanding of the Company's social responsibility performance.

The Principle of This Section

This report has been prepared in compliance with the principles of importance, quantification, balance and consistency as set out in the Environmental, Social and Governance Reporting Guide as set forth under Appendix 27 of the Listing Rules and published by The Stock Exchange of Hong Kong Limited. Compared with the previous reports, we have further refined the data collection system and expanded the scope of data coverage.

Strategy and Vision of SITC

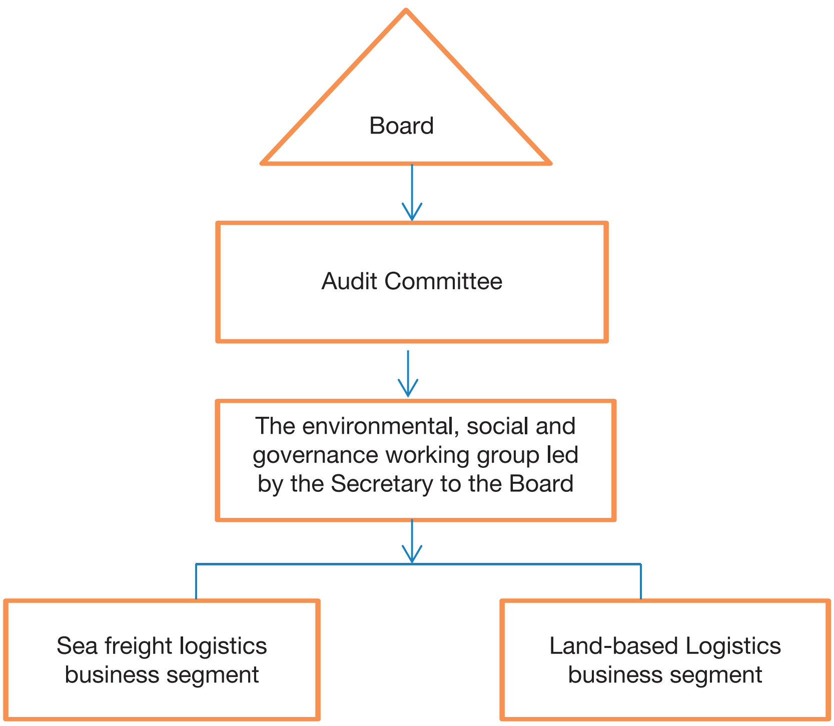
The Company has adopted "P-S-V-D" as its core values and by adhering to the "customer oriented" operation philosophy. It is dedicated to provide highly efficient and high quality logistics service to customers mainly within the Asian region and to become the top choice for customers. We mainly adopt a proprietary and light-asset model, establish sea-land integrated logistics pipelines and facilities, constantly improve the high-frequency and high-density sea liner network and provide tailor-made logistics services to customers. We pay particular attention to the application of mobile Internet, as well as the corresponding organizational structural change.



Staff is the greatest asset of SITC, we can only provide top class service to customers, create top class value and achieve top class corporate development if we are able to nurture top class staff.
------ Chairman of SITC International: Mr Yang Shaopeng

Since its listing on the Stock Exchange in 2010, the Company has actively undertaken the social responsibilities of being a listed company. While delivering excellent results performance, much attention is also paid by the Company in protecting the environment, respecting staff, contributing to society and building good reputation and corporate image, and strong support from investors has been received, providing a solid base for sustainable development of the Company.

Environmental, Social and Responsibility Management Structure

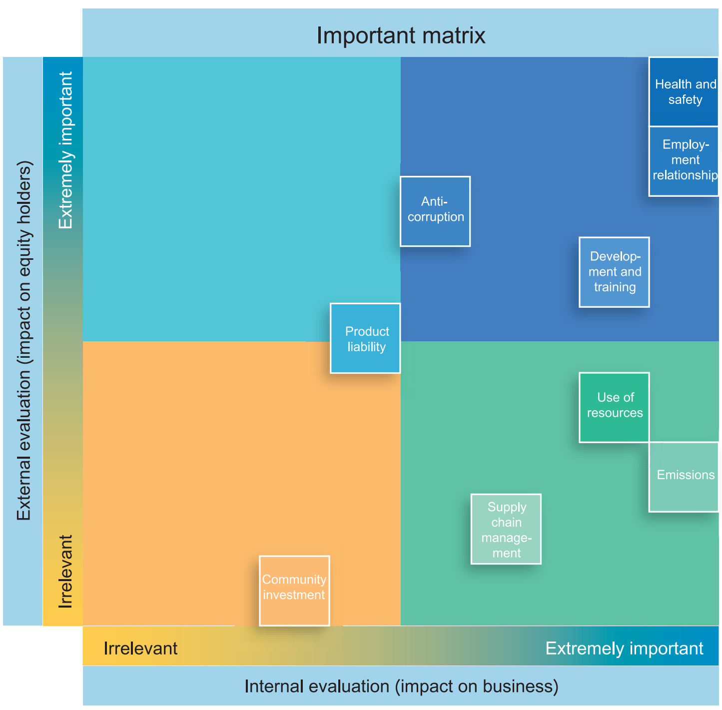


Communication with Stakeholders and Assessment of the Importance of Key Indicators

We attach great importance to daily communication with stakeholders to listen to the sound from different directions as an important basis for us to enhance the environmental, social and governance level of the important basis. We adopt different ways of communicating with different stakeholders:

Stakeholder Category	Means of Communication
Staff	• Questionnaire survey • Staff training • Annual meeting
Customers	• Satisfaction questionnaire survey • New product launch • Regular visits
Suppliers	• Training • Participation in bidding
Shareholders and investors	• Annual general meeting • Results presentation • Analyst meeting • Announcement
Intermediaries and other organizations	• Symposium • Training • Daily mail and telephone communication

At the end of the year 2016, we organized a systematic questionnaire and invited the stakeholders to assess the environmental, social and governance performance of the Company for the year under review as a summary of our work for the year and so as to provide guidance for improvement in the work for the following year. The Company conducted an online questionnaire for all the employees and questionnaires were also given to the top ten largest customers, suppliers, intermediaries, shareholders and other stakeholders, and the following key matrix for various indicators were concluded from the valid questionnaires returned:



SITC and the Environment

With an aggravating environment today, green and low-carbon initiatives have become a global trend. Green development is not just a social responsibility ought to be performed by a listed company, but also has important implications on the internal urge for cost reduction, efficiency enhancement, survival and sustainable development of the Company. As an integrated logistics enterprise in the Asian region, our main means of transport is container vessels. The Company undertakes to fulfill the International Safety Management Code, acknowledges the objectives of the Code "To ensure safety at sea, to prevent human injury or loss of life, to avoid damage to the environment (especially to the environment at sea) and to the loss of property", and on the basis of these objectives confirms the safety and environmental protection policy of the Company as "ensure safety, protect the environmental, protect health" and our efficiency policy as "energy conservation and emission reduction, high efficiency and low consumption".

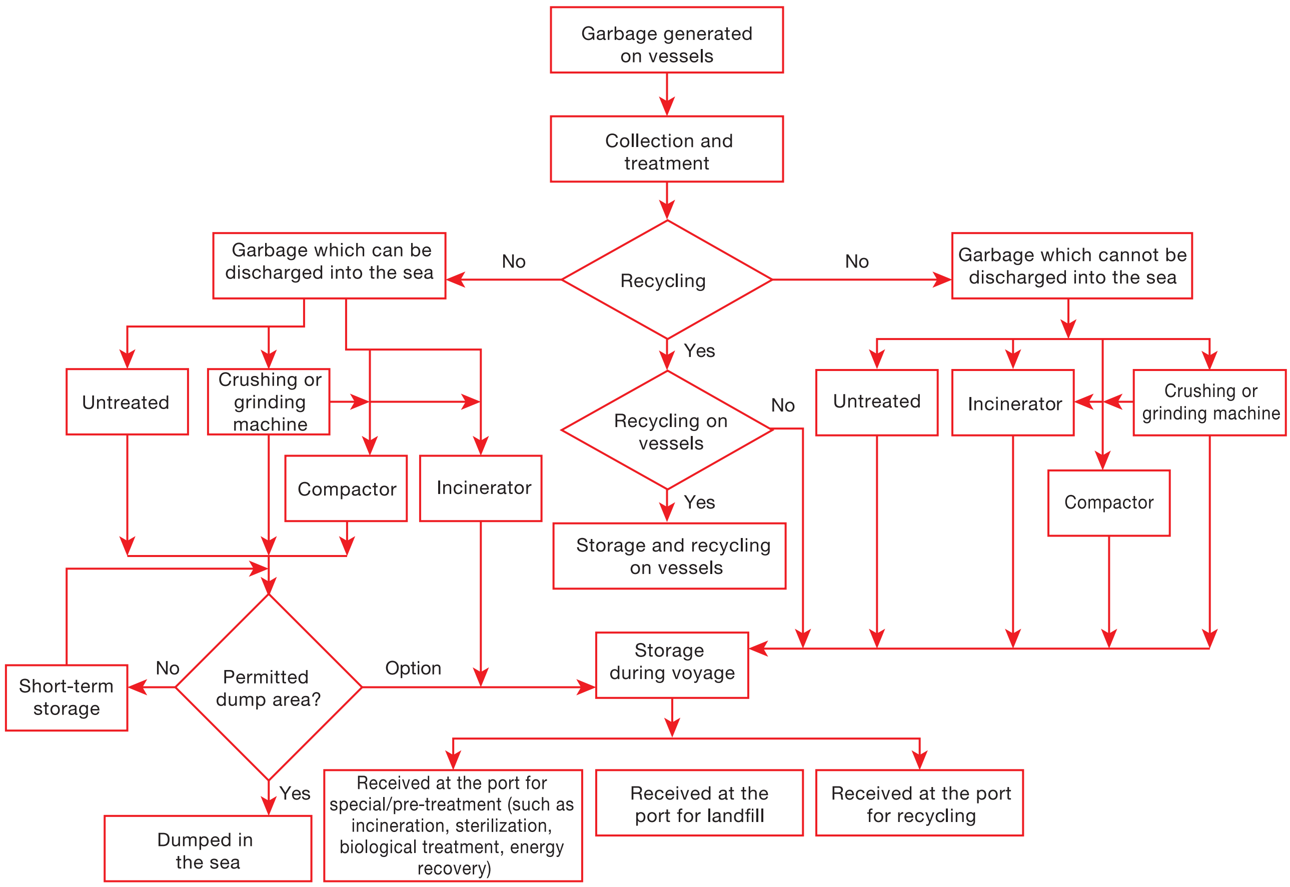
- **Control of Emissions:**

All vessels operated by us are equipped with anti-pollution equipment satisfying international convention requirements and accredited with ISPP and IOPP certificates, and strictly comply with the provisions and requirements under the MARPOL Convention in the aspects of handling and discharge. Depending on the load capacity and sailing route, each vessel is equipped with the "Ship Energy Efficiency Management Plan" ("**SEEMP**") to monitor the relationship between CO2 emissions and ship navigation at any time. The focus is placed on the system and program aspects with the highest energy saving potential, and improving the operational flow of shipping and the maximum energy efficiency is achieved from the three aspects of management measures, technical measures and operational measures. Through the adoption and continuous improvement of effective energy saving measures, a systematic approach is employed to implement the Company's energy efficiency policy, improve the energy efficiency of vessels and reduce carbon emissions. SEEMP follows the plan-implementation-inspection (monitoring) -promotion (PDCA) mode of operation and makes SEEMP always effective through continuous improvement.

Furthermore, the Company also further implements meticulous management by optimizing the operating speed of vessels, slowing navigation speed under the premises of on-time flight, and squeezing the time at terminals and on anchorage of vessels to enhance fuel efficiency. In 2016, the fuel consumption per vessel was 6,068 tons, representing a decrease of approximately 3.7% as compared with 2015.

The sulfur content of fuels refueled to our ships is strictly controlled at below 3.5% as required by the International Convention. We also pay close attention to areas and ports with special requirements for fuels. For example, ships calling in Hong Kong and the Yangtze River Delta area must use 0.5% low sulfur fuel and strictly comply with the requirements for fuel emissions. For suppliers who provide fuel for us, we also request them to provide high quality fuels that meet emissions requirements and provide corresponding testing reports.

In terms of the discharge of ship wastes, we strictly abide by the International Convention for the Prevention of Pollution (國際防止污染公約). We have formulated a detailed "waste management plan" and strictly control the discharge process and discharge records of various types of wastes generated by vessels (see below diagram). In addition, we also signed the "Statement of Compliance with the List of Hazardous Substances (有害物質清單符合聲明)" and promulgated the "Oil Pollution Emergency Plan (油污應急計劃)" and the "Provision for Prohibiting the Use of Materials containing Asbestos in Vessels (禁止含有石棉材料在船使用規定)" , which have effectively prevented the generation of harmful wastes. In 2016, the amount of domestic waste generated by our operating vessels was approximately 155,928 tons. The scope of principal business of the Company does not involve emission of hazardous wastes.



In 2016, the Company has not been challenged or questioned by any competent government authorities or relevant bodies in relation to issue on environmental pollution.

R&D of new vessel types: The Company continuously develops new container vessels and pioneers to adopt Single Side Band ("**SSB**") design and use an engine that meets IMO Tier II emissions in the global regional container vessels which makes great breakthroughs in reducing vessel's wave pressure, lowering fuel consumption and improving the crew's comfort level. It also adopts the advanced energy saving technology in the world, such as Rudder skeg, Rudder bulb, cylindrical screw cap and other leading technologies in the international ship building industry. Through these innovations, it has successfully built SITC's new generation of energy saving, green, low carbon and environmental friendly vessels, thereby enhancing SITC's leadership in Asia market in terms of shipping speed, fuel consumption, loading rate, etc. This series of vessels has been widely recognised within the industry, and has been awarded the first annual vessel prize held by Taiwan Shipbuilding Association.

A1.1 Types and quantities of emission

Type of emission	Quantity of emission (g)
Nitrogen oxide	18,772,096
Sulfur dioxide	6,998,059
Particle discharge	1,451,515

Remarks:

1. The scope of the above emission data represents emission from self-owned and leased transportation vehicles of the Company and its subsidiaries;

2. The above emission factors are derived from the "Reporting Guidelines on Environmental KPIs" published by the Stock Exchange.

A1.2 Greenhouse gas emissions

	Carbon dioxide equivalent emission (tons)
Scope 1	1,393,614
Scope 2	1,958

Note:

1. The scope of Scope 1 emission data represents emission from self-owned and leased transportation of vehicles the Company and its subsidiaries. The emission factors are based on the "Reporting Guidelines on Environmental KPIs" published by the Stock Exchange, and the emission factors released in the MEPC.1/Cir 684 issued by the IMO (International Maritime Organization).

2. Power consumption in Scope 2 covers power consumption of subsidiaries that can be put into statistics. Power consumption of certain companies cannot be separately put into statistic as the consumption is included in the cost of property. The related emission factors are derived from data in the Sustainability Report of the Hong Kong Electric Company.

3. The Company has not yet obtained statistics of emission status for Scope 3.

- **Caring for Natural Resources**

Valuable natural resources are not inexhaustible. Although the main business of the Company does not involve substantial consumption of natural resources such as water and electricity, we still advocate conservation and pay attention to protection of natural resources in our business operation.

We use advanced ground source heat pumps in offices where the conditions allow to strengthen the control of office temperature and other measures, reducing the consumption of electricity for heating. The signs of "everyone is responsible for saving water" and "turn off the lights when going out" are posted at prominent positions of self-owned properties to enhance employees' awareness of conservation. We have also developed and promoted within the Group an OA paperless and mobile office system to reduce papers consumption in daily work, with an improvement in working efficiency. The Company has also adopted an electronic file system to save human and material resources for file management, provided that the safe preservation of archives is guaranteed. The Company has also equipped branches in each region with telephone conferencing and video conferencing systems to reduce consumption as a result of on-site meetings. The main business of the Company does not involve finished products and therefore does not consume natural resources for packaging materials of finished products.

A2.1 Amount and density of natural resources consumed

Type of energy	Amount of energy consumption	Density of energy consumption (US$ 10 thousand)
Electricity (kWh/hours)	2,479,038	20.39
Gasoline (liters)	324,235	2.67
Diesel (liters)	2,527,013	20.78
Fuel oil (tons)	431,839	3.55
Water (cubic meters)	189,238	1.56

Remarks:

1. Power consumption covers power consumption of subsidiaries that can be put into statistics. Power consumption of certain companies cannot be separately put into statistic as the consumption is included in cost of property.

2. Water consumption covers water consumption of subsidiaries that can be put into statistics. Water consumption of certain companies cannot be separately put into statistic as the consumption is included in the cost of property.

SITC and Society

- **Employment**

The Company formulates employment policies in accordance with the labour laws and regulations of the countries or regions in which our staff work:

- The Company has established a scientific and comprehensive staff recruitment model for the selection of outstanding personnel to join the Company through a job competence model, network testing, interview and practical assessment.

- The Company adopts a performance-based salary system pursuant to which performance-based salary is released according to the performance assessment of employees;

- The Company fully respects the customs and practices of each countries or regions, and develops statutory leave and paid leave systems;
- The Company determines working hours and overtime systems in accordance with laws and regulations of respective nations or countries;
- The Company has drawn up a share option scheme and a virtual equity scheme to reward employees who have made greater contribution to the Company, so that more employees can benefit from the excellent performance of the Company;
- Each employee is given equal rights such as rights of promotion, training and vacation, with no different treatment due to gender, race, age, geographical region and marital status.

In addition, the Company has also organized a diversity of cultural activities, and has held sports activities such as badminton, rope skipping and tug-of-war tournaments, Chinese and foreign language competition, and hiking and spring outing during weekends for local staff. The annual spring gathering is also a great event for staff from various regions for social gathering and celebrating the Spring Festival.

Number of employees by geographical area, gender and age (1)

Employee distribution	Male employee	Female employee	Aged below 30	Aged 31-40	Aged 41-50	Aged over 50
Greater China (2)	678	468	408	511	181	46
Japan, Korea and South East Asia	162	125	94	124	54	15
Total	840	593	502	635	235	61

Turnover rate by region

Employee distribution	Number of lost employees	Turnover rate
Greater China(2)	159	12%
Japan, Korea and South East Asia	54	16%
Total	213	13%

Turnover rate by employment category

	Number of lost employees	Turnover rate
Ordinary employees	208	15%
Middle level employees	5	3%
Senior management staff	0	0%
Total	213	13%

During the year ended 31 December 2016, the Group had no material incidences of non-compliance with relevant laws and regulations regarding employment and labour practices.

Note:

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

(2) Greater China included Mainland China, Hong Kong and Taiwan

- **Health and Safety**

The health and safety of our staff is the fundamental for the development of the Company. We are committed to providing our staff with a safe working environment and comprehensive health protection. All office buildings leased and purchased by us comply with local safety laws and regulations and are equipped with comprehensive emergency measures for tackling various contingencies. Apart from making contributions to social insurance for staff according to local requirements, the Company has also established a relief fund for providing assistance in case of critical illness and death, while other benefits are also available such as deployment subsidies, staff birthday benefit, joining date anniversary benefit, body health examination, employer's liability insurance, critical illness insurance, travel insurance for overseas business trips, etc. to provide maximum protection for staff and relieve the staff from further worries.

For vessel operations and crew safety and security, in addition to the strict implementation of the requirements of SOLAS Convention, STCW Convention and MLC2006 Convention, the Company has formulated a detailed safety management manual SMS based on actual conditions, which shall be jointly implemented by vessels and terminals and covers safety, avoidance of personal injury, occupational health and other aspects including detailed operating procedures and safety and emergency measures. The Company also allocates sufficient crew in accordance with STCW Convention and MLC2006 Convention and provides comfortable work environment for its crew to avoid their fatigued operations. For risks of terrorist attack in certain shipping areas, the Company sets up a bullying prevention ship security plan (SSP) in strict accordance with the ISPS Code to install CCTV monitoring on vessels and other bullying prevention measures, and make a naval escort plan for vessels shipping in piracy-prone area with armed guards to safeguard the safety of crew and vessels.

During the year ended 31 December 2016, no work-related fatalities were recorded, and there were no confirmed material non-compliance incident or grievance in relation to human rights and labour practices.

- **Development and Training:**

The Company is particularly concerned about the career planning and enhancement of integrated capabilities for staff. The "SITC International Training System Establishment Committee" (the "**Committee**") has been formed by the Company to determine the contents of training sessions required to be undertaken by various levels of staff according to the classification of staff, officer-in-charge, manager and general manager grades and the core strategy of the Company. Training materials for the training programs are compiled by professionals designated by the Company, which will be reviewed and amended many times by the Committee before they are published for use. All of the staff are required to complete all training programs of their grade relating to their job positions and pass an online test. For confirmation, rotation and promotion of staff, all training programs for the target grade and the target position must be completed and the online test must be passed by the relevant staff, the training ratio was 100% for 2016, and average training hours per employee was 30.81 hours.

Moreover, the Company also encourages staff to participate in external trainings for upgrading university degree qualification, advancement in job titles and upgrading skills, a portion of the training expenses may be reimbursed after achieving certain qualifications, such as most of the senior management team members of SITC have obtained the China-Europe EMBA diplomas. The Company has established the "SITC International Team Building Management Committee" to be responsible for cultivating reserve team staff, determination of key positions and selection models, and the reserve team staff will be identified through differentiation assessment, targeted training will be provided by training sessions, job rotations and promotions to maintain a reserve pool of management personnel for the Company. By now, the "reserve team of general manager talents" and "reserve team of financial manager talents" have been built up to supply outstanding personnel for key positions.

- **Labour Standards:**

The Company strictly complies with the labor regulations of the countries or regions in which our staff work, and all staff of the Company have signed labour contracts on a voluntary basis. No services are provided because of involuntary reasons such as coercion and threats. The Company prohibits the employment of any child labor (under the age of 16). In 2016, the Company did not identify any violation of the aforesaid principles.

- **Supply Chain Management:**

We strive to maintain long-term and stable cooperative relationship with upstream and downstream suppliers to achieve a win-win cooperation model. In respect of supplier selection, through the contract review system, the Company strictly implements review process by primarily reviewing financial position, management experience, industry qualification, credit condition of its partners. Once quality suppliers are selected, a formal contract or agreement will be entered in accordance with local laws and regulations to regulate the rights and obligations of both parties. The Company will also communicate by regularly organizing negotiations, visiting and training to form long-term and stable cooperation relationship and to maintain a fair and justice trading environment on the basis of mutual trust and understanding to achieve coexistence and co-prosperity between the Company and its partners. The Company will conduct annual assessments of all conditions of suppliers. If the conditions of any supplier are found to be incompatible with the requirements, the Company will suspend the cooperation and order supplier to carry out rectification. The marine logistic operation model with high frequency and high density of SITC International needs active support from the calling port operators to achieve win-win cooperation by entering into strategic cooperation agreements with the Shanghai Port, the Qingdao Port and the Dalian Port to lay a foundation of providing safe, punctual, fast quality logistics services to customers. The Company also actively promotes the transformation of land transport into water transport by tailoring dedicated logistics solutions for customers. The anchoring of a large number of vessels at ports has saved land transport costs for customers while significantly reducing carbon emissions. Besides, the Group promotes the containerization of some bulk agricultural products to reduce dust pollution.

- **Product Responsibility:**

"Customer-oriented" is one of our operation philosophies. Providing customers with a constantly improving high-frequency, high-density sea liner network and providing customers with tailor-made services are our core competitiveness. We will communicate with customers from a multi-dimensional perspective each year through such means as customer satisfaction survey, paying visits to customers, organizing training and marketing and improve our services at any time based on feedbacks and suggestions from customers, and share the result of communication at ports of each of the relevant business units to achieve seamless connection in services. In response to increasing congestion in the basic ports of Southeast Asian countries, we have studies and developed a lot of side port services and allocated a large number of overtime vessels to ensure the schedule reliability so as to save time for customers and guarantee the normal operation of the production line. We have also established a comprehensive customer complaint and dispute resolution mechanism as well as a department for accepting complaints made by customers at the two levels of business company and group headquarters. Through the efficient and proper handling of complaints and disputes, we have won the trust of customers. In 2016, we received a total of three complaints from customers, customer satisfaction for complaints handling is 100%. Through the WeChat platform and the construction of an e-commerce web site, as well as the addition of online enquiry functions such as switch document time (換單時間), detention and container repair and washing fee, we have facilitated customer enquiries, improved the transparency of information, further enhanced customer experience. Among our key customers, stable customers with 3 years or above account for more than 85%. In 2016, the Company handled 24 non-man-made claims on average per month, with an annual cargo damage compensation amount of US$200,000. Through flexible and diverse compensation methods, we have reduced customer losses to a minimum and improved customer satisfaction.

The Company strictly complies with business-related laws and regulations, such as the relevant laws and regulations concerning the transport and storage of chemicals and dangerous goods, the International Convention for the Safety of Life at Sea (SOLAS Convention), and provides customers with safe logistics services. In 2016, the Company was not aware of any violation of the relevant laws and regulations.

We also protect the privacy of our customers, and clearly stipulate in the provisions of corporate system and the Employee Manual that no disclosure of any customer information shall be made to any irrelevant companies, departments and individuals by any means in any occasions without permission.

The headquarters of the Company is responsible for the management of the trademark and will register and use the "SITC" trademark in accordance with local laws in regions where it operates. We use a unified and standard trademark style in carriers such as the Company's vessels, containers, bills of lading, sailing schedules and web site to enhance recognition. For the independently developed software systems, we actively apply for relevant software certification to determine a clear copyright attribution.

- **Anti-corruption:**

We say "no" to all acts of bribery, extortion, fraud and money laundering, and strictly eliminate the occurrence of the above-mentioned malpractices. The Company has established a perfect and transparent anti-fraud and complaints report mechanism. SITC has set up hotlines and emails to receive reporting of its employees and third parties on both named and no-name basis. The hotline number, email and communication address, etc. are publicly available through internal and external network, publicity board, schedule advertisement and other medias. Reporting materials relating to anti-fraud cases after handling of reporting and investigation shall be filed promptly and typical cases may be selected to prepare training materials for prevention and correction. The Company will also regularly organize internal and external audits and implement the rotation system, effectively preventing the occurrence of malpractices. We have effectively prevented the occurrence of "money laundering" by strictly restricting the scope of use of corporate bank accounts and prohibiting any form of payment collection that is unrelated to the normal business of the Company. In 2016, the Company did not find any bribery, extortion, fraud and money laundering.

- **Community Investment:**

Adhering to the spirit of "caring and contributing to the society", the Company has donated RMB6.1 million to social organizations and charitable institutions to support the "environment", "education" and "disadvantaged group" projects on which we place our focus. We established Sichuan Panda Foundation (四川大熊貓基金會) and organized other nature conservation projects with other people with lofty ideals. In 2016, SITC donated RMB3 million to the foundation. The Company has also participated in the joint action of the Chinese entrepreneurs, pledged to implement "Don't serve shark fin soup starting from me!" and "Refuse consumption and trading of shark's fin, ivory, rhinoceros horn and other products made from protected wildlife animals in business operation", and called for more enterprises and individuals with understanding of the action to participate in the action of natural ecological environment protection for the benefit of the country and the people. For the "SITC International Scholarship and Grants" established by the Company at the Qingdao shipping institute, in 2016, a total of RMB200,000 has been provided for scholarships and grants to reward students with excellence in academic performance, personal conduct and comprehensive development in the ocean shipping profession, as well as for sponsoring students in the ocean shipping profession encountered with economic difficulties in their families, so that they can complete their study smoothly and become independent talents as soon as possible. Further, the Company jointly set up a orphans and disabled children care center in Jinan with Shandong Jinan Welfare Institute(山東濟南福利院)and Beijing Ai You Foundation. During 2016, the Company donated RMB2.9 million, and the treatment given to 362 orphans and disabled children had very good results, of which 307 recovered children were being adopted. The Company also recruited volunteers internally for the second consecutive year to work in the children care center in Jinan as nursing assistants, rehabilitation assistants and summer vacation counsellors. During the year of 2016, 6 employees participated in these activities voluntarily and provided services of 40 hours/person.

Independent Auditor's Report

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel電話：+852 2846 9888
Fax傳真：+852 2868 4432
ey.com

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 Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 74 to 171, which comprise the consolidated statement of financial position as at 31 December 2016, 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 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Useful lives, residual values and impairment assessment of vessels	
At 31 December 2016, the carrying amount of the vessels of the Group was US$817,469,000, which represented 88% of the then carrying amount of the Group's property, plant and equipment and 56% of the Group's total assets. The residual values, useful lives and related depreciation charges of the Group's vessels were determined by management of the Group with reference to the Group's business model, asset retirement plan, industry practices, age and actual condition of vessels and market scrap value of vessels, etc. The useful lives could change significantly as a result of technical innovation in response to industry cycle. The residual value and useful life estimates involved significant management's judgement and estimates. Owing to the decrease in market values of vessels in the current year, which is an indication of potential impairment of the Group's vessels, 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. The Group estimated the recoverable amounts of its container vessels and dry-bulk vessels, each 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 choose a suitable discount rate in order to calculate the present value of those cash flows. Related disclosures are included in notes 3 and 13 to the financial statements.	Our procedures in relation to management's estimation on the useful lives, residual values and impairment assessment of vessels included assessing the residual values of vessels adopted by the management by comparing with industry average and current residual values quoted in the available market data. We reviewed the management's estimation of the useful life of vessels by benchmarking with industry comparable and available market data with reference to vessel types, cargo capacity and age of the vessels. We evaluated the assumption and data used by the Group in the forecast, and with the assistance of our internal valuation specialists, the methodology adopted for the impairment assessment and the discount rates used in the recoverable amount calculation of the Group's vessels prepared by the management. We also assessed the adequacy of the related disclosures in notes to the financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of derivative financial instruments	
The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to manage its foreign currency risk and interest rate risk, which arise from its shipping service business and loan borrowings. These derivative financial instruments are stated in the financial statements at fair value, the valuation of which is determined through the application of valuation techniques which involve the exercise of judgement and the use of assumptions and estimates. Any changes in the fair value of the derivative financial instruments will have an impact on the financial position, profit or loss and/or other comprehensive income of the Group. At 31 December 2016, the carrying amounts of derivative financial instruments carried as assets and liabilities in the consolidated statement of financial position amounted to US$1,084,000 and US$1,000, respectively, and the Group recorded a net gain of US$1,433,000 in profit or loss during the year. Related disclosures are included in notes 3, 5, 36, 37 and 38 to the financial statements.	We confirmed with counterparties the existence and completeness of the recorded derivative financial instruments, and the value of the derivative financial instruments as at the end of the reporting period. Our procedures in relation to the valuation of derivative financial instruments included reviewing forward currency and interest rate swap contracts to verify the terms and underlying amounts that are relevant to the fair value valuation, and engaging our internal valuation specialist to evaluate the year end valuations of the Group's derivative financial instruments. We also obtained the derivative contracts on the date of settlement to verify the realised gain or loss recognised for expired contracts on a sampling basis. Finally, we assessed the adequacy of the related disclosures in notes to the financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Hedge accounting	
At 31 December 2016, certain bank borrowings of the Group denominated in Japanese Yen ("JPY") with a then total carrying amount of US$200,181,000 were designated as hedging instruments to manage the Group's foreign currency risk in relation to forecast sales denominated in JPY (i.e., the hedged items). These bank loan balances vary with the levels of expected JPY denominated sales and changes in JPY-US$ forward rate. The cash flow hedges relating to the expected future sales transactions denominated in JPY were assessed by the Group to be highly effective and hence the Group applies hedge accounting for this cash flow hedge relationship. The cash flow hedge accounting is dependent on the effectiveness of the hedge relationship, as such, this inherent complexity of hedge accounting involved a significant degree of management's judgement and was considered significant to our audit. Related disclosures are included in notes 28 and 38 to the financial statements.	Our procedures in relation to the hedge accounting comprised reviewing the hedging documentations and the identification process for the hedge relationship, including the hedging instrument, the hedged item, the nature of the risk being hedged and procedures adopted by the management in assessing the hedging instrument's effectiveness. We also assessed the effectiveness of the hedge and the valuation of the related hedging instruments to determine the management's designation of hedge accounting is appropriate. We then reviewed the forecast revenue schedules and assessed the ability of the Group to generate sufficient amount of revenue denominated in JPY under the cash flow hedge during the year and in different future dates. Finally, we assessed the adequacy of the related disclosures in notes to the financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

(continued)

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

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

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

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

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

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

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

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

(continued)

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

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

Ernst & Young
Certified Public Accountants
Hong Kong

24 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2016

	Notes	2016 US$'000	2015 US$'000
REVENUE	5	**1,215,791**	1,288,055
Cost of sales		**(1,016,256)**	(1,102,463)
Gross profit		**199,535**	185,592
Other income and gains, net	5	**8,797**	39,476
Administrative expenses		**(68,801)**	(74,114)
Other expenses, net		**(13,933)**	(1,030)
Finance costs	6	**(6,872)**	(8,532)
Share of profits and losses of:			
Joint ventures		**11,504**	9,913
Associates		**442**	617
PROFIT BEFORE TAX	7	**130,672**	151,922
Income tax	10	**(6,434)**	(7,772)
PROFIT FOR THE YEAR		**124,238**	144,150
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of available-for-sale investments	18	**325**	71
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year		**(5,910)**	3,240
Reclassification adjustments for losses/(gains) included in profit or loss		**1,838**	(18,960)
		(4,072)	(15,720)
Exchange differences on translation of foreign operations		**(87)**	(6,566)
Share of other comprehensive loss of joint ventures		**(1,673)**	(1,088)
Share of other comprehensive loss of associates		**(732)**	(505)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(6,239)**	(23,808)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX		**(6,239)**	(23,808)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**117,999**	120,342

	Note	2016 US$'000	2015 US$'000
Profit for the year attributable to:			
Shareholders of the Company		**122,790**	143,247
Non-controlling interests		**1,448**	903
		124,238	144,150
Total comprehensive income for the year attributable to:			
Shareholders of the Company		**116,953**	119,781
Non-controlling interests		**1,046**	561
		117,999	120,342
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	12		
Basic (US cents per share)		**4.70**	5.50
Diluted (US cents per share)		**4.69**	5.48

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016	2015
		US$'000	US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**925,749**	914,543
Prepaid land lease payments	14	**17,928**	19,671
Advance payments for acquisition of property, plant and equipment		—	11,181
Goodwill	15	**1,019**	1,091
Prepayments	21	**1,057**	1,061
Investments in joint ventures	16	**31,268**	29,690
Investments in associates	17	**10,610**	10,911
Available-for-sale investments	18	**16,745**	6,579
Derivative financial instruments	19	**179**	127
Total non-current assets		**1,004,555**	994,854
CURRENT ASSETS			
Bunkers		**13,749**	10,744
Trade receivables	20	**59,379**	57,111
Prepayments, deposits and other receivables	21	**12,610**	30,439
Due from related companies	22	**111**	201
Principal-protected investment deposits at fair value through profit or loss	23	**11,372**	—
Held-to-maturity investments	24	—	4,620
Derivative financial instruments	19	**905**	29
Cash and bank balances	25	**352,957**	279,443
Total current assets		**451,083**	382,587
CURRENT LIABILITIES			
Trade payables	26	**118,278**	122,383
Other payables and accruals	27	**39,513**	39,889
Due to related companies	22	**29**	2,478
Derivative financial instruments	19	**1**	619
Bank borrowings	28	**63,712**	45,863
Income tax payables		**1,006**	2,094
Total current liabilities		**222,539**	213,326
NET CURRENT ASSETS		**228,544**	169,261
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,233,099**	1,164,115

	Notes	2016 US$'000	2015 US$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,233,099**	1,164,115
NON-CURRENT LIABILITIES			
Derivative financial instruments	19	**—**	50
Bank borrowings	28	**345,859**	308,716
Total non-current liabilities		**345,859**	308,766
Net assets		**887,240**	855,349
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	30	**33,713**	33,675
Reserves	32	**846,284**	814,767
		879,997	848,442
Non-controlling interests		**7,243**	6,907
Total equity		**887,240**	855,349

YANG Shaopeng
Director

YANG Xianxiang
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Attributable to shareholders of the Company														
	Issued capital US$'000	Share premium account US$'000	Capital redemption reserve US$'000 (note 32(a))	Merger reserve US$'000 (note 32(b))	PRC reserve funds US$'000 (note 32(c))	Capital reserve US$'000 (note 32(d))	Share-based compensation reserve US$'000 (note 32(e))	Share option reserve US$'000	Hedging reserve US$'000	Available-for-sale investments revaluation reserve US$'000	Exchange fluctuation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2015	33,378	350,184	202	(7,362)	4,139	(463)	4,597	2,745	22,580	(121)	4,767	376,287	790,933	6,261	797,194
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	143,247	143,247	903	144,150
Other comprehensive income for the year:															
Changes in fair value of available-for-sale investments, net of income tax	–	–	–	–	–	–	–	–	–	71	–	–	71	–	71
Cash flow hedges, net of income tax	–	–	–	–	–	–	–	–	(15,720)	–	–	–	(15,720)	–	(15,720)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	–	(6,224)	–	(6,224)	(342)	(6,566)
Share of other comprehensive loss of:															
Joint ventures	–	–	–	–	–	–	–	–	–	–	(1,088)	–	(1,088)	–	(1,088)
Associates	–	–	–	–	–	–	–	–	–	–	(505)	–	(505)	–	(505)
Total comprehensive income for the year	–	–	–	–	–	–	–	–	(15,720)	71	(7,817)	143,247	119,781	561	120,342
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	475	475
Issue of shares upon exercise of share options under pre-IPO share option scheme (note 30(a))	251	9,875	–	–	–	–	–	(508)	–	–	–	–	9,618	–	9,618
Issue of shares upon exercise of share options under post-IPO share option scheme (note 30(b))	46	1,258	–	–	–	–	–	(411)	–	–	–	–	893	–	893
Transfer of share option reserve upon forfeiture or expiry of share options	–	–	–	–	–	–	–	(26)	–	–	–	26	–	–	–
Share option expense (note 31)	–	–	–	–	–	–	–	1,340	–	–	–	–	1,340	–	1,340
Transfer to PRC reserve funds	–	–	–	–	188	–	–	–	–	–	–	(188)	–	–	–
Dividends declared to non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(390)	(390)
Final 2014 dividend paid	–	–	–	–	–	–	–	–	–	–	–	(40,424)	(40,424)	–	(40,424)
Special dividend paid	–	–	–	–	–	–	–	–	–	–	–	(33,699)	(33,699)	–	(33,699)
At 31 December 2015	33,675	361,317*	202*	(7,362)*	4,327*	(463)*	4,597*	3,140*	6,860*	(50)*	(3,050)*	445,249*	848,442	6,907	855,349

	Attributable to shareholders of the Company														
	Issued capital US$'000	Share premium account US$'000	Capital redemption reserve US$'000 (note 32(a))	Merger reserve US$'000 (note 32(b))	PRC reserve funds US$'000 (note 32(c))	Capital reserve US$'000 (note 32(d))	Share-based compensation reserve US$'000 (note 32(e))	Share option reserve US$'000	Hedging reserve US$'000	Available-for-sale investments revaluation reserve US$'000	Exchange fluctuation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2016	33,675	361,317	202	(7,362)	4,327	(463)	4,597	3,140	6,860	(50)	(3,050)	445,249	848,442	6,907	855,349
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	122,790	122,790	1,448	124,238
Other comprehensive income for the year:															
Changes in fair value of available-for-sale investments, net of income tax	–	–	–	–	–	–	–	–	–	325	–	–	325	–	325
Cash flow hedges, net of income tax	–	–	–	–	–	–	–	–	(4,072)	–	–	–	(4,072)	–	(4,072)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	–	315	–	315	(402)	(87)
Share of other comprehensive loss of:															
Joint ventures	–	–	–	–	–	–	–	–	–	–	(1,673)	–	(1,673)	–	(1,673)
Associates	–	–	–	–	–	–	–	–	–	–	(732)	–	(732)	–	(732)
Total comprehensive income for the year	–	–	–	–	–	–	–	–	(4,072)	325	(2,090)	122,790	116,953	1,046	117,999
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	160	160
Issue of shares upon exercise of share options under pre-IPO share option scheme (note 30(a))	34	1,312	–	–	–	–	–	(68)	–	–	–	–	1,278	–	1,278
Issue of shares upon exercise of share options under post-IPO share option scheme (note 30(b))	4	158	–	–	–	–	–	(46)	–	–	–	–	116	–	116
Transfer of share option reserve upon forfeiture or expiry of share options	–	–	–	–	–	–	–	(24)	–	–	–	24	–	–	–
Share option expense (note 31)	–	–	–	–	–	–	–	769	–	–	–	–	769	–	769
Transfer to PRC reserve funds	–	–	–	–	216	–	–	–	–	–	–	(216)	–	–	–
Dividends declared to non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(870)	(870)
Final 2015 dividend paid (note 11)	–	–	–	–	–	–	–	–	–	–	–	(53,917)	(53,917)	–	(53,917)
Special dividend paid (note 11)	–	–	–	–	–	–	–	–	–	–	–	(33,644)	(33,644)	–	(33,644)
At 31 December 2016	33,713	362,787*	202*	(7,362)*	4,543*	(463)*	4,597*	3,771*	2,788*	275*	(5,140)*	480,286*	879,997	7,243	887,240

* These reserve accounts comprise the consolidated reserves of US$846,884,000 (2015: US$814,767,000) in the consolidated statement of financial position as at 31 December 2016.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 US$'000	2015 US$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**130,672**	151,922
Adjustments for:			
Finance costs	6	**6,872**	8,532
Share of profits of joint ventures		**(11,504)**	(9,913)
Share of profits of associates		**(442)**	(617)
Interest income	5	**(3,543)**	(8,114)
Gain on disposal of items of property,plant and equipment, net	5	**(38)**	(135)
Fair value gains, net:			
Derivative instruments – transactions not qualifying as hedges		**(754)**	(1,187)
Cash flow hedges (transfer from equity)	5, 7	**1,838**	(18,960)
Impairment of available-for-sale investments		**680**	—
Depreciation	13	**53,706**	41,969
Recognition of prepaid land lease payments	14	**471**	497
Impairment/(reversal of impairment) of trade receivables	20	**(91)**	112
Impairment of property, plant and equipment	13	**6,600**	—
Equity-settled share option expenses	31	**769**	1,340
		185,236	165,446
Decrease/(increase) in bunkers		**(3,005)**	6,252
Decrease/(increase) in trade receivables		**(3,605)**	5,478
Decrease in prepayments, deposits and other receivables		**18,452**	4,475
Decrease in amounts due from related companies		**90**	46
Decrease in derivative financial assets		**909**	4,697
Decrease in trade payables		**(3,487)**	(17,504)
Increase/(decrease) in other payables and accruals		**(46)**	9,283
Decrease in amounts due to related companies		**(1,578)**	(541)
Decrease in derivative financial liabilities		**(1,751)**	(149)
Effect of foreign exchange rate changes, net		**1,009**	4,506
Cash generated from operations		**192,224**	181,989
Interest income received		**2,702**	14,224
Interest paid		**(7,272)**	(8,655)
Hong Kong profits tax paid		**(186)**	(136)
Overseas income tax paid		**(7,280)**	(7,663)
Net cash flows from operating activities		**180,188**	179,759

	Note	2016 US$'000	2015 US$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(64,249)**	(264,542)
Proceeds from disposal of items of property, plant and equipment		**7,931**	4,056
Advance payments for acquisition of property, plant and equipment		**—**	(11,181)
Investments in joint ventures		**(640)**	(54)
Purchases of available-for-sale investments		**(10,521)**	(2,937)
Purchases of held-to-maturity investments		**(482,579)**	(430,583)
Proceeds from redemption of held-to-maturity investments		**487,199**	483,090
Purchase of principal-protected investment deposits		**(11,372)**	—
Increase in non-pledged time deposits with original maturity of over three months but less than one year when acquired		**(77,787)**	(107,060)
Decrease in non-pledged time deposits with original maturity of over one year when acquired		**3,500**	238,639
Dividends received from joint ventures		**8,731**	8,233
Dividends received from associates		**11**	13
Withholding tax paid on dividends received		**(56)**	(491)
Net cash flows used in investing activities		**(139,832)**	(82,817)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	30	**1,394**	10,511
New bank borrowings		**197,351**	249,402
Repayment of bank borrowings		**(147,987)**	(296,586)
Acquisition of non-controlling interests		**160**	475
Dividends paid		**(87,561)**	(74,123)
Dividends paid to non-controlling equity holders of subsidiaries		**(1,741)**	(780)
Net cash flows used in financing activities		**(38,384)**	(111,101)

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	2016 US$'000	2015 US$'000 (Restated)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,972**	(14,159)
Cash and cash equivalents at beginning of year	**157,748**	174,973
Effect of foreign exchange rate changes, net	**(2,745)**	(3,066)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**156,975**	157,748
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**44,541**	157,064
Non-pledged time deposits with original maturity of less than three months when acquired	**112,434**	684
Cash and cash equivalents as stated in the consolidated statement of cash flows	**156,975**	157,748
Non-pledged time deposits with original maturity of over three months but less than one year when acquired	**195,982**	118,195
Non-pledged time deposits with original maturity of over one year when acquired	—	3,500
Cash and cash equivalents as stated in the consolidated statement of financial position	**352,957**	279,443

1. CORPORATE AND GROUP INFORMATION

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

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

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

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
			Direct	Indirect	
SITC Group Company Limited	BVI/Hong Kong	US$10,000	100	—	Investment holding
SITC Shipowning Group Company Limited	BVI/Hong Kong	US$1	—	100	Investment holding
SITC Container Lines Company Limited	Hong Kong	HK$1,000,000	—	100	Provision of container marine transportation
SITC Container Lines (Japan) Co., Ltd. #	Japan	JPY10,000,000	—	100	Provision of shipping agency services for marine transportation
SITC Container Lines (Korea) Co., Ltd. #	Korea	KRW600,000,000	—	80	Provision of shipping agency services for marine transportation
SITC Shipping Agency (HK) Company Limited	Hong Kong	HK$5,000,000	—	100	Provision of shipping agency and freight forwarding services for marine transportation

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 Direct	Percentage of equity attributable to the Company Indirect	Principal activities
SITC Container Lines (Shanghai) Co., Ltd. * #	The People's Republic of China (the "PRC")/ Mainland China	US$16,000,000	—	100	Provision of shipping agency services for marine transportation
SITC Shipping Agency (Qingdao) Co., Ltd. ** #	PRC/Mainland China	RMB2,000,000	—	49 ∫	Provision of shipping agency and freight forwarding services for marine transportation
SITC Shipping Agency (Tianjin) Co., Ltd. ** #	PRC/Mainland China	RMB2,000,000	—	49 Ω	Provision of shipping agency and freight forwarding services for marine transportation
SITC Shipping Agency (Shanghai) Co., Ltd. ** #	PRC/Mainland China	RMB2,000,000	—	49 @	Provision of shipping agency and freight forwarding services for marine transportation
SITC Brokers Company Limited	Hong Kong	HK$1	—	100	Provision of vessel chartering and vessel sale and purchase brokerage services
SITC Insurance Brokers (HK) Company Limited	Hong Kong	HK$300,000	—	100	Provision of shipping insurance brokerage services
SITC Logistics (HK) Limited	Hong Kong	HK$1	—	100	Investment holding
SITC Ocean Shipping Company Limited	Hong Kong	HK$1	—	100	Investment holding
New SITC Logistics Co., Ltd. * #	PRC/Mainland China	RMB134,000,000	—	100	Investment holding and provision of freight forwarding services for marine transportation

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 Direct	Percentage of equity attributable to the Company Indirect	Principal activities
New SITC Logistics (Japan) Co., Ltd. #	Japan	JPY10,000,000	—	100	Provision of freight forwarding services for marine transportation
SITC Logi Korea Co., Ltd. #	Korea	KRW300,000,000	—	100	Provision of freight forwarding services for marine transportation
SITC Logistics Development (Qingdao) Company Limited. * #	PRC/Mainland China	US$1,000,000	—	100	Investment holding
Qingdao SITC Logistics Park Management Company Limited * #	PRC/Mainland China	RMB121,900,000	—	100	Provision of storage and terminal services
Qingdao Smart Cargo Logistics Company Limited #	PRC/Mainland China	US$30,000,000	—	60	Provision of warehouse and depot services
SITC Technologies (Shanghai) Co., Ltd. * #	PRC/Mainland China	RMB10,000,000	—	100	Investment holding
Tailian Container Enterprises Inc.	Panama/ Hong Kong	US$10,000	—	100	Container holding and chartering
Ken Link Shipping Enterprises Inc.	Panama/ Hong Kong	US$2	—	100	Vessel holding and chartering
Xin Lian Shipping Enterprises Inc.	Panama/ Hong Kong	US$200	—	100	Vessel holding and chartering
Lifeng Shipping Enterprises Inc.	Panama/ Hong Kong	US$200	—	100	Vessel holding and chartering
Jia Lian Shipping Enterprises Inc.	Panama/ Hong Kong	US$10,000	—	100	Vessel holding and chartering

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
			Direct	Indirect	
SITC Tianjin Shipping Enterprises Inc.	Panama/ Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Nagoya Shipping Enterprises Inc.	Panama/ Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Xiamen Shipping Enterprises Inc.	Panama/ Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Hong Kong Shipping Enterprises Inc.	Panama/ Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Kaohsiung Shipping Enterprises Inc.	Panama/ Hong Kong	US$10,000	—	100	Vessel holding and chartering
SITC Keelung Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Hakata Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Pyeongtaek Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Taishan Shipping Company Limited	Hong Kong	HK$1	—	100	Vessel holding and chartering
SITC Inchon Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Hochiminh Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering

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
			Direct	Indirect	
SITC Huangshan Shipping Company Limited	Hong Kong	HK$1	—	100	Vessel holding and chartering
SITC Huashan Shipping Company Limited	Hong Kong	HK$1	—	100	Vessel holding and chartering
SITC Lushan Shipping Company Limited	Hong Kong	HK$1	—	100	Vessel holding and chartering
SITC Zhoushan Shipping Company Limited	Hong Kong	HK$1	—	100	Vessel holding and chartering
SITC Haiphong Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Kwangyang Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Qingdao Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Busan Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Dalian Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Lianyungang Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Fangcheng Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering

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
			Direct	Indirect	
SITC Shenzhen Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Yantai Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Osaka Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Moji Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Shimizu Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Yokkaichi Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Laem Chabang Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Manila Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Jakarta Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Bangkok Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Hengshan Shipping Company Limited	Hong Kong	RMB100	—	100	Vessel holding and chartering

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
			Direct	Indirect	
SITC Shandong Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Zhejiang Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Fujian Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Guangdong Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Liaoning Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Guangxi Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Macao Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Jiangsu Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Shanghai Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
SITC Hebei Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering

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
			Direct	Indirect	
SITC Kawasaki Shipping Company Limited	Hong Kong	US$100	—	100	Vessel holding and chartering
Smart Logistics (Thailand) Co. Ltd.	Thailand	THB25,000,000	—	49^	Provision of depot and warehousing services
Ningbo Free Trade Zone Xin Gao Logistics Co. Ltd * #	PRC/Mainland China	RMB1,950,000	—	65	Provision of freight forwarding services

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

** Registered as limited liability companies under PRC law.

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

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

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

@ By virtue of an entrustment arrangement entered into between SITC Container Lines Company Limited, a subsidiary indirectly held by the Company, and other joint venture partners of SITC Shipping Agency (Shanghai) Co., Ltd., the Group has the power to govern the relevant activities that significantly affect the returns of SITC Shipping Agency (Shanghai) Co., Ltd. and thus the Group is able to control SITC Shipping Agency (Shanghai) Co., Ltd.. Accordingly, this entity is accounted for as a subsidiary of the Group.

^ The joint venture contract and articles of association of Smart Logistics (Thailand) Co. Ltd. stipulate that its board of directors should consist of five directors, three of which should be appointed by the Group and two directors should be appointed by other joint venture partners. The Group has the power to direct the relevant activities that significantly affect the returns of Smart Logistics (Thailand) Co. Ltd. and thus the Group is able to control Smart Logistics (Thailand) Co. Ltd.. Accordingly, this entity is accounted for as a subsidiary of the Group.

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

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, principal-protected investment deposits at fair value through profit or loss and certain available-for-sale 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 2016. 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 following revised HKFRSs for the first time for the current year's financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

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 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

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 as follows:

(a) The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

(b) In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

(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 application now.

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

(d) HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

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

(f) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

(g) Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

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.

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.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

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

Business combinations under common control

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

Other business combinations

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Other business combinations (continued)

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

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 33⅓%
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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

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

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

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

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

Loans and receivables

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

Held-to-maturity investments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

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

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

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

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

Assets carried at cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

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

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

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:

Financial liabilities at fair value through profit or loss

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

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

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

Loans and borrowings

After initial recognition, 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.

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 or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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

Fair value hedges

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Fair value hedges (continued)

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

Cash flow hedges

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

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

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

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

Hedges of a net investment

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Current versus non-current classification

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

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

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

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

Bunkers

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

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

Government grants

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

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

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

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

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

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 31 to the financial statements.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

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

Retirement benefit schemes

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Foreign currencies

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2016 was US$1,019,000 (2015: US$1,091,000). Further details are given in note 15.

Impairment of non-financial assets (other than goodwill)

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

Useful lives and residual values of property, plant and equipment

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Impairment of trade receivables

The Group maintains an allowance for the estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected. The carrying amount of trade receivables as at 31 December 2016 was US$59,379,000 (2015: US$57,111,000).

Fair value of derivative instruments

The fair value of derivative financial instruments is the estimated amount that the Group would receive or pay to terminate these derivative instruments at the end of the reporting period, taking into account current market conditions. The carrying amount of derivative financial assets at 31 December 2016 was US$1,084,000 (2015: US$156,000). The carrying amount of derivative financial liabilities at 31 December 2016 was US$1,000 (2015: US$669,000).

Hedge accounting

At 31 December 2016, certain bank borrowings of the Group denominated in Japanese Yen ("JPY") with a then total carrying amount of US$200,181,000 were designated as hedging instruments to manage the Group's foreign currency risk in relation to forecast sales denominated in JPY (i.e., the hedged items). These bank loan balances vary with the levels of expected JPY denominated sales and changes in JPY-US$ forward rate. The cash flow hedges relating to the expected future sales transactions denominated in JPY were assessed by the Group to be highly effective and hence the Group applies hedge accounting for this cash flow hedge relationship.

The cash flow hedge accounting is dependent on the effectiveness of the hedge relationship, as such, this inherent complexity of hedge accounting involved a significant degree of management judgement and was considered significant to our audit. Further details are given in note 28.

Recognition of a deferred tax liability for withholding taxes

The New Corporate Income Tax Law of the People's Republic of China (the "PRC"), which became effective on 1 January 2008, states that the distribution of dividends by a foreign invested enterprise established in Mainland China to its foreign investors, from its earnings in 2008 and thereafter, shall be subject to withholding corporate income tax at a rate of 5%. The Group carefully evaluates the necessity of dividend distribution of its PRC subsidiaries out of profits earned after 1 January 2008 based on the senior management's judgement. Further details are given in note 29(c).

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 2016 (2015: Nil).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank and other interest income, investment income, dividend income, and finance costs are excluded from such measurement.

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

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

4. OPERATING SEGMENT INFORMATION (continued)

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

Year ended 31 December 2016

	Sea freight logistics US$'000	Land-based logistics US$'000	Total US$'000
Segment revenue:			
Sales to external customers	540,989	674,802	1,215,791
Intersegment sales	427,737	32,153	459,890
	968,726	706,955	1,675,681
Reconciliation:			
Elimination of intersegment sales			(459,890)
Revenue			1,215,791
Segment results	53,033	79,770	132,803
Reconciliation:			
Bank interest income			3,543
Interest income on available-for-sale listed debt investments			477
Interest income on held-to-maturity investments			483
Investment income on principal-protected investments			137
Dividend income from available-for-sale equity investments			101
Finance costs			(6,872)
Profit before tax			130,672
At 31 December 2016			
Segment assets	908,570	281,135	1,189,705
Reconciliation:			
Elimination of intersegment receivables			(141,755)
Corporate and other unallocated assets			407,688
Total assets			1,455,638
Segment liabilities	108,474	184,823	293,297
Reconciliation:			
Elimination of intersegment payables			(141,755)
Corporate and other unallocated liabilities			416,856
Total liabilities			568,398

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2016 (continued)

	Sea freight logistics US$' 000	Land-based logistics US$' 000	Total US$' 000
Other segment information:			
Share of profits and losses of:			
Joint ventures	—	11,504	11,504
Associates	—	442	442
Depreciation	49,054	4,652	53,706
Recognition of prepaid land lease payments	—	471	471
Gain on disposal of items of property, plant and equipment, net	18	20	38
Impairment of items of property, plant and equipment	6,600	—	6,600
Reversal of impairment of trade receivables, net	—	91	91
Investments in joint ventures	—	31,268	31,268
Investments in associates	—	10,610	10,610
Capital expenditure*	60,416	4,268	64,684

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

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2015

	Sea freight logistics US$' 000 (Restated)	Land-based logistics US$' 000	Total US$' 000 (Restated)
Segment revenue:			
Sales to external customers	576,369	711,686	1,288,055
Intersegment sales	413,899	31,408	445,307
	990,268	743,094	1,733,362
Reconciliation:			
Elimination of intersegment sales			(445,307)
Revenue			1,288,055
Segment results	68,645	80,389	149,034
Reconciliation:			
Bank interest income			8,114
Interest income on held-to-maturity investments			3,306
Finance costs			(8,532)
Profit before tax			151,922
At 31 December 2015			
Segment assets	901,024	271,779	1,172,803
Reconciliation:			
Elimination of intersegment receivables			(112,654)
Corporate and other unallocated assets			317,292
Total assets			1,377,441
Segment liabilities	97,534	173,928	271,462
Reconciliation:			
Elimination of intersegment payables			(112,654)
Corporate and other unallocated liabilities			363,284
Total liabilities			522,092

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2015 (continued)

	Sea freight logistics US$'000	Land-based logistics US$'000	Total US$'000
Other segment information:			
Share of profits and losses of:			
Joint ventures	—	9,913	9,913
Associates	—	617	617
Depreciation	40,229	1,740	41,969
Recognition of prepaid land lease payments	—	497	497
Gain on disposal of items of property, plant and equipment, net	122	13	135
Impairment of trade receivables	110	2	112
Investments in joint ventures	—	29,690	29,690
Investments in associates	—	10,911	10,911
Capital expenditure*	265,516	5,377	270,893

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

Geographical information

The Group's non-current assets are primarily dominated by its vessels. The directors 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 segments 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 segment information is only presented for revenue.

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

	2016 US$'000	2015 US$'000 (Restated)
Greater China*	**578,877**	590,923
Japan	**300,558**	305,783
Southeast Asia	**275,935**	251,843
Others	**60,421**	139,506
	1,215,791	1,288,055

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

4. OPERATING SEGMENT INFORMATION (continued)

Major customer information disclosure

During the year, there was no single customer which contributed 10% or more of the Group's revenue (2015: Nil).

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net value of services rendered.

An analysis of other income and gains, net is as follows:

	2016 US$'000	2015 US$'000
Other income		
Bank interest income	**3,543**	8,114
Interest income on held-to-maturity investments	**483**	3,306
Interest income on principal-protected investments	**137**	—
Interest income on available-for-sale listed debt investments	**477**	—
Dividend income from available-for-sale equity investments	**101**	47
Government subsidies*	**3,177**	6,248
Others	**69**	166
	7,987	17,881
Gains, net		
Fair value gains on cash flow hedges (transfer from equity), net	—	18,960
Fair value gains on derivative instruments not qualifying as hedges, net	**754**	2,500
Gain on disposal of items of property, plan and equipment, net	**38**	135
Gain on disposal of a subsidiary	**18**	—
	810	21,595
Other income and gains, net	**8,797**	39,476

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

6. FINANCE COSTS

Finance costs are interest on bank loans.

7. PROFIT BEFORE TAX

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

	Notes	2016 US$'000	2015 US$'000
Cost of services provided:			
Cost of bunkers consumed		**102,841**	144,997
Others		**913,415**	957,466
		1,016,256	1,102,463
Depreciation	13	**53,706**	41,969
Less: Included in cost of services provided		**(49,001)**	(36,535)
		4,705	5,434
Amortisation of prepaid land lease payments	14	**471**	497
Auditor's remuneration		**388**	400
Minimum lease payments under operating leases		**169,910**	156,881
Less: Included in cost of services provided		**(120,175)**	(152,556)
		49,735	4,325
Foreign exchange differences, net		**4,842**	666
Employee benefit expense (including directors' and the chief executive officer's remuneration (note 8)):			
Wages and salaries		**67,909**	64,162
Equity-settled share option expense	31	**769**	1,340
Pension scheme contributions (defined contribution scheme)		**8,239**	8,605
		76,917	74,107
Less: Included in cost of services provided		**(38,035)**	(32,109)
		38,882	41,998
Impairment/(reversal of impairment) of trade receivables, net*	20(c)	**(91)**	112
Impairment of items of property, plant and equipment*	13	**6,600**	—
Impairment of available-for-sale investments stated at cost*		**680**	—
Fair value losses/(gains) on cash flow hedge (transfer from equity), net		**1,838***	(18,960)

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

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

Directors and the chief executive officer's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the 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:

	2016 US$'000	2015 US$'000
Fees	**294**	290
Other emoluments:		
Salaries, allowances and benefits in kind	**1,681**	1,865
Performance-related bonuses	**1,241**	877
Equity-settled share option expense	**320**	548
Pension scheme contributions	**65**	68
	3,307	3,358
	3,601	3,648

In prior years, certain directors were granted share options, in respect of their services to the Group, under the share option schemes of the Company, further details of which are set out in note 31 to the financial statements. The fair value of these options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and the chief executive officer's remuneration disclosures.

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

(a) Independent non-executive directors

	Fees US$' 000	Equity-settled share option expense US$' 000	Total remuneration US$' 000
2016			
Mr. Tsui Yung Kwok	**31**	**23**	**54**
Mr. Yeung Kwok On	**31**	**23**	**54**
Dr. Lo Wing Yan, William, J.P.	**31**	**23**	**54**
Dr. Ngai Wai Fung	**33**	**23**	**56**
	126	**92**	**218**
2015			
Mr. Tsui Yung Kwok	30	39	69
Mr. Yeung Kwok On	30	39	69
Dr. Lo Wing Yan, William, J.P.	30	39	69
Dr. Ngai Wai Fung	32	39	71
	122	156	278

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

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

(b) Executive directors and the chief executive officer:

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Performance-related bonuses US$'000	Equity-settled share option expense US$'000	Pension scheme contributions US$'000	Total remuneration US$'000
2016						
Mr. Yang Shaopeng	**28**	**626**	**420**	**57**	**5**	**1,136**
Mr. Yang Xianxiang*	**28**	**502**	**308**	**57**	**12**	**907**
Mr. Liu Kecheng	**28**	**131**	**117**	**23**	**12**	**311**
Mr. Xue Peng	**28**	**127**	**93**	**23**	**12**	**283**
Mr. Xue Mingyuan	**28**	**170**	**174**	**34**	**12**	**418**
Mr. Lai Zhiyong	**28**	**125**	**129**	**34**	**12**	**328**
	168	**1,681**	**1,241**	**228**	**65**	**3,383**
2015						
Mr. Yang Shaopeng	28	655	289	98	5	1,075
Mr. Yang Xianxiang*	28	498	212	98	11	847
Mr. Liu Kecheng	28	181	85	39	13	346
Mr. Xue Peng	28	148	64	39	13	292
Mr. Xue Mingyuan	28	237	140	59	13	477
Mr. Lai Zhiyong	28	146	87	59	13	333
	168	1,865	877	392	68	3,370

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

There was no arrangement under which a director or the chief executive officer waived or agreed to waive any remuneration during the year (2015: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year are five executive directors including the chief executive officer (2015: five executive directors including the chief executive officer), details of whose remuneration are set out in note 8 above.

10. INCOME TAX

	2016 US$'000	2015 US$'000 (Restated)
Current:		
Hong Kong	**164**	734
Mainland China	**1,722**	2,929
Elsewhere	**4,550**	4,115
Overprovision in prior years - Hong Kong	**(2)**	(6)
Total tax charge for the year	**6,434**	7,772

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in Mainland China and elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

10. INCOME TAX (continued)

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

2016

	Mainland China		Hong Kong		Elsewhere		Total	
	US$'000	%	US$'000	%	US$'000	%	US$'000	%
Profit before tax	15,222		29,048		86,402		130,672	
Tax expense at the statutory rate	3,805	25.0	4,793	16.5	8,035	9.3	16,633	12.7
Lower tax rate(s) for specific provinces or enacted by local authority	(33)	(0.2)	—	—	(924)	(1.1)	(957)	(0.7)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC joint ventures	448	2.9	—	—	—	—	448	0.3
Adjustments in respect of current tax of previous periods	—	—	(2)	(0.0)	—	—	(2)	(0.0)
Profits and losses attributable to joint ventures and associates	(2,394)	(15.7)	(53)	(0.2)	(329)	(0.4)	(2,776)	(2.1)
Income not subject to tax	(1,012)	(6.7)	(19,693)	(67.8)	(7,981)	(9.2)	(28,686)	(22.0)
Expenses not deductible for tax	1,121	7.4	15,119	52.1	5,749	6.7	21,989	16.8
Tax losses utilised from previous periods	(91)	(0.6)	(2)	(0.0)	—	—	(93)	(0.1)
Temporary differences not recognised	(122)	(0.8)	—	—	—	—	(122)	(0.1)
Tax charge at the Group's effective rate	1,722	11.3	162	0.6	4,550	5.3	6,434	4.9

10. INCOME TAX (continued)

2015

	Mainland China		Hong Kong		Elsewhere		Total	
	US$'000	%	US$'000	%	US$'000	%	US$'000	%
	(Restated)		(Restated)		(Restated)		(Restated)	
Profit before tax	19,872		51,988		80,062		151,922	
Tax expense at the statutory rate	4,968	25.0	8,578	16.5	6,485	8.1	20,031	13.2
Lower tax rate(s) for specific provinces or enacted by local authority	(482)	(2.4)	—	—	—	—	(482)	(0.3)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC joint ventures	418	2.1	—	—	—	—	418	0.3
Adjustments in respect of current tax of previous periods	—	—	(6)	(0.0)	—	—	(6)	(0.0)
Profits and losses attributable to joint ventures and associates	(2,086)	(10.5)	—	—	(346)	(0.4)	(2,432)	(1.6)
Income not subject to tax	(227)	(1.1)	(23,409)	(45.0)	(7,941)	(9.9)	(31,577)	(20.8)
Expenses not deductible for tax	490	2.5	15,709	30.2	5,869	7.3	22,068	14.5
Tax losses utilised from previous periods	(71)	(0.4)	(96)	(0.2)	—	—	(167)	(0.1)
Tax losses not recognised	39	0.2	—	—	—	—	39	0.0
Temporary differences not recognised	(120)	(0.6)	(48)	(0.1)	48	0.1	(120)	(0.1)
Tax charge at the Group's effective rate	2,929	14.8	728	1.4	4,115	5.2	7,772	5.1

The share of tax attributable to joint ventures and associates amounting to US$3,413,000 (2015: US$3,411,000) and US$55,000 (2015: US$10,000 of tax refund), respectively, is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

	2016		2015	
	HK$'000	**US$'000 equivalent**	HK$'000	US$'000 equivalent
Special – HK10 cents (equivalent to approximately US1.29 cents) (2015: HK10 cents (equivalent to approximately US1.30 cents)) per ordinary share	**261,327**	**33,644**	261,169	33,699
Proposed final – HK16 cents (equivalent to approximately US2.06 cents) (2015: HK16 cents (equivalent to approximately US2.06 cents)) per ordinary share	**418,363**	**53,864**	417,888	53,917*
	679,690	**87,508**	679,057	87,616

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

* Subsequent to the approval of the consolidated financial statements for the year ended 31 December 2015 and prior to the date of closure of the register of members for entitlement to 2015 final dividend, additional 105,000 ordinary shares were issued by the Company as a result of exercise of share options. Accordingly, an additional 2015 final dividend amounting HK$16,800 (equivalent to approximately US$2,200), was paid in 2016, resulting in a difference between the amount of 2015 final dividend disclosed above and that disclosed in the consolidated financial statement for the year ended 31 December 2015.

12. 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 of 2,612,746,388 (2015: 2,605,704,959) in issue during the year.

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

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

	2016	2015
	US$'000	US$'000
Earnings		
Profit attributable to shareholders of the Company, used in the basic and diluted earnings per share calculation	**122,790**	143,247

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**2,612,746,388**	2,605,704,959
Effect of dilution of share options – weighted average number of ordinary shares	**5,759,299**	10,143,901
Weighted average number of ordinary shares in issue during the year, used in the diluted earnings per share calculation	**2,618,505,687**	2,615,848,860

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings US$'000	Vessels US$'000 (notes (a), (b) and(c))	Containers US$'000 (note (b))	Computers, furniture and equipment US$'000	Motor vehicles US$'000	Total US$'000
31 December 2016						
At 31 December 2015 and at 1 January 2016:						
Cost	43,308	944,514	84,895	28,693	4,005	1,105,415
Accumulated depreciation	(5,532)	(147,413)	(19,693)	(15,952)	(2,282)	(190,872)
Net carrying amount	37,776	797,101	65,202	12,741	1,723	914,543
Net carrying amount:						
At 1 January 2016	37,776	797,101	65,202	12,741	1,723	914,543
Additions	1,068	71,604	—	2,838	355	75,865
Depreciation provided during the year	(1,715)	(44,248)	(4,120)	(3,087)	(536)	(53,706)
Impairment provided during the year	—	(6,600)	—	—	—	(6,600)
Disposals/write-off	(144)	(387)	(498)	(218)	(24)	(1,271)
Exchange realignment	(2,436)	(1)	(8)	(573)	(64)	(3,082)
At 31 December 2016	34,549	817,469	60,576	11,701	1,454	925,749
At 31 December 2016:						
Cost	41,505	1,009,659	84,048	29,495	3,738	1,168,445
Accumulated depreciation and impairment	(6,956)	(192,190)	(23,472)	(17,794)	(2,284)	(242,696)
Net carrying amount	34,549	817,469	60,576	11,701	1,454	925,749

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings US$'000	Vessels US$'000 (notes (a), (b) and (c))	Containers US$'000 (note (b))	Computers, furniture and equipment US$'000	Motor vehicles US$'000	Total US$'000
31 December 2015						
At 1 January 2015:						
Cost	44,929	698,053	52,523	26,638	3,503	825,646
Accumulated depreciation	(4,299)	(119,235)	(16,640)	(14,613)	(2,034)	(156,821)
Net carrying amount	40,630	578,818	35,883	12,025	1,469	668,825
Net carrying amount:						
At 1 January 2015	40,630	578,818	35,883	12,025	1,469	668,825
Additions	409	256,885	31,607	4,234	850	293,985
Depreciation provided during the year	(1,470)	(34,904)	(2,229)	(2,865)	(501)	(41,969)
Disposals/write-off	—	(3,698)	(43)	(159)	(23)	(3,923)
Exchange realignment	(1,793)	—	(16)	(494)	(72)	(2,375)
At 31 December 2015	37,776	797,101	65,202	12,741	1,723	914,543
At 31 December 2015:						
Cost	43,308	944,514	84,895	28,693	4,005	1,105,415
Accumulated depreciation	(5,532)	(147,413)	(19,693)	(15,952)	(2,282)	(190,872)
Net carrying amount	37,776	797,101	65,202	12,741	1,723	914,543

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(a) During the year ended 31 December 2016, an impairment loss of US$6,600,000 was recognised against dry-bulk vessels due to decrease in charter hire rates of dry-bulk vessels in the market generally. The recoverable amount of the dry-bulk vessels amounted to US$134,738,000.

(b) At 31 December 2016, certain of the Group's vessels and containers with aggregate net carrying amounts of approximately US$592,467,000 (2015: US$563,155,000) and US$57,864,000 (2015: US$15,274,000) were pledged to secure bank loans granted to the Group (note 28(b)).

(c) Included in the balance as at 31 December 2016 was a vessel of the Group with a then net carrying amount of approximately US$6,276,000 (2015: Nil) leased by the Group from its legal owner, which is a company controlled by Ms. Liu Rongli, the spouse of Mr. Yang Shaopeng (the "Controlling Shareholder", the controlling shareholder of the Company and a connected person under the Listing Rules and a related person), for use over the remaining useful life of 10 years of the vessel pursuant to a bareboat charter agreement (the "Bareboat Charter Agreement") entered into between the Group and the legal owner during the year. The lease was accounted for as a finance lease and the Group settled the total lease payments under the Bareboat Charter Agreement in full during the year.

14. PREPAID LAND LEASE PAYMENTS

	2016	2015
	US$'000	US$'000
Carrying amount at 1 January	**20,167**	21,623
Amortisation provided during the year	**(471)**	(497)
Exchange realignment	**(1,304)**	(959)
Carrying amount at 31 December	**18,392**	20,167
Current portion included in prepayments, deposits and other receivables (note 21)	**(464)**	(496)
Non-current portion	**17,928**	19,671

15. GOODWILL

	2016	2015
	US$'000	US$'000
Cost and net carrying amount at 1 January	**1,091**	1,142
Exchange realignment	**(72)**	(51)
Cost and net carrying amount at 31 December	**1,019**	1,091

15. GOODWILL (continued)

Impairment testing of goodwill

Goodwill of the Group arose from the acquisition of Tianjin Xin Hua Xi Logistics Co., Ltd. ("Tianjin Xin Hua Xi") in 2014. Tianjin Xin Hua Xi is engaged in the business of depot services and is considered a cash-generating unit that can generate independent cash flows. The goodwill so arising was allocated to the Tianjin Xin Hua Xi cash-generating unit for impairment testing.

The recoverable amount of the Tianjin Xin Hua Xi cash-generating unit has been determined based on a value in use calculation using pre-tax cash flow projections of financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 13% (2015: 13%). The growth rate used to extrapolate the cash flows of the business beyond the five-year period is 2% (2015: 2%). This growth rate represents the average growth rate of the industry in which the business operates. Senior management of the Tianjin Xin Hua Xi cash-generating unit believes that this growth rate is justified, given the expansion of the business of depot services by the Group in Mainland China during the year.

Assumptions were used in the value in use calculation of the Tianjin Xin Hua Xi cash-generating unit. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of 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 year immediately before the budget year, increased for expected efficiency improvements, and expected market development.
Discount rate	– The discount rate used is before tax and reflects specific risks relating to the cash-generating unit.

16. INVESTMENTS IN JOINT VENTURES

	2016 **US$'000**	2015 US$'000
Share of net assets	**31,268**	29,690

Notes:

(a) The Group's trade receivable balances and trade payable balances with joint ventures are disclosed in notes 20(d) and 26(b) to the financial statements, respectively. Other balances with joint ventures are disclosed in note 22 to the financial statements.

16. INVESTMENTS IN JOINT VENTURES (continued)

Notes: (continued)

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

Company name	Registered capital	Place of registration and operations and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Smart International Logistics Co., Ltd. #	RMB25,000,000	PRC/ Mainland China	51%	50%	51%	Provision of storage and terminal services
Singamas Logistics (Qingdao) Co., Ltd. #	RMB47,455,820	PRC/ Mainland China	40%	40%	40%	Provision of storage and terminal services
SITC-Dinhvu Logistics Co., Ltd.	US$12,000,000	Vietnam	49%	50%	49%	Provision of depot and warehousing services

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

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

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

	2016 US$'000	2015 US$'000
Share of the joint ventures' profit for the year	**11,504**	9,913
Share of the joint ventures' other comprehensive loss	**(1,673)**	(1,088)
Share of the joint ventures' total comprehensive income	**9,831**	8,825
Aggregate carrying amount of the Group's investments in joint ventures	**31,268**	29,690

17. INVESTMENTS IN ASSOCIATES

	2016 US$'000	2015 US$'000
Share of net assets	**10,610**	10,911

Notes:

(a) The Group's trade receivable balances and trade payable balances with associates are disclosed in notes 20(d) and 26(b) to the financial statements, respectively.

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

Company name	Registered/ paid-up/issued capital	Place of registration and operations	Percentage of ownership interest attributable to the Group	Principal activities
SITC Container Lines Philippines, Inc.	20,000 ordinary shares of PHP100 each	Philippines	40%	Provision of shipping agency and freight forwarding services
Shandong i-Logistics Company Limited	Registered capital of RMB58,000,000	PRC/ Mainland China	25%	Provision of storage and terminal services
APL-SITC Terminal Holdings Pte. Ltd.	10 ordinary shares of US$1 each	Singapore	20%	Investment holding

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

	2016 US$'000	2015 US$'000
Share of the associates' profit for the year	**442**	617
Share of the associates' other comprehensive loss	**(732)**	(505)
Share of the associates' total comprehensive income/(loss)	**(290)**	112
Aggregate carrying amount of the Group's investments in associates	**10,610**	10,911

18. AVAILABLE-FOR-SALE INVESTMENTS

	2016 US$'000	2015 US$'000
Listed equity investments, at fair value	**2,522**	2,365
Listed debt investments, at fair value	**13,665**	2,976
Unlisted club debentures, at fair value	**558**	558
Unlisted equity investments, at cost	**680**	680
	17,425	6,579
Impairment of unlisted equity investments	**(680)**	—
	16,745	6,579

During the year, the gross gain recognised in other comprehensive income in respect of the Group's available-for-sale investments stated at fair value amounted to US$325,000 (2015: US$71,000).

At the end of the reporting period, the Group's unlisted equity investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably.

19. DERIVATIVE FINANCIAL INSTRUMENTS

		2016		2015	
	Notes	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Forward currency contracts	(b)	**859**	—	—	549
Interest rate swaps	(c)	**225**	**1**	156	120
		1,084	**1**	156	669
Portion classified as non-current:					
Interest rate swaps		**(179)**	—	(127)	(50)
Current portion		**905**	**1**	29	619

Notes:

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

(b) The Group has entered into other various forward currency contracts to manage its exchange rate exposures. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. A net gain in fair value changes in non-hedging forward currency contracts amounting to US$638,000 (2015: US$2,565,000) was recognised in profit or loss during the year.

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Notes: (continued)

(c) The Group has entered into various interest rate swap contracts to manage its interest rate exposures. These interest rate swap contracts are not designated for hedge purposes and are measured at fair value through profit or loss. A net gain on fair value changes in interest rate swaps amounting to US$116,000 (2015: loss of US$65,000) was recognised in profit or loss during the year.

20. TRADE RECEIVABLES

	2016 US$'000	2015 US$'000
Trade receivables (note (b))	**59,400**	57,256
Impairment (note (c))	**(21)**	(145)
	59,379	57,111

Notes:

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

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

	2016 US$'000	2015 US$'000
Within 1 month	**49,956**	45,410
1 to 2 months	**6,139**	7,794
2 to 3 months	**1,240**	2,905
Over 3 months	**2,044**	1,002
	59,379	57,111

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

	2016 US$'000	2015 US$'000
Neither past due nor impaired	**57,335**	56,109
Less than one month past due	**2,044**	1,002
	59,379	57,111

20. TRADE RECEIVABLES (continued)

Notes: (continued)

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

	2016 US$'000	2015 US$'000
At 1 January	**145**	209
Impairment/(reversal of impairment) recognised, net (note 7)	**(91)**	112
Amount written off as uncollectible	**(33)**	(172)
Exchange realignment	—	(4)
At 31 December	**21**	145

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of US$21,000 (2015: US$145,000) with a total carrying amount before provision of US$21,000 (2015: US$145,000).

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

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(d) Included in the Group's trade receivables as at 31 December 2016 are amounts of US$9,030,000 (2015: US$6,826,000) and US$118,000 (2015: US$11,000) due from joint ventures and associates, respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 US$'000	2015 US$'000
Prepayments	**5,163**	22,554
Deposits and other receivables	**8,040**	8,450
Prepaid land lease payments – current portion (note 14)	**464**	496
	13,667	31,500
Prepayments – non-current portion	**(1,057)**	(1,061)
	12,610	30,439

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

22. DUE FROM/TO RELATED COMPANIES

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

	2016 US$'000	2015 US$'000
Due from related companies		
Companies controlled by the Controlling Shareholder:		
SITC Shipping Agency (Tianjin) Co., Ltd.	**88**	94
SITC Ships Management Co., Ltd	**—**	46
Lifeng Shipping Enterprises Inc.	**17**	—
Joint ventures	**6**	61
	111	201
Due to related companies		
Companies controlled by the Controlling Shareholder:		
SITC Investment Company Ltd.	**29**	—
SITC Maritime Group Company Limited	**—**	646
Joint ventures	**—**	1,832
	29	2,478

Notes:

(a) The maximum outstanding amounts due from companies controlled by the Controlling Shareholder during the year was US$140,000 (2015: US$140,000).

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

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

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

These investment deposits were made with creditworthy banks in the PRC.

24. HELD-TO-MATURITY INVESTMENTS

	2016 US$'000	2015 US$'000
Unlisted debt investments, at amortised cost	**—**	4,620

25. CASH AND BANK BALANCES

	2016 US$'000	2015 US$'000
Cash and bank balances other than time deposits	**44,541**	157,064
Time deposits	**308,416**	122,379
Cash and bank balances	**352,957**	279,443

Notes:

(a) At the end of the reporting period, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US$25,029,000 (2015: US$36,358,000). 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. Short term time deposits are made for varying periods ranging between three days and 11 months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

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:

	2016 US$'000	2015 US$'000
Within 1 month	**97,895**	101,693
1 to 2 months	**14,489**	13,426
2 to 3 months	**2,418**	2,589
Over 3 months	**3,476**	4,675
	118,278	122,383

(b) Included in the Group's trade payables as at 31 December 2016 are amounts of US$1,459,000 (2015: US$882,000), US$4,466,000 (2015: US$4,013,000) and US$199,000 (2015: US$3,324,000) due to companies controlled by the Controlling Shareholder, joint ventures and associates respectively, which are repayable within 30 days.

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

27. OTHER PAYABLES AND ACCRUALS

	2016 US$'000	2015 US$'000
Other payables	**23,466**	25,856
Accruals	**16,047**	14,033
	39,513	39,889

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

28. BANK BORROWINGS

	2016			2015		
	Effective interest rate (%)	**Maturity**	**US$'000**	Effective interest rate (%)	Maturity	US$'000
Current						
Bank loans – secured	**LIBOR+0.9**	**2017**	**9,783**	—	—	—
Current portion of long term bank loans – secured	**LIBOR+0.8 - LIBOR+2.70**	**2017**	**52,345**	LIBOR+0.8 - LIBOR+2.70	2016	44,279
	2.39	**2017**	**792**	2.39	2016	792
	2.49	**2017**	**792**	2.49	2016	792
			53,929			45,863
			63,712			45,863
Non-current						
Bank loans – secured	**LIBOR+0.8 - LIBOR+2.70**	**2018 - 2027**	**338,237**	LIBOR+0.8 - LIBOR+2.70	2017-2027	299,562
	2.39	**2018 - 2027**	**3,815**	+2.39	2017-2027	4,581
	2.49	**2018 - 2027**	**3,807**	+2.49	2017-2027	4,573
			345,859			308,716
Total bank borrowings			**409,571**			354,579

28. BANK BORROWINGS (continued)

	2016 US$'000	2015 US$'000
Analysed into bank loans repayable:		
Within one year or on demand	**63,712**	45,863
In the second year	**52,465**	46,717
In the third to fifth years, inclusive	**152,249**	128,841
Beyond five years	**141,145**	133,158
	409,571	354,579

Notes:

(a) Certain bank loans denominated in Japanese Yen with a total carrying amount of US$200,181,000 (2015: US$170,590,000) as at 31 December 2016 are designated as hedging instruments in respect of highly probable forecast sales transactions denominated in Japanese Yen. These bank loan balances vary with the levels of expected foreign currency denominated sales and changes in foreign exchange forward rate.

The terms of these bank loans match the terms of the highly probable forecast sales transactions. The cash flow hedges relating to expected future sales transactions denominated in Japanese Yen were assessed to be highly effective and a net loss of US$4,072,000 (2015: US$15,720,000) was included in the hedging reserve as follows:

	2016 US$'000	2015 US$'000
Total fair value gains/(losses) on bank loans included in the hedging reserve	**(5,910)**	3,240
Reclassified from other comprehensive income and recognised in profit or loss	**1,838**	(18,960)
Net loss recognised in the hedging reserve during the year on bank loans designated as cash flow hedges	**(4,072)**	(15,720)

(b) The Group's bank loans were secured by mortgages over the Group's vessels and containers which had aggregate carrying values at the end of the reporting period of approximately US$592,467,000 (2015: US$563,155,000) and US$57,864,000 (2015: US$15,274,000), respectively.

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

	2016 US$'000 equivalent	2015 US$'000 equivalent
JPY:		
Floating rate loans (2016: JPY23,515,147,000; 2015: JPY20,678,293,000)	**200,181**	170,590
US$:		
Fixed rate loans	**9,206**	10,738
Floating rate loans	**200,184**	173,251
	209,390	183,989
Total	**409,571**	354,579

29. DEFERRED TAX

(a) The Group did not have tax losses arising in Hong Kong during the year (2015: Nil).

(b) The Group has tax losses arising in Mainland China of US$389,000 (2015: US$564,000), that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

At 31 December 2016, 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$27,113,000 (2015: US$24,868,000) and US$9,556,000 (2015: US$9,046,000), respectively, as at 31 December 2016.

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

30. SHARE CAPITAL

Shares

	2016		2015	
	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:				
2,614,769,000 (2015: 2,611,803,000) ordinary shares of HK$0.1 each	**261,477**	**33,713**	261,181	33,675

30. SHARE CAPITAL (continued)

Shares (continued)

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

	Number of issued and fully paid ordinary shares	Issued capital		Share premium account		Total
		HK$'000	US$'000 equivalent	HK$'000	US$'000 equivalent	US$'000 equivalent
At 1 January 2015	2,588,769,000	258,877	33,378	3,178,702	409,596	442,974
Share options exercised under pre-IPO share option scheme (note (a))	19,495,000	1,950	251	76,536	9,875	10,126
Share options exercised under post-IPO share option scheme (note (b))	3,539,000	354	46	9,796	1,258	1,304
At 31 December 2015 and 1 January 2016	2,611,803,000	261,181	33,675	3,265,034	420,729	454,404
Share options exercised under pre-IPO share option scheme (note (a))	2,593,000	259	34	10,181	1,312	1,346
Share options exercised under post-IPO share option scheme (note (b))	373,000	37	4	1,236	158	162
At 31 December 2016	2,614,769,000	261,477	33,713	3,276,451	422,199	455,912

Notes:

(a) During the year ended 31 December 2016, subscription rights attaching to 2,593,000 (2015: 19,495,000) share options issued under the pre-IPO share option scheme were exercised at the subscription price of HK$3.824 (2015: HK$3.824) per share (note 31), resulting in the issue of 2,593,000 (2015: 19,495,000) shares of HK$0.1 each for a total cash consideration, before expenses, of approximately HK$9,916,000 (2015: HK$74,549,000) (equivalent to approximately US$1,279,000 (2015: US$9,618,000)). An amount of HK$524,000 (2015: HK$3,937,000) (equivalent to approximately US$68,000 (2015: US$508,000)) 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 2016, subscription rights attaching to 303,000 (2015: 3,539,000) and 70,000 (2015: Nil) share options issued under the post-IPO share option scheme were exercised at the subscription prices of HK$1.968 (2015: HK$1.968) and HK$4.531 (2015: HK$4.531) per share (note 31) respectively, resulting in the issue of a total of 373,000 (2015: 3,539,000) shares of HK$0.1 each for a total cash consideration, before expenses, of approximately HK$913,000 (2015: HK$6,965,000) (equivalent to approximately US$116,000 (2015: US$893,000)). An amount of HK$360,000 (2015: HK$3,185,000) (equivalent to approximately US$46,000 (2015: US$411,000)) was transferred from the share option reserve to the share premium account upon the exercise of the share options.

30. SHARE CAPITAL (continued)

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 31 to the financial statements.

31. SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

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

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

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

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

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

	2016		2015	
	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**	**47,749**	3.824	67,324
Exercised during the year	**3.824**	**(2,593)**	3.824	(19,495)
Forfeited during the year	**3.824**	**(160)**	3.824	(80)
At 31 December	**3.824**	**44,996**	3.824	47,749

31. SHARE OPTION SCHEMES (continued)

Pre-IPO Share Option Scheme (continued)

The exercise prices and exercise periods 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$	Exercise period
2016	2015	per share	
—	—	3.824	Any time commencing from the first anniversary of the IPO date
4,996	7,749	3.824	Any time commencing from the second anniversary of the IPO date
20,000	20,000	3.824	Any time commencing from the third anniversary of the IPO date
20,000	20,000	3.824	Any time commencing from the fourth anniversary of the IPO date
44,996	47,749		

* 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.

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

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

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

31. SHARE OPTION SCHEMES (continued)

Pre-IPO Share Option Scheme (continued)

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

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

At the end of the reporting period, the Company had 44,996,000 (2015: 47,749,000) share options outstanding under the Pre-IPO Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 44,996,000 additional ordinary shares of the Company and additional share capital of HK$4,500,000 (equivalent to approximately US$580,000) and share premium of HK$167,565,000 (equivalent to approximately US$21,591,000).

Subsequent to the end of the reporting period, 7,107,000 share options issued under the Pre-IPO Share Option Scheme were exercised and 60,000 share options issued under the Pre-IPO Share Option Scheme were forfeited.

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.

31. SHARE OPTION SCHEMES (continued)

Post-IPO Share Option Scheme

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

	2016		2015	
	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	**3.851**	**18,368**	1.968	8,257
Granted during the year	—	—	4.502	13,800
Exercised during the year	**2.449**	**(373)**	1.968	(3,539)
Forfeited during the year	**4.531**	**(125)**	4.502	(150)
At 31 December	**2.938**	**17,870**	3.851	18,368

The weighted average share price at the date of exercise for share options exercised during the year was HK$3.88 per share (2015: HK$4.22 per share).

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

Number of options '000		Exercise price* HK$	Exercise period
2016	2015	per share	
125	428	1.968	25 October 2012 to 25 October 2021
4,290	4,290	1.968	25 October 2013 to 25 October 2021
13,455	13,650	4.531	10 March 2015 to 9 March 2025
17,870	18,368		

* 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 11,600,000 share options under Post-IPO Share Option Scheme were all granted in 2011 and had a total fair value on the grant date of US$1,347,000. 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.

The 13,800,000 share options under Post-IPO Share Option Scheme were all granted in 2015 and had a total fair value on the grant date of US$2,214,000, of which was recognised as a share option expense in profit or loss US$769,000 during the year ended 31 December 2016 (2015: US$1,340,000).

31. SHARE OPTION SCHEMES (continued)

Post-IPO Share Option Scheme (continued)

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

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

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

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

At the end of the reporting period, the Company had 17,870,000 (2015: 18,368,000) 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 17,870,000 additional ordinary shares of the Company and additional share capital of HK$1,787,000 (equivalent to approximately US$230,000) and share premium of HK$67,886,000 (equivalent to approximately US$8,751,000).

Subsequent to the end of the reporting period, 1,092,000 share options issued under the Post-IPO Share Option Scheme were exercised and 100,000 share options issued under the Post-IPO Share Option Scheme were forfeited.

32. RESERVES

The amounts of the Group’s reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(a) Capital redemption reserve

The capital redemption reserve represented the par value of ordinary shares of the Company which had been repurchased and cancelled in prior years.

(b) Merger reserve

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

32. RESERVES (continued)

(c) PRC reserve funds

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

(d) Capital reserve

The capital reserve represents the premium paid on repurchase of the Company's own ordinary shares in prior years over their par values.

(e) Share-based compensation reserve

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

33. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases to third parties certain of its vessels (note 13) and certain land and buildings (note 14) to third parties and joint ventures under operating lease arrangements. Leases for vessels are negotiated for terms ranging from 10 to 24 months and those for land and buildings are for terms ranging from 2 to 7 years.

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

	2016 **US$'000**	2015 US$'000
Within one year	**10,031**	12,664
In the second to fifth years, inclusive	**370**	429
After five years	**153**	246
	10,554	13,339

33. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

The Group leases containers, vessels, office properties and warehouses for business use under operating leases arrangements. Leases for containers are negotiated for terms ranging from 1 to 10 years, those for vessels are for terms ranging from 1 to 2 years, those for office properties and warehouses are for terms ranging from 1 to 5 years.

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

	2016 US$'000	2015 US$'000
Within one year	**46,579**	38,499
In the second to fifth years, inclusive	**66,791**	61,769
After five years	**15,732**	16,265
	129,102	116,533

34. CAPITAL COMMITMENTS

The Group did not have material capital commitments as at 31 December 2016.

At 31 December 2015, in addition to the operating lease commitments detailed in note 33(b) above, the Group had capital commitments of US$40,000,000 in total, which are contracted, but not provided for, in respect of acquisition of vessels.

35. RELATED PARTY DISCLOSURES

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

	Notes	2016 US$'000	2015 US$'000
Companies controlled by the Controlling Shareholder:			
Container marine transportation services income	(i)	**15,819**	15,993
Container vessel rental expenses	(ii)	**2,000**	1,604
Shipping agency fee income	(i)	**6,243**	3,029
Shipping agency fee expenses	(iii)	**2,158**	1,299
Vessel management income	(i)	**69**	67
Customs service income	(i)	**82**	—
Customs service expenses	(iii)	**244**	—
Depot service expenses	(iii)	**1**	—
Lease payment paid for a vessel under the Bareboat Charter Agreement	(v)	**6,276**	—
Joint ventures:			
Container marine transportation services income*	(i)	**157,320**	161,831
Freight forwarding services income for marine transportation*	(i)	**722**	2,523
Warehousing expenses*	(iii)	**9,907**	98
Freight forwarding service expenses*	(iii)	**2,204**	12,636
Land and buildings rental income*	(iv)	**1,594**	1,065
Shipping agency fee income*	(i)	**—**	—
Shipping agency fee expenses*	(iii)	**3,603**	4,076
Customs service income*	(i)	**—**	1
Technology outsourcing service income*	(iv)	**295**	110
Warehousing income*	(i)	**700**	497
Truck transportation income	(i)	**4**	—
Associates:			
Container marine transportation service income*	(i)	**105,042**	80,568
Shipping agency fee expenses*	(iii)	**1,267**	837
Freight forwarding service income*	(i)	**101**	—
Technology outsourcing service income*	(iv)	**203**	96
Land and buildings rental income*	(iv)	**—**	1
Freight forwarding service expenses	(iii)	**42**	—

35. RELATED PARTY DISCLOSURES (continued)

(a) Notes:

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

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

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

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

(v) Further details of the transaction are set out in note 13(b) to the financial statements.

Except for those transactions identified with "*", the above 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 8 to the financial statements.

36. 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 2016

Financial assets

	Financial assets at fair value through profit or loss – designated as such upon initial recognition US$'000	Loans and receivables US$'000	Available-for-sale financial assets US$'000	Total US$'000
Available-for-sale investments	—	—	**16,745**	**16,745**
Principal-protected investment deposits	**11,372**	—	—	**11,372**
Derivative financial instruments	**1,084**	—	—	**1,084**
Trade receivables	—	**59,379**	—	**59,379**
Financial assets included in prepayments, deposits and other receivables	—	**8,040**	—	**8,040**
Due from related companies	—	**111**	—	**111**
Cash and cash equivalents	—	**352,957**	—	**352,957**
	12,456	**420,487**	**16,745**	**449,688**

36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

At 31 December 2016 (continued)

Financial liabilities

	Financial assets 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	—	118,278	118,278
Financial liabilities included in other payables and accruals	—	23,466	23,466
Due to related companies	—	29	29
Derivative financial instruments	1	—	1
Bank borrowings	—	409,571	409,571
	1	551,344	551,345

36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

At 31 December 2015

Financial assets

	Financial assets at fair value through profit or loss – designated as such upon initial recognition US$'000	Held-to-maturity investments US$'000	Loans and receivables US$'000	Available-for-sale financial assets US$'000	Total US$'000
Held-to-maturity investments	—	4,620	—	—	4,620
Available-for-sale investments	—	—	—	6,579	6,579
Derivative financial instruments	156	—	—	—	156
Trade receivables	—	—	57,111	—	57,111
Financial assets included in prepayments, deposits and other receivables	—	—	8,450	—	8,450
Due from related companies	—	—	201	—	201
Cash and cash equivalents	—	—	279,443	—	279,443
	156	4,620	345,205	6,579	356,560

36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

At 31 December 2015 (continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss – designated as such upon initial recognition US$'000	Financial liabilities at amortised cost US$'000	Total US$'000
Trade payables	—	122,383	122,383
Financial liabilities included in other payables and accruals	—	25,856	25,856
Due to related companies	—	2,478	2,478
Derivative financial instruments	669	—	669
Bank borrowings	—	354,579	354,579
	669	505,296	505,965

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

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

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

The Group enters principal-protected investment deposits with creditworthy banks, and its fair values are 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.

The fair values of held-to-maturity financial instruments and bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The non-performance risk from the Group for its bank borrowings as at 31 December 2016 was assessed to be insignificant.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions of creditworthy banks. Derivative financial instruments, including forward currency contracts and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts and interest rate swaps are the same as their fair values.

37. 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 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Available-for-sale investments:				
Listed equity investments, at fair value	**2,522**	—	—	**2,522**
Listed debt investments, at fair value	**558**	—	—	**558**
Club debentures, at fair value	**13,665**	—	—	**13,665**
Derivative financial instruments	—	**1,084**	—	**1,084**
Principal-protected investment deposits	—	**11,372**	—	**11,372**
	16,745	**12,456**	—	**29,201**

At 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	US$'000	US$'000	US$'000	US$'000
Available-for-sale investments:				
Listed equity investments, at fair value	2,365	—	—	2,365
Listed debt investments, at fair value	2,976	—	—	2,976
Club debentures, at fair value	558	—	—	558
Derivative financial instruments	—	156	—	156
	5,899	156	—	6,055

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

Liabilities measured at fair value

At 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Derivative financial instruments	—	1	—	—

At 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Derivative financial instruments	—	669	—	669

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 (2015: Nil) and no transfer into or out of Level 3 for both financial assets and financial liabilities (2015: Nil).

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, equity price risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to maintain between 5% and 50% of its borrowings at fixed interest rates. To manage this mix in a cost-effective manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2016, after taking into account the effect of the interest rate swaps, approximately 7% (2015: 39%) of the Group's borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax US$'000
2016		
United States dollar	**100**	**(1,790)**
Japanese Yen	**100**	**(2,002)**
United States dollar	**(100)**	**1,790**
Japanese Yen	**(100)**	**2,002**
2015		
United States dollar	100	(1,369)
Japanese Yen	100	(843)
United States dollar	(100)	1,369
Japanese Yen	(100)	843

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. In addition, certain bank loans were denominated in currencies other than the functional currencies of the entities to which they relate. Approximately 61% (2015: 73%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 55% (2015: 38%) of costs were denominated in the units' functional currencies. The Group requires all its operating units to use forward currency contracts to manage the foreign currency exposures on transactions in excess of certain amounts of Japanese Yen and Renminbi for which receipts are anticipated in more than one month after the Group has entered into firm commitments for sales. The forward currency contracts must be in the same currency as that of the hedged item. It is the Group's policy not to enter into forward contracts until a firm underlying sales or purchases commitment is in place.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

At 31 December 2016, the Group had hedged 27.0% (2015: 18.4%) of its foreign currency sales for which firm commitments existed at the end of the reporting period.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar, Renminbi and Japanese Yen exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of certain bank borrowings designated as hedging instruments).

	Increase/ (decrease) in rate %	Increase/ (decrease)/ in profit before tax US$' 000	Increase/ (decrease) in equity US$' 000
2016			
If United States dollar weakens against Renminbi	**5.0**	**793**	—
If United States dollar strengthens against Renminbi	**(5.0)**	**(793)**	—
If United States dollar weakens against Japanese Yen	**5.0**	**930**	**(7,765)**
If United States dollar strengthens against Japanese Yen	**(5.0)**	**(930)**	**7,765**
2015			
If United States dollar weakens against Renminbi	5.0	1,848	—
If United States dollar strengthens against Renminbi	(5.0)	(1,848)	—
If United States dollar weakens against Japanese Yen	5.0	875	(8,572)
If United States dollar strengthens against Japanese Yen	(5.0)	(875)	8,572

* Excluding retained profits

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale investments, amounts due from related companies, other receivables and certain derivative instruments, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investment classified as an available-for-sale investment (note 18) as at 31 December 2016. The Group's listed investment is listed on the Hong Kong Stock Exchange and is valued at the quoted market price at the end of the reporting period.

The market equity index for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period and its respective highest and lowest points during the year were as follows:

	31 December 2016	**High/low 2016**	31 December 2015	High/low 2015
Hong Kong – Hang Seng Index	**22,001**	**24,364/18,279**	21,914	28,589/20,368

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in the fair value of the equity investment, with all other variables held constant and before any impact on deferred tax, based on its carrying amount at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investment, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact profit or loss.

	Increase/ (decrease) in carrying amount of equity investment US$' 000	Increase/ (decrease) in equity price %	Increase/ (decrease) in equity* US$' 000
2016			
Investment listed in:			
Hong Kong - Available-for-sale	**2,522**	**71.38**	**1,800**
	(2,522)	**(71.38)**	**(1,800)**
2015			
Investment listed in:			
Hong Kong - Available-for-sale	2,365	69.59	1,367
	(2,365)	(69.59)	(1,367)

* Excluding retained profits

38. 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. 14% of the Group's debts will mature in less than one year from 31 December 2016 (2015: 15%) 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:

	2016				
	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**
Bank borrowings	**61,948**	**60,691**	**190,318**	**138,811**	**451,768**
Trade payables	**118,278**	—	—	—	**118,278**
Financial liabilities included in other payables and accruals	**39,513**	—	—	—	**39,513**
Due to related companies	**29**	—	—	—	**29**
Derivative financial instruments	**1**	—	—	—	**1**
	219,769	**60,691**	**190,318**	**138,811**	**609,589**

	2015				
	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
Bank borrowings	51,477	52,031	139,161	142,467	385,136
Trade payables	122,383	—	—	—	122,383
Financial liabilities included in other payables and accruals	39,889	—	—	—	39,889
Due to related companies	2,478	—	—	—	2,478
Derivative financial instruments	619	27	23	—	669
	216,846	52,058	139,184	142,467	550,555

38. 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 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain a healthy ratio. Net debt includes bank borrowings, trade and other payables and accruals, amounts due to related companies, less cash and cash equivalents. Adjusted capital includes equity attributable to shareholders of the Company less the hedging reserve. The gearing ratios as at the end of the reporting periods were as follows:

	2016 US$' 000	2015 US$' 000
Bank borrowings	**409,571**	354,579
Trade payables	**118,278**	122,383
Other payables and accruals	**39,513**	39,889
Due to related companies	**29**	2,478
Less: Cash and bank balances	**(352,957)**	(279,443)
Net debt	**214,434**	239,886
Equity attributable to shareholders of the Company	**886,597**	848,442
Less: Hedging reserve	**(2,788)**	(6,860)
Adjusted capital	**883,809**	841,582
Adjusted capital and net debt	**1,098,243**	1,081,468
Gearing ratio	**20%**	22%

39. COMPARATIVE AMOUNTS

Freight income tax incurred on the Group's sea freight service was previously reported net of the Group's sea freight revenue in the prior years. In the opinion of the directors of the Company, it is more appropriate to report freight income tax arising from sea freight services as income tax charge and hence freight income tax of US$3,500,000 incurred in the year ended 31 December 2015 was reclassified from "Revenue" to "Income tax" on the face of the consolidated statement of profit or loss. The effect of which is to increase each of the Group's revenue, gross profit and income tax for the year ended 31 December 2015 by US$3,500,000.

In addition, prepayment of US$1,061,000 as at 31 December 2015 was reclassified from "Current assets" to "Non-current assets" to conform to the current year's presentation and disclosures.

40. 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:

	2016 US$'000	2015 US$'000
NON-CURRENT ASSETS		
Investment in a subsidiary	**59,413**	59,413
Available-for-sale investments	**2,522**	2,365
Total non-current assets	**61,935**	61,778
CURRENT ASSETS		
Due from a subsidiary	**463,492**	449,559
Cash and bank balances	**102**	92
Total current assets	**463,594**	449,651
CURRENT LIABILITIES		
Other payables	**9**	—
NET CURRENT ASSETS	**463,585**	449,651
TOTAL ASSETS LESS CURRENT LIABILITIES	**525,520**	511,429
Net assets	**525,520**	511,429
EQUITY		
Issued capital	**33,713**	33,675
Reserves (Note)	**491,807**	477,754
Total equity	**525,520**	511,429

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account US$'000	Capital redemption reserve US$'000	Share option reserve US$'000	Available-for-sale investments revaluation reserve US$'000	Retained profits US$'000	Total US$'000
At 1 January 2015	409,596	202	2,745	(274)	82,413	494,682
Profit for the year	—	—	—	—	45,599	45,599
Other comprehensive income for the year:						
Changes in fair value of available-for-sale investments, net	—	—	—	42	—	42
Total comprehensive income for the year	—	—	—	42	45,599	45,641
Issue of shares upon exercise of share options under the Pre-IPO Share Option Scheme	9,875	—	(508)	—	—	9,367
Issue of shares upon exercise of share options under the Post-IPO Share Option Scheme	1,258	—	(411)	—	—	847
Transfer of share option reserve upon forfeiture or expiry of share options	—	—	(26)	—	26	—
Share option expense	—	—	1,340	—	—	1,340
Final 2014 dividend paid	—	—	—	—	(40,424)	(40,424)
Special dividend paid	—	—	—	—	(33,699)	(33,699)
At 31 December 2015 and 1 January 2016	420,729	202	3,140	(232)	53,915	477,754
Profit for the year	—	—	—	—	99,332	99,332
Other comprehensive income for the year:						
Changes in fair value of available-for-sale investments, net	—	—	—	157	—	157
Total comprehensive income for the year	—	—	—	157	99,332	99,489
Issue of shares upon exercise of share options under the Pre-IPO Share Option Scheme	1,312	—	(68)	—	—	1,244
Issue of shares upon exercise of share options under the Post-IPO Share Option Scheme	158	—	(70)	—	—	88
Transfer of share option reserve upon forfeiture or expiry of share options	—	—	—	—	24	24
Share option expense	—	—	769	—	—	769
Final 2015 dividend declared	—	—	—	—	(53,917)	(53,917)
Interim dividend declared	—	—	—	—	(33,644)	(33,644)
At 31 December 2016	422,199	202	3,771	(75)	65,710	491,807

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2017.

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 2016 and the annual report for the year ended 31 December 2015, is set out below.

The summary below does not form part of the audited financial statements.

	Year ended 31 December				
	2016	2015	2014	2013	2012
	US$'000	US$'000 (Restated)	US$'000	US$'000	US$'000
RESULTS					
REVENUE	**1,215,791**	1,288,055	1,376,952	1,267,329	1,212,431
Cost of sales	**(1,016,256)**	(1,102,463)	(1,210,874)	(1,124,350)	(1,070,664)
Gross profit	**199,535**	185,592	166,078	142,979	141,767
Other income and gains, net	**8,797**	39,476	31,443	37,772	14,205
Administrative expenses	**(68,801)**	(74,114)	(69,375)	(65,150)	(60,682)
Other expenses, net	**(13,933)**	(1,030)	(3,466)	(185)	(18,325)
Finance costs	**(6,872)**	(8,532)	(9,504)	(8,177)	(3,369)
Share of profits and losses of:					
Joint ventures	**11,504**	9,913	9,349	7,742	6,640
Associates	**442**	617	701	371	548
PROFIT BEFORE TAX	**130,672**	151,922	125,226	115,352	80,784
Income tax	**(6,434)**	(7,772)	(4,130)	(2,251)	(2,293)
PROFIT FOR THE YEAR	**124,238**	144,150	121,096	113,101	78,491
Profit attributable to:					
Shareholders of the Company	**122,790**	143,247	120,680	112,410	83,920
Non-controlling interests	**1,448**	903	416	691	(5,429)
	124,238	144,150	121,096	113,101	78,491

	At 31 December				
	2016	2015	2014	2013	2012
	US$'000	US$'000	US$'000	US$'000	US$'000
ASSETS, LIABILITIES AND EQUITY					
TOTAL ASSETS	**1,455,638**	1,377,441	1,389,845	1,269,368	1,080,990
TOTAL LIABILITIES	**(568,398)**	(522,092)	(592,651)	(524,077)	(387,851)
NET ASSETS	**887,240**	855,349	797,194	745,291	693,139
Represented by:					
Equity attributable to shareholders of the Company	**879,997**	848,442	790,933	743,349	695,551
Non-controlling interests	**7,243**	6,907	6,261	1,942	(2,412)
TOTAL EQUITY	**887,240**	855,349	797,194	745,291	693,139