

Orient Overseas (International) Limited

(Incorporated in Bermuda with members' limited liability)

Stock code: 0316.HK

ANNUAL REPORT 2020





Corporate Profile

Orient Overseas (International) Limited (“OOIL”), a company with US\$8.2 billion in total revenues, has principal business activities in container transport and logistics services. Listed on The Stock Exchange of Hong Kong, the OOIL Group has more than 420 offices in over 90 countries/regions.

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

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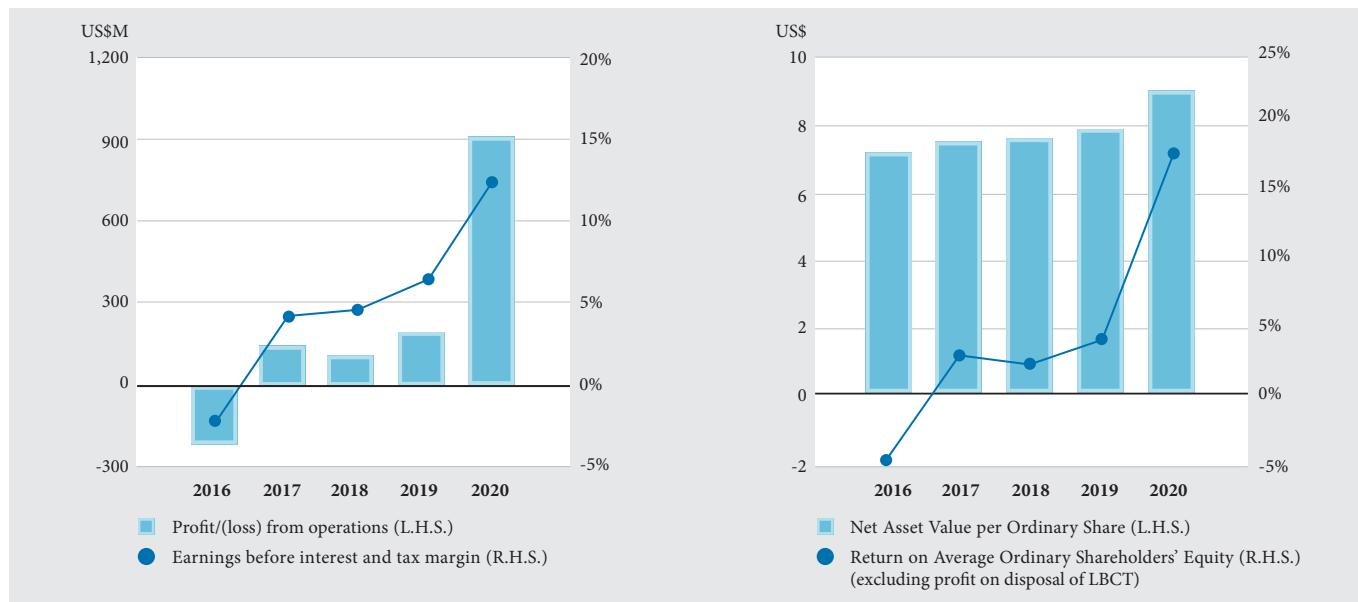
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Financial Highlights

US\$M	2020	2019	Increase/ (decrease) %
Consolidated Profit and Loss			
Revenue	8,191	6,879	19%
Operating profit	992	361	175%
Finance costs	(91)	(152)	(40%)
Profit before taxation	914	224	308%
Profit from continuing operations	903	154	486%
Profit from discontinued operation (excluding profit on disposal of Long Beach Container Terminal ("LBCT"))	-	41	N/M
Profit from operations	903	195	363%
Profit on disposal of LBCT	-	1,154	N/M
Profit for the year	903	1,349	(33%)
Consolidated Balance Sheet			
Liquid assets [#]	3,323	2,859	16%
Property, plant and equipment	3,745	3,162	18%
Right-of-use assets	2,303	2,831	(19%)
Total assets	10,645	11,202	(5%)
Borrowings and lease liabilities	3,070	3,991	(23%)
Total liabilities	5,003	6,275	(20%)
Total equity	5,642	4,927	15%
Consolidated Net Cash Flow			
Net cash from operating activities	1,905	660	189%
Net cash (used in)/from investing activities	(589)	702	N/M
Net cash used in financing activities	(2,200)	(726)	203%
Net (decrease)/increase in cash and cash equivalents	(884)	636	N/M
Key Ratios			
Earnings before interest and tax margin	12.3%	6.5%	6%
Gross debt to equity	0.54	0.81	(27%)
Net (cash)/debt to equity [#]	(0.04)	0.23	N/M
Return on average ordinary shareholders' equity	17.1%	27.9%	(11%)
Return on average ordinary shareholders' equity (excluding profit on disposal of LBCT)	17.1%	4.0%	13%
Earnings per ordinary share (US cents)	144.3	215.5	(33%)
Earnings per ordinary share (US cents) (excluding profit on disposal of LBCT)	144.3	31.2	363%
Net asset value per ordinary share (US dollar)	9.02	7.87	15%

[#] Liquid assets represent cash and bank balances, restricted bank balances, portfolio investments at fair value through profit or loss and investments at amortised cost. Net (cash)/debt represents total debt deducted by liquid assets.



Significant Events – 2020

JANUARY ① ②

Following his resignation as Co-Chief Executive Officer of OOCL, and effective from 1st January, Mr. Andy Tung was re-designated as a Non-Executive Director of OOIL and became Advisor to the Chief Executive Officer of OOCL.



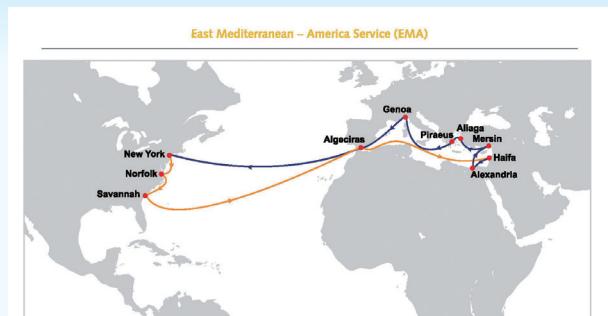
OCEAN ALLIANCE

②

OOCL presented the latest line up of OCEAN Alliance products to meet the evolving needs of the market. The fine-tuning adjustments made to the products each year have been key to building a consistently strong and reliable network for customers.

FEBRUARY ③ ④

OOCL, COSCO SHIPPING Lines, Ocean Network Express and Yang Ming announced the launch of a new weekly Trans-Atlantic service named East Mediterranean – America Service (EMA). As a dedicated service between East Mediterranean and East Coast America, the EMA will offer competitive transit times and provide more service frequencies in the market.



③

OOCL Logistics announced its ongoing South America network expansion following the appointment of LogPar International Forwarding as agent in Chile.

On 27th February, CargoSmart announced that nine industry-leading ocean carriers and terminal operators, namely CMA CGM, COSCO SHIPPING Lines, COSCO SHIPPING Ports, Hapag-Lloyd, Hutchison Ports, OOCL, Port of Qingdao, PSA International, and Shanghai International Port Group, have signed a shareholders' agreement indicating their intention to become shareholders of the proposed Global Shipping Business Network Limited (GSBN).



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Significant Events – 2020

MARCH ⑤ ⑥ ⑦

On 10th March, OOCL signed newbuilding contracts with shipyards Nantong COSCO KHI Ship Engineering Co., Ltd. and Dalian COSCO KHI Ship Engineering Co. Ltd. for five new container vessels, each at a cost of US\$155.68 million with a nominal capacity of 23,000 TEU.

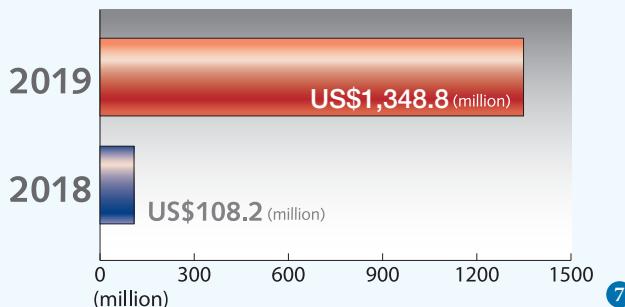


DALIAN COSCO KHI SHIP ENGINEERING CO.,LTD.

⑤



Nantong COSCO KHI Ship Engineering Co.



On 23rd March, Orient Overseas (International) Limited and its subsidiaries (the “Group”) announced a profit attributable to equity holders of US\$1,348.8 million in 2019, compared to a profit of US\$108.2 million in 2018.

APRIL ⑧ ⑨ ⑩

On 7th April, CargoSmart announced that it conducted a pilot project with COSCO SHIPPING Lines, Shanghai International Port Group, and Tesla, Inc. for a new application to transform the cargo release process. It was among the first pilot projects with an ocean carrier conducting a real-time exchange of shipment data with a terminal operator through blockchain technology. The pilot not only demonstrated the benefits of having a single, trusted source of truth in cargo documentation, but also the efficiency gains for industry participants.



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OOCL Logistics received several awards from Walmart China Limited at their National Carrier Conference on 9th April. Some of the awards included the 2019 Best Cold Chain Carrier of The Year, 2019 Best Strategic and Development Partner, and 2020 Pioneer Carrier Combating COVID-19.



OOCL Logistics received the “Outstanding Contribution Award” from Meituan Dianping for outstanding service performance during the outbreak of COVID-19. Located in one of the most affected cities in China, the team prepared an emergency action plan to monitor the outbreak and ensure the shipment of food and related materials for frontline medical staff were secured.

Significant Events – 2020

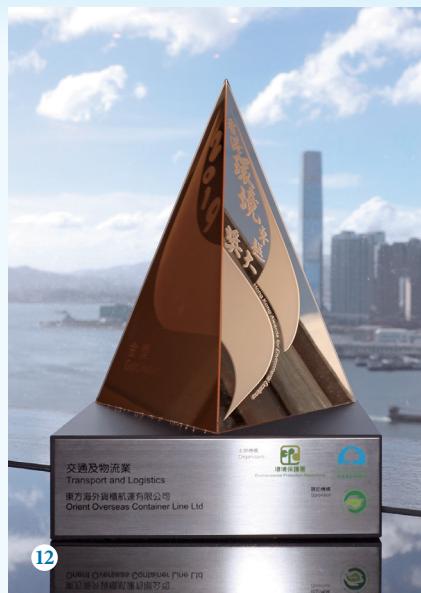
JUNE ⑪

OOCL proudly received the Fuel Efficiency Award at the Seatrade Maritime Awards Asia 2020 on 23rd June for the achievement in fuel savings and efficiency improvements. This annual industry event pays tribute to companies with remarkable achievements in various aspects of Asia's maritime industry.



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JULY ⑫ ⑬



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On 3rd July, OOCL received a gold trophy from the Hong Kong Awards for Environmental Excellence (HKAEE) in the transport and logistics sector for the fourth time. The HKAEE recognize organizations that had showcased leadership in environmental excellence and outstanding achievements.



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OOCL proudly received the 2019 Green Flag Environmental Achievement Certificate from the Port of Long Beach for the recognition of OOCL vessels' participation in the speed reduction program which aims at reducing emission and improve the air quality for the local communities.

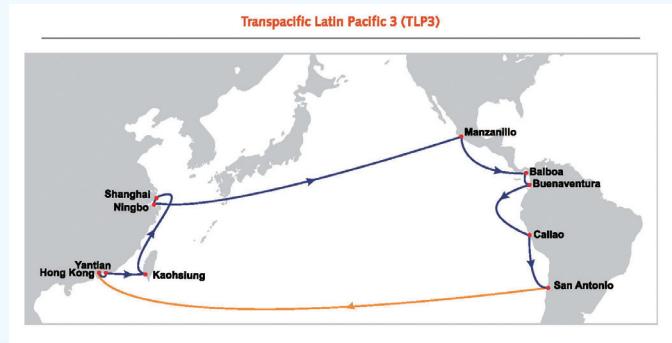
Significant Events – 2020

AUGUST ⑯ ⑰

Effective 10th August, Mr. Xiaowen Huang was appointed as Executive Director and Chief Executive Officer of OOIL to succeed Mr. Haimin Wang.



On 21st August, the Group announced a profit attributable to equity holders of US\$102.1 million for the six-month period ended 30th June 2020, compared to a profit of US\$139.0 million for the same period in 2019.



⑮

SEPTEMBER ⑯ ⑰

To further strengthen OOCL's China to South-East Asia service network, OOCL introduced a new China Indonesia Philippines service (CIP) which enhances the network coverage in China, Indonesia and the Philippines.

OOCL launched a new service named Transpacific Latin Pacific 3 (TLP3) in the Latin America market. The new product in the Asia – West Coast South America network offers a competitive transit time between Chile and Southern China and enhances OOCL's network coverage in the region.



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OCTOBER 18 19 20 21

On 5th October, OOCL received the Gold Award in services sector at the 2019 BOCHK Corporate Environmental Leadership Awards ceremony. This prestigious awards program recognized OOCL's continuous commitment to promoting environmental and low-carbon best practices in Hong Kong and the Pan Pearl River Delta region. It was the second time OOCL received the gold standing from this awards program organized by the Federation of Hong Kong Industries (FHKI).

OOCL proudly received the 2020 Information Visionary award at the IDC Digital Transformation Awards (DX Awards) Hong Kong from the successful development and new advancements made to its MyOOCLReefer solution. Organized by IDC Hong Kong, the DX Awards shines the spotlight on outstanding organizations that have made important breakthroughs in their digital transformation journey.



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Nantong COSCO KHI Ship Engineering Co.

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On 30th October, OOCL signed newbuilding contracts with shipyards Nantong COSCO KHI Ship Engineering Co., Ltd. and Dalian COSCO KHI Ship Engineering Co. Ltd. for seven new containerships, each with a nominal capacity of 23,000 TEU, at a total cost of approximately US\$1.1 billion.

Significant Events – 2020

NOVEMBER 22 23 24 25 26 27

The IQAX, a global technology company wholly owned by OOIL, was officially established. Carrying the meaning of “Intelligence to Accelerate Transformation” in the company’s name, IQAX will provide intelligent solutions to drive the digital transformation initiative in the global trade and supply chain industry.



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OOCL Logistics signed a strategic cooperation agreement with its strategic business partner, Xi'an International Inland Port Multimodal Transportation Corporation, at the third annual China International Import Expo 2020 (CIIE) in Shanghai on 7th November; reaching a new milestone in providing an important trade corridor for shippers who wish to leverage the extensive China Railway Express (Chang'an) network.

OOCL Logistics launched the ISCMS-Lite (International Supply Chain Management Service) to enhance the customer's visibility and control over their shipments in today's dynamic market environment and ever increasingly complex global supply chains.



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This screenshot shows the ISCMS-Lite platform's user interface. It includes a sidebar with navigation links like 'Dashboard', 'MyPodium', 'Reports', and 'Advanced Search'. The main area features a world map with a red dot indicating a specific location. A detailed shipment record is displayed, showing information such as Customer Name (Orient Overseas (International) Limited), PO Number (PO-00000000000000000000000000000000), and various shipping status icons. The interface is designed for tracking and managing international shipments.

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This screenshot shows the MyPodium dashboard. It features a header with the OOCL Logistics logo and a search bar. Below the header, there are several sections: 'Shipment Highlights' (showing 531.858 In Transit), 'To Do List' (listing tasks like 'Read', 'Unread', 'Pre-advice', 'Post-advice', and 'Booking Request'), 'Reports' (including 'Weekly incoming container per destination' and 'Vendor Scorecard Report'), and 'Exception Management' (listing exceptions like 'Containers in transit by ETA'). The dashboard is highly interactive with various buttons and dropdown menus.

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DECEMBER 28 29

On 8th December, OOCL received the “Award for Outstanding Port State Control (PSC) Performance in 2019” from the Marine Department of the HKSAR. Since 2008, the Marine Department has been awarding Hong Kong flag ships registered in Hong Kong for their outstanding performance in Port State Control. The award recognizes OOCL’s outstanding ship management capabilities in conforming to international standards and contributions to maintaining the good reputation of the Hong Kong flag around the world.

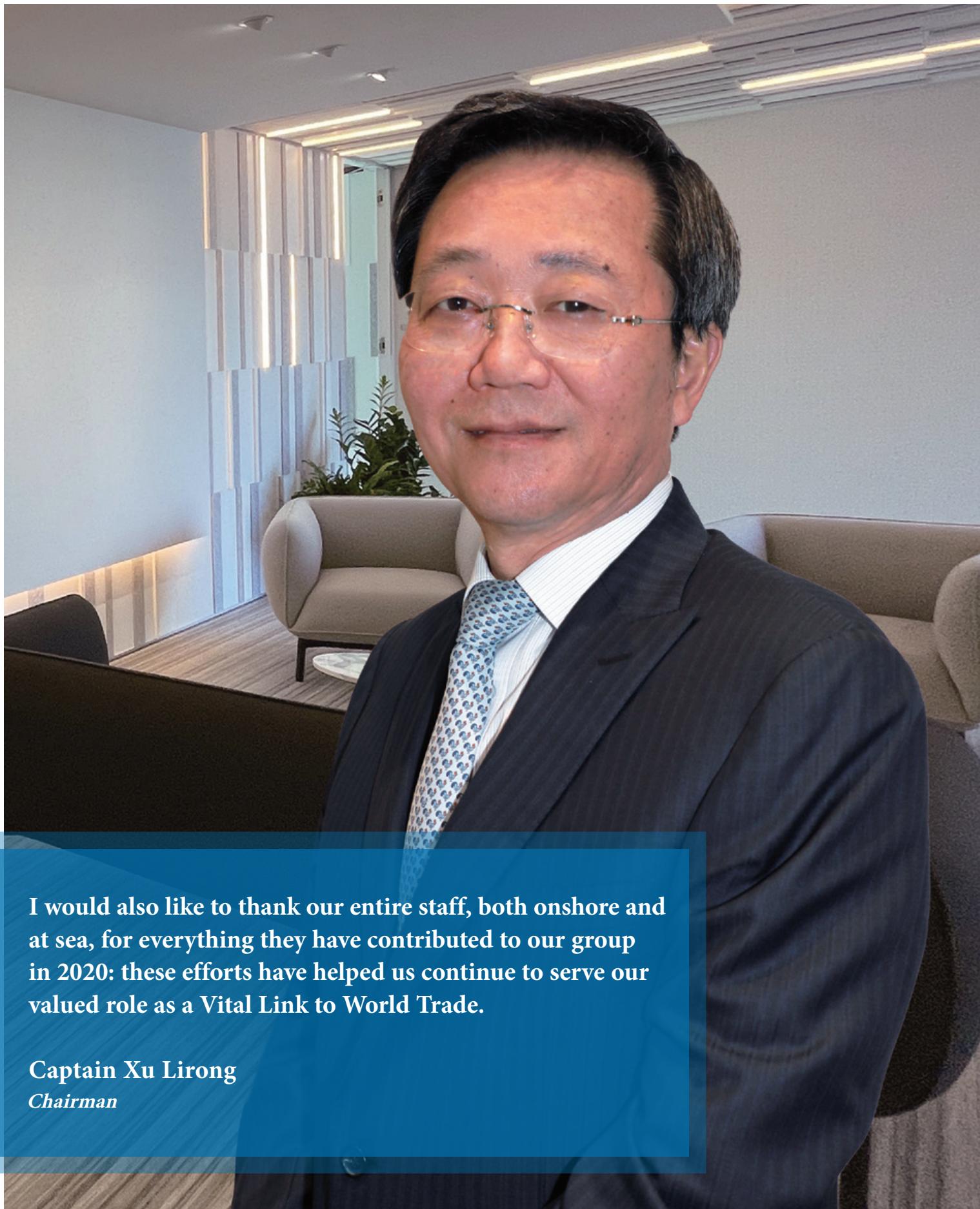


For the fourth time in a row, OOCL received a rating of Level A in the BICEPS (Boosting Initiatives for Collaborative Emissions-reduction with the Power of Shippers) rating system that recognizes companies with excellent sustainability efforts and performance. BICEPS is a network of shippers joining forces to accelerate the transition of the global shipping sector towards more sustainability initiatives.



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Chairman's Statement



I would also like to thank our entire staff, both onshore and at sea, for everything they have contributed to our group in 2020: these efforts have helped us continue to serve our valued role as a Vital Link to World Trade.

Captain Xu Lirong
Chairman

After this extraordinary year, it is more important than ever that I begin by expressing, on behalf of the Board and the management of Orient Overseas (International) Limited (“OOIL”), my sincere thanks to all our shareholders and customers for their continuous support to our group. At the same time, I would also like to thank our entire staff, both onshore and at sea, for everything they have contributed to our group in 2020: these efforts have helped us continue to serve our valued role as a Vital Link to World Trade.

I am pleased to report that OOIL recorded a net profit attributable to shareholders for 2020 of US\$902.7 million (2019: US\$1,348.8 million, being an operating profit of US\$195.2 million and a one-off gain related to the sale of our interests in the Long Beach Container Terminal of US\$1,153.6 million).

It is proposed that a final dividend of US50.26 cents (HK\$3.920) per share and a special dividend of US86.6 cents (HK\$6.755) per share be paid for 2020 (2019: final dividend of US2.69 cents (HK\$0.210) and special dividend of US24.0 cents (HK\$1.872)).

Our impressive result for 2020, which includes the highest ever revenue, liftings and profit figures for our core container shipping and logistics business, was achieved in an unprecedented and extremely complicated context. We began 2020 with a relatively optimistic outlook, noting the first stage trade agreement between China and the United States, and the improving trend in the supply and demand balance in our sector. However, very soon, the global consequences of the outbreak of COVID-19 began to be felt. Following the initial spread of the virus across the world, market and customer forecasts suggested massive reductions in demand. While demand certainly did fall, it did not fall as dramatically or for as long as had been anticipated.

Since June, the situation for container shipping has been improving. Benefiting from effective epidemic prevention measures, China was among the first countries to re-activate production and re-open for business. In economies such as the United States and Europe by a combination of measures, including the encouragement of working from home and governmental subsidies, consumer demand also began to improve. In turn, demand for space on our various tradelanes increased dramatically, with efforts being made to put more capacity into service as quickly as possible, in order to meet the surprising levels of demand.

This relatively prompt restart, coupled with the beginning of a wave of unexpectedly strong demand that continued unabated throughout the year, led to more capacity being deployed on some routes in the Trans-Pacific Peak Season 2020 than during the same period in 2019.

Our teams had to manage not only sudden and severe swings in demand, but also tremendous operational challenges. Lockdowns in different terminals and at different points in the supply chain created chokepoints at key hubs. The industry faced additional difficulties with a shortage of workers due to social distancing measures. As more and more services were introduced, congestion and equipment availability became more and more problematic. All these elements went together to create operational delays, and a slowdown in the flow of the repositioning of container boxes, which then in turn created further obstacles.

In what was surely one of the most difficult global and operating contexts in living memory, it is a tribute to the professionalism and the *we take it personally* spirit of our staff that, as we fulfilled our commitments to our customers and strove to minimise disruption to the supply chain, we were able to produce these strong financial results.

Chairman's Statement

After this profitable year, our balance sheet is in even more robust health. Our net cash now stands at US\$253.2 million (2019: net debt of US\$1,132.3 million, after adjustment for the US\$1,001.3 million special dividend paid in February 2020), and our financial position remains one of the best in the industry. In this context, we are very well placed to continue our long-established pattern of stable and intelligent growth.

We placed orders for twelve 23,000 TEU vessels during 2020, which are scheduled to be delivered during 2023-2024. Not only will these modern, efficient vessels improve our cost structure and our services in the Asia-Europe trade, but they also serve as clear evidence of the entire group's continuing commitment to our very successful dual brand strategy.

We have continued to explore new ways of creating additional synergy from our position within the COSCO SHIPPING Group. Our teams continue to have success in identifying new forms of co-operation, and we believe that this will be a critical part of our success in the coming years.

Our group continues to advance its longstanding track record as a leader in technology and digital innovation. We launched our FreightSmart platform, which will provide instant quotation and booking. We inaugurated IQAX, a wholly-owned subsidiary, which will play a leading role in driving the digital transformation of the container shipping industry. In the early part of the year our Business Continuity Infrastructure was put to the test, as thousands of employees suddenly had to work from home due to COVID-19 lockdowns – thanks to the solid efforts of all colleagues, we passed this test with flying colours, and maintained business operations and high quality customer service.

Our logistics business, OOCL Logistics, in spite of COVID-related challenges earlier in the year, had a fruitful 2020. We strengthened our business in rail services between China and Europe, and our Air Freight Forwarding. Our warehousing and distribution activities increased, and we added new depot and warehousing capacity in Thailand and Vietnam. We believe that co-operation between our logistics business and our liner activities will help to drive our groupwide strategic growth plan for end-to-end services.

ESG has been at the heart of our business for many years. In terms of environmental matters, we have complied with the requirements of IMO 2020, and continue to be a leader in the use of green technology, including shore-based power alternatives. In terms of social responsibilities, the challenges in effecting crew changes were rightly a key focus during 2020, and remain so. Seafarers, through their efforts and sacrifices, have kept world trade flowing during 2020, and we all owe them a special debt of thanks. We will exert every effort to ensure the safety and wellbeing of our seafarers, and this includes going the extra mile to help them return home at the end of each assignment. We believe that we have been among the best performers in this regard, and, having signed the Neptune Declaration, we look forward to encouraging all parties to facilitate crew change, even during these challenging pandemic times.

Looking ahead, despite current strong markets, we must recognise that the full impact of COVID-19 may not be known for some time. By this, I mean not only the inevitable fluctuations of the freight rate markets and of the balance between shipping supply and global demand, but also that it remains to be seen how supply chains will evolve after the challenges of 2020. We seek to serve our customers with ever greater end-to-end services and improved digitalised interfaces. However, it also creates challenges and risks, which we will address intelligently and proactively.

Whatever happens, OOIL will adapt and be ready to serve its customers. We will continue to work tirelessly and diligently to be at the forefront of our industry, in technology, in environmental and social responsibility, in customer service, and in profitability and financial health. As part of the COSCO SHIPPING Group, a true global leader in container shipping and logistics, we have confidence that, under our Dual Brand strategy, we are well placed to drive forward the success of our industry, as a Vital Link to World Trade.

Captain Xu Lirong

Chairman

Hong Kong, China, 26th March 2021

Operations Review



The financial outcome for 2020 was exemplary, indeed the highest total revenue and highest net profit ever achieved by OOCL in its core business.



CONTAINER TRANSPORT

Even if the final results were impressively strong, the operating environment during 2020 was challenging, in very different ways at different stages of the year. The usual reasons behind movements in supply and demand would not be sufficient to explain these fast-changing operating conditions. In terms of impact upon our industry, it was the effect of responses from governments around the world to the spread of COVID-19 that were, by far, the main force behind the dramatic events of the year.

At the beginning of the year, as the global consequences of the outbreak of COVID-19 began to be felt, forecasts from all parts of the supply chain suggested massive reductions in anticipated levels of demand. Since June, the situation for container shipping has been improving. Benefiting from effective epidemic prevention measures, China was among the first countries to re-activate production and re-open for business. This relatively prompt restart, coupled with strengthening consumer spending in key import economies, drove a rapid return in demand. On the basis of these improvements and less pessimistic forecasts, we were able to provide additional network and extra capacity to serve our customers, to ensure smooth running of the global supply chain.

Adapting to the massive swings in demand and the need to maintain high levels of service has certainly been a challenge during the year. Our teams have managed this very well, despite the added complexities that emerged during the last months of 2020: port congestion, bad weather delays and shortages of container boxes in many key locations.

We continued to benefit from increased co-operation and synergy within COSCO SHIPPING Holdings, which helped us to handle the challenges of the year in the most professional and efficient manner. In this Dual Brand context, and despite the impact of the pandemic, we expanded our presence into new routes, servicing many emerging markets, not least Latin America, and building up our global coverage further.



Operations Review

Our group continued our long-standing practice of effective cost management, which indeed has been considerably enhanced by two full years of synergy benefits from the Dual Brand strategy.

It was widely expected that one of the major factors driving the performance of the industry in 2020 would be the impact of the introduction of the IMO 2020 regulations, which require vessels only to use fuel with a level of sulphur below 0.5%. In the end, this was not a significant issue, for two reasons. First, the price of oil fell significantly, especially after the spread of the pandemic, meaning that the price of all grades of refined products also fell materially. Second, although the price of IMO 2020 compliant fuel fluctuated between US\$200-US\$300 per ton above the price of the higher sulphur previous market standard fuel during the first few weeks of 2020, it very quickly dropped to be around only US\$50-US\$70 more expensive. Availability of compliant fuel was much better than expected, as was quality, which suggests that the shipping, bunkering and refining industries was better prepared than had been feared.

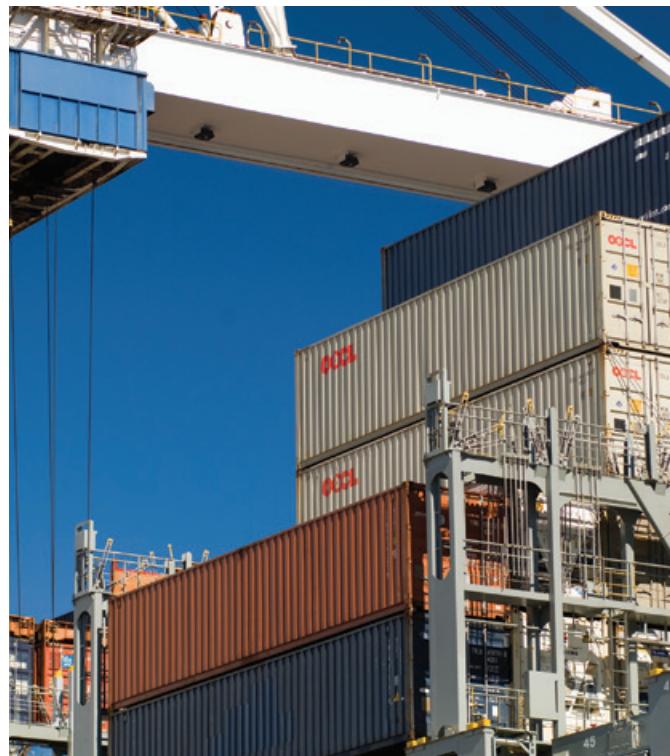


On the basis of an increase in liftings, an even higher increase in revenue levels as well as bunker cost reduction, the financial outcome for 2020 was exemplary, indeed the highest total revenue and highest net profit ever achieved by OOCL in its core business, and also a demonstration of the effectiveness of our Dual Brand strategy.

Nevertheless, there is no guarantee as to the outlook for the future. It remains to be seen how trade flows will be impacted as the world re-opens. It is unclear whether underlying economic strength will allow a swift return to normal, perhaps encouraged by government stimulus programmes, or whether there will be a negative impact on demand caused by the aftermath of economic lockdowns. There is also the possibility that importers may seek ways to shorten or at least diversify their supply chains. At all times, OOCL will continue to monitor developments closely.

For many years now, we have commented on the benefits of alliance membership. Our situation within the Ocean Alliance continues to provide us significant advantage, and ensures that we are able to offer a broad, high-quality service network to our customers. We have been members of the Ocean Alliance for four years, and look forward to attaining further benefit from our continued membership into a fifth year.

Notwithstanding the pandemic, our liftings were up 7.3% overall. This growth outpaced the volume growth seen in the market as a whole.



OOCL Liner	Growth in 2020		
	TEU	Revenue	Revenue/TEU
1Q20 v 1Q19	(0.4%)	5.5%	6.0%
2Q20 v 2Q19	(4.6%)	1.1%	5.9%
3Q20 v 3Q19	9.5%	16.3%	6.2%
4Q20 v 4Q19	23.7%	51.2%	22.2%
Total	7.3%	18.9%	10.8%

Trade	LIFTING ('000 TEU)			REVENUE (US\$ million)		
	2020	2019	Variance	2020	2019	Variance
Trans-Pacific	2,166	1,967	10.2%	3,001	2,513	19.4%
Asia/Europe	1,496	1,423	5.1%	1,535	1,233	24.5%
Trans-Atlantic	545	478	14.0%	597	593	0.6%
Intra-Asia/Australasia	3,255	3,086	5.5%	2,328	1,937	20.2%
Total	7,462	6,954	7.3%	7,461	6,276	18.9%

Trans-Pacific – After the shock effect of the initial spread of the pandemic, cargo demand from Asia to the US grew strongly throughout the rest of the year. OOCL saw an overall increase in liftings of 10.2%, with most of the growth occurring in Q4, when volumes grew by an impressive 28.9%. Revenue also increased tremendously on these routes, 19.4% year-on-year and 56.6% for Q4. This outcome reflects the underlying resilience of the US economy, and also some factors specific to COVID-19 and the events of 2020, such as a shift in volumes that might ordinarily have moved in H1 to H2, due to the pattern of lockdowns, and to consumer spending on goods rather than services.

Towards the end of the year, increasing congestion at the key hubs of Los Angeles/Long Beach, as well as inland bottlenecks hindering the flow of empty containers back to port and on to Asia presented operational challenges. These remain unresolved at the time of writing. OOCL's teams, in partnership with our Dual Brand colleagues within COSCO SHIPPING Lines, continue to work to minimise the impact of these difficulties on our customers.

At the beginning of 2020, we noted the agreement of the first phase trade deal between the US and China, and that uncertainties remained about how general trading regulations would evolve. This remains the case, but was not as significant a topic in 2020 as COVID-19. Nevertheless, the Trans-Pacific remains one of our key trades, and so we will continue to monitor developments closely, and will be ready to adapt to the evolving market situation.

Asia/Europe – The pattern for the Asia/Europe tradelanes was similar to what was seen on the Trans-Pacific routes, even if with a later rebound from the low points of the early Spring. Various forms of lockdown were imposed at different times in Europe, which led, together with an underlying economic performance that had not been as strong as in the US, to very pessimistic forecasts in the first half, and to a more delayed recovery. Nevertheless, by the end of 2020, Asia/Europe was performing extremely strong, in terms of both volumes and rates. While severe congestion in Felixstowe, Rotterdam and other key hubs presented operational challenges, OOCL and Dual Brand teams co-operated to keep cargo moving as smoothly as possible.

Liftings increased significantly. Volumes in Q4 were 17.6% higher than in the same period last year, with revenues being 56.5% higher. For the full year, volumes grew by 5.1%, while revenues grew by 24.5%. Market momentum continued to build during the last few weeks of the year, with positive sentiment prevailing at the start of 2021.

Following the agreement of a trade deal between the United Kingdom and the European Union, Brexit uncertainty appears, in substance, to have been eliminated as a risk factor for the container sector. We note moves by the United Kingdom to enter into free trade agreements with other countries around the world, and to seek admission into the Trans-Pacific Trade Agreement: if these intentions are realised, this could be positive for our industry.



Operations Review

Trans-Atlantic – The North American and European economies were both deeply affected by economic shutdowns that followed the initial spread of COVID-19. Unlike the Trans-Pacific and Asia-Europe routes, the Trans-Atlantic trade also had to cope with lockdowns occurring simultaneously at both ends of the tradelane. For the industry as a whole therefore, there was not as much growth in the second half as was seen on other tradelanes. OOCL, together with COSCO SHIPPING Lines as Dual Brand partner, intended to grow in the Trans-Atlantic routes during 2020, and managed to achieve this despite the unforeseeable events of the year. Q4 liftings grew by almost 23% as compared to the same period last year, whereas revenue grew by a more moderate 4.0%. For the full year, liftings grew by 14.0%, with revenue almost flat, increasing by 0.6%.

Intra-Asia/Australasia – In the early part of the year, some Intra-Asian tradelanes suffered more than others, due to the varying effects of COVID-related shutdowns. For example, China-Middle East and China-India-Pakistan routes were affected by the impact of strict lockdowns in some places, whereas Japanese routes felt the impact of the slowdown of the automotive industry there. As the year progressed, the improvements seen in the major East West routes also fed through to Intra-Asia routes, such that liftings (which had been down 5% for the first half) ended up increasing by 23.5% for Q4, and 5.5% for the full year (each figure being a year-on-year comparison). Revenue for the first half had managed to increase by 5.6%, but in Q4 increased by 55.1%, and for the full year showed growth of 20.2% (again, all figures are based on a year-on-year comparison).

Like most industry participants, we have worked hard to provide additional network and capacity to serve our customers where they do business, including in fast growing economies such as Vietnam. During this year, we had to pay especially close attention to where increased cargo flows were expected, after the dramatic drops seen earlier in the year, and at all times were ready to make the necessary service adjustments to satisfy customer demand. The Intra-Asia tradelanes are always highly dynamic, but this year especially so.

With a similar pattern to the East West tradelanes, our routes to Australia and New Zealand did see some slowdown in the first half of the year, which was then countered by a remarkably strong and enduring recovery. Notwithstanding labour shortages and equipment flow issues due to lockdowns, and despite bad weather and severe terminal congestion, business levels became very strong in terms of both volumes and rates in the last few months of the year.

MAJOR CUSTOMERS AND SUPPLIERS

Approximately 6.6% and 16.6% of the Group's total expenditure on purchases of goods and services for the year are attributable to the largest supplier and five largest suppliers respectively.

Approximately 1.7% and 6.5% of the Group's total reported revenues for the year are attributable to the largest customer and five largest customers respectively.

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

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

SHIP OPERATIONS

As at 31st December, 2020, the OOCL fleet composition was as follows:

Fleet	No. of Vessels	TEU Capacity
Owned /		
Long Term Lease	71	595,330
Short Term Lease	48	239,777
Chartered Out	(6)	(53,328)
Operating Capacity	113	781,779

No new building vessels were delivered in 2020.





As part of the Group's long-term strategic development and growth plan, we placed two orders in 2020, for a total of twelve 23,000 TEU class vessels with Nantong COSCO KHI Ship Engineering Co., Ltd. and Dalian COSCO KHI Ship Engineering CO., Ltd. in China. The delivery of these vessels is expected to begin from the year 2023.

The order of twelve mega-sized vessels will not only help optimise our fleet structure and capacity, but also achieve better economies of scale and improve operational efficiency, which thereby enhances our overall competitiveness in the market.

As of the end of 2020, the average age of OOCL's self-owned vessels is 10.77 years, and the average size is 8,915 TEU.

Bunker Cost/Saving

There has been a period of large fluctuation of fuel prices in the year 2020, especially in the first half of the year.

After the International Maritime Organization's (IMO) Low Sulphur Cap 2020 regulation was effective on 1st January, 2020, bunker prices rose to more than US\$ 600/ton. However, with the global outbreak of COVID-19 in late January, the Fuel oil and Diesel prices dropped sharply, reaching the lowest point in April. Prices became more moderate and stable through May and from June to the end of the year, the price of Fuel oil ranged from US\$320 to US\$400, and Diesel oil ranged from US\$370 to US\$440.

We have been very persistent in focusing intensely on bunker and engine lubricating oil saving programs throughout the year. These programs include: maintaining optimal routing for the fleet, vessel speed optimisation, efficient use of shaft generators, as well as achieving minimum ballast and optimal trim.

In 2020, five OOCL vessels, namely the '*OOCL Guangzhou*', '*OOCL Jakarta*', '*OOCL London*', '*OOCL Luxembourg*' and '*OOCL Savannah*' were fitted with scrubber technology. Therefore, in addition to the scrubber installed on '*OOCL Singapore*' during 2019, a total of six vessels in our fleet have the option of using High Sulphur fuel oil.

To ensure our bunker and related saving objectives can be achieved, the excellent effort, teamwork, and the close coordination and collaboration by all the concerned parties, both on-shore and off-shore, have been key to the success of the bunker saving program.



Operations Review

Environmental Protection

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

In 2020, all our vessels complied with the IMO 2020 regulatory requirement by either using cleaner fuel (0.5% sulphur content or less) or scrubber technology.

Apart from the use of Alternative Maritime Power (AMP) systems that allows shore-based power alternatives, our vessels are also installed with Ballast Water Treatment Systems (BWTS) to comply with the IMO and United States Coast Guard regulations. Both AMP and BWTS are effective green technologies we use to improve air and water quality in the environment.

Vessels installed with BWTS also provides more flexibility in fleet deployment plans.

In addition to regulatory compliance, we have been participating in various environmental initiatives, including the Green Flag Program at the Port of Long Beach, as well as Vessel Speed Reduction Programs at the Port of Los Angeles, Taiwan International Commercial Port Area and Major Korean Ports Areas. Furthermore, we have also been fully compliant to the California and New Zealand Biofouling regulations, meeting the Right Whale Protection requirements in US East Coast, and voluntarily participated in the Port of Vancouver Echo Program Lateral Displacement Trial to reduce the impact of underwater noise on whales.



LOGISTICS

In 2020, OOCL Logistics achieved healthy business and revenue growth across the board, including our 4th Party Logistics, Air Freight Forwarding and Domestic Warehousing & Distribution units. We continued with our agenda to strengthen our air freight forwarding and rail services between China, Russia and Europe as our customers look for multiple transport modes in handling their supply chains. In November, we signed a strategic cooperation agreement with Xi'an International Inland Port Multimodal Transportation Corporation at the third annual China International Import Expo (CIIE) in Shanghai to further our commitment to providing more competitive rail services to our customers.

Year 2020 was also a year of expansion for OOCL Logistics with a new depot and warehouse being opened in Thailand and Vietnam respectively, the addition of new agency appointments to expand our business network, and the establishment of a Regional Service Hub soon to be operational in South America.

During the global health crisis, OOCL Logistics acted on our social responsibilities by taking part in numerous initiatives to ensure medical supplies, food and daily necessities were delivered accordingly. In our effort to keep cargo and supply chains moving amidst the disruptions caused by the pandemic, we received many compliments and recognition from our stakeholders on our outstanding performance and commitment to going the extra mile in meeting the needs of our customers and community.



INFORMATION TECHNOLOGY

In response to the COVID-19 pandemic in 2020, an effective Business Continuity IT infrastructure was set up to enable employees located around the world to work from home, and to continue with business operations and provide high-quality customer service. This included our successful implementation and global adoption of Microsoft Teams, a next generation digital collaboration workspace, which has proven to be a very effective digital platform in providing the business agility and efficiency we needed under the COVID-19 situation.

To further improve on cost efficiency and to provide full visibility of our traffic network utilization situation, we continued to strengthen our capability in the use of Artificial Intelligence (“AI”) technologies to explore the dynamics in the supply and demand of our containers under various business scenarios.

In terms of our e-Commerce strategy, our new “FreightSmart” online platform was implemented to provide instant rate quotation and booking confirmation, space and container availability protection, as well as online payment support as a one-stop service for customers. FreightSmart is an important milestone in our digital transformation journey and we believe its benefits extend our ability to improve business relationships with our customers.

Equipment maintenance and repair is an important part of our business because the equipment condition and life cycles have direct impact on our equipment supply, operations, and service quality. As such, OOCL has been conducting research in developing new and intelligent equipment management capabilities in order to minimise container idling times while maximising their utilisation. This capability can also increase the operational efficiency of depots and terminals in handling equipment maintenance and repair, thereby bringing benefits to the whole equipment flow process.



The end-to-end shipment operation in the liner business is very complex and involves many stakeholders along the lengthy shipment cycle from the origin to destination. To address these challenges, our “Nerve Center” solution was launched with a vision to effectively identify and monitor for any significant shipment issues by leveraging analytics and simulation. This solution also enhances cross-regional and departmental collaboration so that preventive or recovery actions can be taken in a timely and proactive manner to ensure quality service to customers. It covers all the customer shipment touch points along the shipment cycle, including cargo booking, bill of lading documentation, outbound and inbound cargo delivery process as well as invoice and payment details.

IQAX, a wholly-owned global technology company of the Group, was officially inaugurated to spearhead shipping digitalisation and create a harmonised global trade environment. IQAX is an important milestone and the Group’s latest initiative in driving digital transformation in the shipping industry through close collaboration with all major stakeholders in the global supply chain. The company will serve as a trusted adviser to foster digital collaboration amongst industry partners, such as shippers, freight forwarders, carriers, terminals and financial institutions, to deliver effective, secure and reliable solutions for the industry.



PROPERTY

Based on an independent valuation as at 31st December 2020, Wall Street Plaza was valued downwards by US\$30.0 million, reflecting an assessed market value of US\$280.0 million. Taking into consideration of US\$0.5 million capital expenditures on the building in 2020, the fair value loss for 2020 has come to US\$30.5 million. As at 31st December 2019, Wall Street Plaza was valued at US\$310.0 million.

Corporate Responsibility



The Group is dedicated to promoting sustainable business practices in the supply chain. Our Corporate Sustainable Procurement Policy has been implemented in every aspect of our business and at every stage of the supply chain.





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

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

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

In addition, the OOCL Carbon Calculator is designed to assist OOCL customers measure CO₂ emissions in their supply chains. The scope of the calculator spans across vessels, trucks, feeders, and rail with over 70,000 port pairs recorded. OOCL spearheaded the project in 2010, partnering with the Department of Logistics and Maritime Studies of the Hong Kong Polytechnic University. The Calculator has been checked and verified for its methodology, accuracy and carbon footprint calculations by The American Bureau of Shipping (ABS) Consulting.

Corporate Responsibility

OUR ENVIRONMENTAL INITIATIVES

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

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

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

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

Ballast Water Management Program – All container ships discharge ballast water, which can contain organisms that may be harmful to other environments. We have a policy of exchanging ballast water only in the open sea (200 nautical miles away from the nearest coastline) to achieve zero ballast water exchange when berthed at the port. OOCL's new buildings are already equipped with an IMO approved Ballast Water Treatment System to effectively treat ballast water before discharging.



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

"Excellence Level" Wastewi\$e Certificate – OOCL also received environmental recognition for our participation and performance in the Wastewi\$e Certificate under the Hong Kong Green Organisation Certification (HKGOC). In order to be granted with the "Excellence Level" Wastewi\$e Certificate, participants must successfully implement all applicable Mandatory Measures and at least 80% of all non-Mandatory Measures of the four categories. The four categories of measures include Guidelines/Action Plan/Training, Waste Avoidance, Recycling and Green Procurement.

Stop Shipping Shark, Whale, Dolphin, Their Related Products and Hunting Trophies – OOCL is committed to our policy that bookings for whale, shark, dolphin, and their related products will not be accepted. Starting from September 2020, OOCL has also ceased to ship hunting trophies. These policies show our commitment in supporting the global effort to curb the trade of at-risk, endangered and protected species.

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



Environmental Data Verification – OOCL has been taking a leadership role in building our Environmental, Social and Governance (ESG) profile to tackle a wider spectrum of environmental challenges we face across the industry. Verified by Lloyd's Register Quality Assurance (LRQA), OOCL adopted the internationally recognised and accepted Clean Cargo Working Group (CCWG) verification standard to check for the carbon dioxide and sulphur oxides emissions of OOCL vessels with high accuracy and transparency. In addition to our work related to vessel emissions, OOCL achieved a limited level of assurance by LRQA for the data published in the Sustainability Report 2019 using the Global Reporting Initiative (GRI) principles. Upon verification, no material issue regarding the stakeholder inclusivity, materiality, responsiveness and reliability was identified in the environmental, social responsibility and health & safety data for the Sustainability Report 2019.

OOCL Honoured with Fuel Efficiency Award – On 23rd June 2020, OOCL proudly received the Fuel Efficiency Award at the Seatrade Maritime Awards Asia 2020 for its achievement in fuel savings and efficiency improvements. This annual industry event pays tribute to companies with remarkable achievements in various aspects of Asia's maritime industry. This year, the award winners were announced and virtually participated in the event via an online celebration.

OOCL Receives Gold Award from the Hong Kong Awards for Environmental Excellence for the Fourth Time – OOCL once again received the gold trophy in the 2019 Hong Kong Awards for Environmental Excellence (HKAAE) presentation via an online broadcast on 3rd July 2020. This is the fourth time that OOCL received this top honour in the Transport and Logistics sector category. As one of the most coveted environmental awards in Hong Kong, the HKAAE recognises businesses and organisations that showcase leadership in environmental excellence and outstanding achievements. The awards program also fosters benchmarking of companies' green management within their respective sectors and encourage companies to reach higher in their environmental performance and green innovations.



OOCL Wins Corporate Environmental Leadership Gold Award for the Second Time – OOCL once again received the Gold Award in the service industry sector at the 2019 BOCHK Corporate Environmental Leadership Awards ceremony on 5th October 2020. This prestigious awards program recognises OOCL's continuous commitment to promoting environmental and low-carbon best practices in the service industry sector in Hong Kong and the Pan Pearl River Delta region.

Enhancing Cetacean Habitat and Observation (ECHO) Program – OOCL participated in the Enhancing Cetacean Habitat and Observation (ECHO) Program between 1st of June 2020 the 31st of October 2020 to study how to reduce the cumulative effects of shipping on at-risk whales throughout the southern coast of British Columbia in Canada. During the 20 weeks period of this Program, 83% of our vessels voluntarily sailed at slower speeds in the research region. OOCL's commitment and contribution to this Program was an important part of our sustainability work in addressing the "SDG 14: Life Below Water" component of marine life protection and conservation.

Our Vessels – The best way to reduce harmful emissions in the shipping industry is to reduce the consumption of fuel. For well over a decade OOCL implemented a fuel saving program including weather routing systems, slow steaming (addition of extra vessels on service loops and travelling at slower speeds), minimising ballast water to help achieve a lighter vessel load, and achieving better trim of ship draughts by good stowage, thereby burning less fuel. By taking these measures, we have reduced our CO₂ emissions by more than 55% since 2004. In addition to reducing our emissions, we are able to help our customers achieve a lower carbon footprint in their supply chains.

Since 2000, all our vessels have been installed with environment-friendly NO_x-controlled propulsive engines while advanced slide fuel injection valves are adopted to help reduce NO_x emissions by 30%. All our new buildings since 2011 are also equipped with Alternative Maritime Power (AMP) Systems, also known as "Cold Ironing", which allows the vessel to use shore supplied electricity instead of burning fuel when at berth. OOCL is fully compliant to the EU, North America and IMO mandated requirements of using 0.1% or lower sulphur content fuel in all SO_x Emission Control Areas (SECA). We are also compliant to the requirements of using 0.1% sulphur content fuel when our vessels are berthed at designated EU ports. We also ensure that the sulphur content of our fuel is well below the IMO prescribed standard of 0.5% when our vessels sail in the high seas. In 2020, OOCL achieved an average sulphur content of 0.47%.

Corporate Responsibility

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

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

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

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



SECURITY

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

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

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



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

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

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

COMMUNITY AND EDUCATION

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

OOCL employees across the world are encouraged to give something back to the communities in which they live through charitable activities such as fundraising and volunteering by dedicating their time and efforts to help others in need. Some of the areas where the charity donations were made by the Group and its employees include: education, social services, orphanages, elderly homes, schools, children’s hospitals, cancer research, multiple sclerosis, and diabetes research. In addition to financial donations, the Group also contributes in kind.

Up to 31st December 2020, a total of fifty OOCL vessels participated in the Hong Kong Voluntary Observing Ship (HKVOS) program organised by the Hong Kong Observatory (HKO). The program aims to gather important marine climatology data to identify prevailing weather conditions for preparing forecasts and warnings to the maritime community.

To recognise our outstanding efforts to help improve maritime safety in 2019, the HKO presented the “Diamond Award” to our vessel *OOCL Canada*, two “Platinum Award” to vessel *OOCL Charleston* and *OOCL Tokyo*, and also four “Gold Award” to vessels *OOCL Australia*, *OOCL Beijing*, *OOCL Chongqing* and *OOCL Memphis* on 4th December 2020 via video conferencing. In addition, two OOCL vessels, namely *OOCL Busan* and *OOCL Jakarta* had been presented the certificate of appreciation for their assistance in deploying five drifting buoys in the western North Pacific and the South China Sea in 2019 to enhance ocean observation during the typhoon season.



Corporate Responsibility

KEY RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

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

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

It is the Group’s policy to maintain a diversified customer base across all geographical regions and trade lanes. A Key Risk Indicator (KRI) of customer concentration was developed in the year 2017 and is included in the functional risk dashboards for the Group’s liner and logistics businesses which are being monitored on a quarterly basis. Different tolerance limits for the KRI are set for regions, trades and the organisation as a whole. As at the end of 2020, OOCL had approximately 28,589 active customers and the customer concentration was at an acceptable level.



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

In 2017, the Group developed supplier management KRIs to monitor supplier concentration in different regions and poor supplier services. Cases of supplier service failure were shared among employees to alert them to the importance of communicating our expectations to the suppliers and taking the right remedial mitigating actions. As at the end of 2020, OOCL had approximately 20,856 active suppliers and the supplier concentration was at an acceptable level.



EMPLOYEE INFORMATION

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

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

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

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

As at 31st December 2020, the Group had 10,552 full-time employees. Their salary and benefit levels are maintained at competitive levels. Employees are rewarded on a performance related basis within the general policy and framework of the Group's salary and bonus schemes which are regularly reviewed. Other benefits including medical insurance and pension funds are also provided, and social and recreational activities are organised around the world.

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

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



Financial Review

Revenue for 2020 was US\$1,312.6 million better than that of 2019, representing an increase of 19%.



Analysis of Consolidated Profit and Loss Account

Summary of Group Results

US\$'000	2020	2019	Change	Favourable/ (unfavourable)
				%
Operating revenue by activity:				
Container Transport and Logistics	8,164,201	6,851,974	1,312,227	19%
Other Activities	27,103	26,766	337	1%
Group operating revenue	8,191,304	6,878,740	1,312,564	19%
Operating profit/(loss) by activity:				
Container Transport and Logistics	992,628	279,281	713,347	255%
Other Activities	(441)	82,000	(82,441)	N/M
Group operating profit	992,187	361,281	630,906	175%
Finance costs	(91,312)	(151,599)	60,287	40%
Share of profits of joint ventures and associated companies	12,799	14,144	(1,345)	(10%)
Profit before taxation	913,674	223,826	689,848	308%
Taxation	(10,656)	(69,839)	59,183	85%
Profit for the year from continuing operations	903,018	153,987	749,031	486%
Profit from discontinued operation (excluding profit on disposal of LBCT)	–	41,172	(41,172)	N/M
Profit from operations	903,018	195,159	707,859	363%
Profit on disposal of LBCT	–	1,153,634	(1,153,634)	N/M
Profit for the year	903,018	1,348,793	(445,775)	(33%)

Revenue for 2020 was US\$1,312.6 million better than that of 2019, representing an increase of 19%. This increase in revenue is attributed to an increase in both higher freight rates and liftings for the core Container Transport and Logistics business. Other revenue, amounting to less than 1% of the Group's revenue for both 2020 and 2019, represented rental income from the Group's investment property, Wall Street Plaza, in New York.

Financial Review

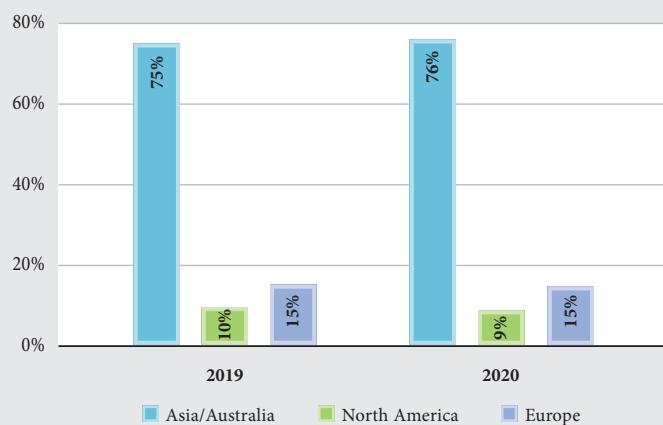
Container Transport and Logistics

Summary of Operating Results

US\$'000	2020	2019	Change	Favourable/ (unfavourable) %
Liftings (TEUs)	7,461,941	6,954,142	507,799	7%
Revenue per TEU (US\$)	1,000	902	98	11%
Operating revenue by location from continuing operations:				
Asia/Australia	6,224,940	5,120,052	1,104,888	22%
North America	725,889	688,217	37,672	5%
Europe	1,213,372	1,043,705	169,667	16%
Operating revenue from continuing operations	8,164,201	6,851,974	1,312,227	19%
Operating costs by items from continuing operations:				
Cargo costs	(3,754,943)	(3,270,251)	(484,692)	(15%)
Bunker costs	(712,878)	(839,115)	126,237	15%
Vessel and voyage costs (excluding Bunker)	(1,332,368)	(1,207,429)	(124,939)	(10%)
Equipment and repositioning costs	(785,225)	(736,833)	(48,392)	(7%)
Operating costs from continuing operations	(6,585,414)	(6,053,628)	(531,786)	(9%)
Gross profit	1,578,787	798,346	780,441	98%
Business and administrative expenses	(636,093)	(556,993)	(79,100)	(14%)
Others	49,934	37,928	12,006	32%
Operating profit from continuing operations	992,628	279,281	713,347	255%

The Container Transport and Logistics business trades under the “OOCL” name and represents the principal revenue contributor to the Group, accounting for over 99% of the Group’s revenue in 2020. Container Transport and Logistics will continue to be the core business of the Group in which the majority of the Group’s operating assets will be deployed.

Operating Revenue of Container Transport and Logistics



Asia/Australia

Overall revenue from the Asia/Australia area increased by 22% from US\$5,120.1 million in 2019 to US\$6,224.9 million in 2020. Liftings improved by 6% and as a result, revenue per TEU is improved by 17%.

The revenues of the Trans-Pacific eastbound services increased by 25%. With a 6% increase in liftings, the revenue per TEU increased by 18%. The westbound legs of the Asia/Northern Europe services recorded a 27% growth in revenues, 7% growth in volumes which meant a 19% growth in freight rates. Intra-Asia achieved a 13% increase in revenues rise with a 2% increase in liftings, resulting in a 10% increase in rates. Revenues of the Australia and New Zealand services increased by 25%, volumes improved by 7% and a 18% increase in rates.

North America

Overall revenue in 2020 increased by 5% when compared to 2019. There was an increase of 18% in liftings and a 10% drop in freight rates on overall level.

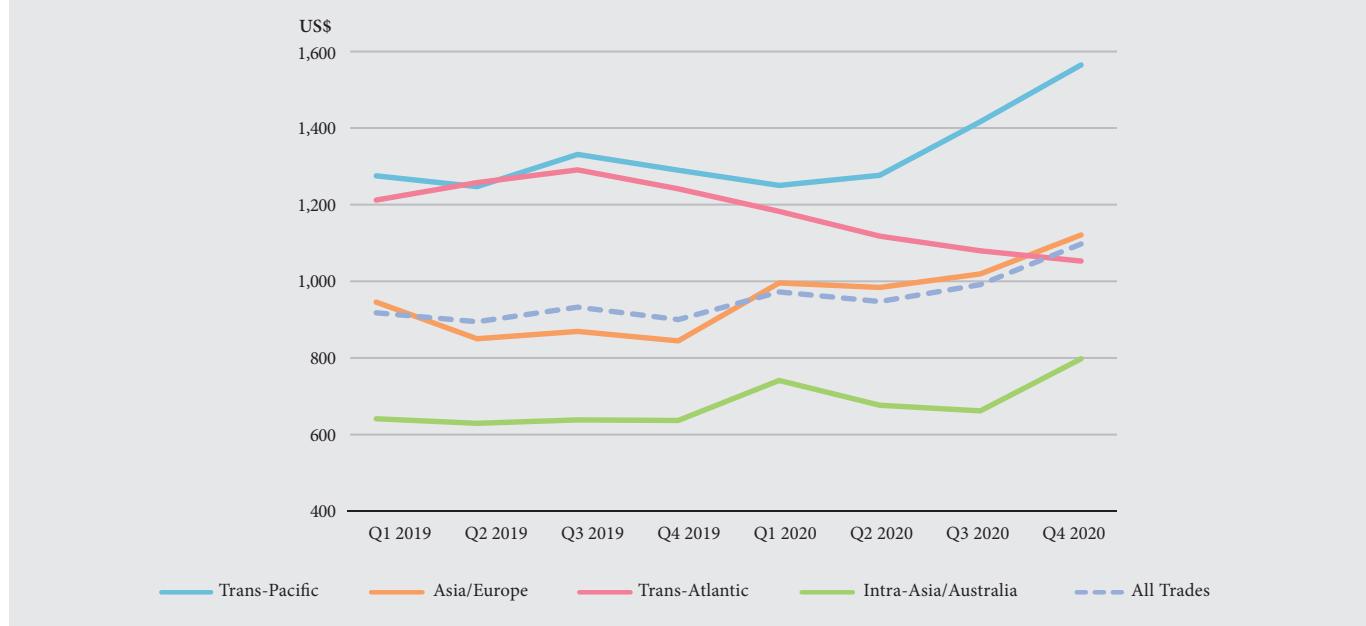
Westbound liftings of the North America West Coast/Asia service and the US East Coast/Asia service via the Panama Canal increased by 17% compared with last year. Revenues rose by 4%, and so there was a 11% drop in freight rates. The eastbound Canada/Northern Europe and US East Coast/Northern Europe services recorded a slight 2% increase in volumes, but revenues dropped by 12%.

Europe

Overall revenue for this area was up by 16%, with overall liftings increased by 8% and the average revenue per TEU being 9% higher than last year. The eastbound leg of the Northern Europe/Asia services recorded a 37% increase in revenue compared to 2019, with liftings increased by 4% and freight rates increased by 31%. The westbound trades of the Trans-Atlantic routes showed a 2% increase in revenue, and liftings increased by 15%. Intra-Europe market liftings grew by 4% and managed to have a 2% growth in revenue.

Financial Review

Revenue per TEU by Services



Operating Costs

The principal operating costs of the container transport business, including cargo costs, vessel costs, voyage costs, equipment and repositioning costs, increased from 2019 mainly as a result of higher liftings and the surge in cargo, vessel, voyage, equipment and repositioning costs.

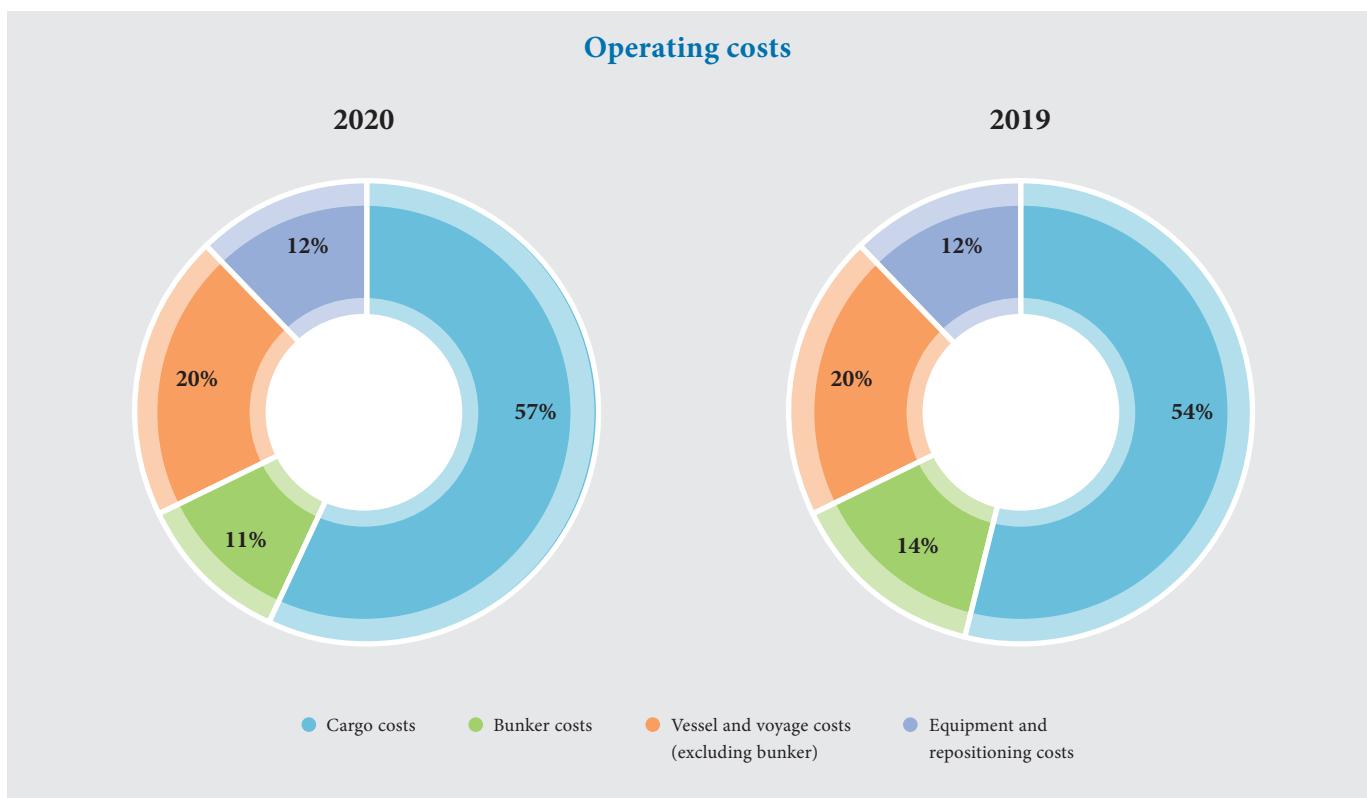
Cargo costs mainly consist of terminal charges, inland transportation costs, commission and brokerage, cargo assessment and freight tax, all of which are largely paid in the local currencies of the areas in which the activities take place. Cargo cost increased by 15% against 2019 level. In addition to business volume growth, the increase was mainly due to provision made for the commitment in relation to a long-term terminal service agreement in 2020.

Voyage costs comprise mainly bunker costs, port charges, canal dues, cargo claims and insurance. Bunker costs decreased from an average of US\$442 per ton in 2019 to an average of US\$378 per ton in 2020, resulting in a decrease in bunker costs by 15% for the year.

Vessel costs include the operating costs and depreciation charges relating to the OOCL fleet as well as the charter hire and slot hire expenses incurred in order to maintain the scheduled service levels. The total operating capacity (excluding chartered-out vessels) grew from 733,580 TEU as at the end of 2019 to 781,779 TEU at the year end in 2020 as the total number of vessels operated by OOCL, both owned and chartered-in, increased from 104 to 113.

During 2020, the increase in vessel and voyage costs was mainly due to the increase in charter hire and slot hire expenses to cope with the volume growth and for the expansion of services. As a result, total vessel and voyage costs, other than bunker costs, for 2020 increased by 10% as compared with 2019.

Equipment costs mainly represent maintenance and repair costs, rental payments, depot expenses and depreciation charges relating to the fleet of containers equipment, while repositioning costs arise mainly from the relocation of empty containers from areas of low activity to high demand regions. The total equipment and repositioning costs increased by 7%, mainly due to the increase in equipment rental and depreciation expenses as a result of the increase in container fleet size to cope with higher liftings and the expansion of services.



Business and Administrative Expenses

Business and administrative expenses largely comprise staff costs, office expenses, selling and marketing costs, professional and information system expenses. Business and administrative expenses increased by US\$79.1 million, or 14% when compared with 2019 which was mainly attributable to the increase in staff cost.

Others

Others comprising principally net foreign exchange differences, net gain or loss on the disposal of assets, interest income from banks, net impairment losses on financial assets and other non-operating gains/losses. Net income for 2020 increased by US\$12.0 million when compared with 2019 mainly due to increase in interest income from banks and exchange gain.

Financial Review

Other Activities

Summary of Operating Results

US\$'000	2020	2019	Change	Favourable/ (unfavourable)
				%
Rental income	27,103	26,766	337	1%
Operating costs	(16,707)	(15,573)	(1,134)	(7%)
Gross profit	10,396	11,193	(797)	(7%)
Investment income	12,258	40,959	(28,701)	(70%)
Interest income	13,057	26,838	(13,781)	(51%)
Income from investment in Hui Xian	2,672	9,143	(6,471)	(71%)
Fair value loss on investment property	(30,492)	(703)	(29,789)	(4237%)
Others	(8,332)	(5,430)	(2,902)	(53%)
Operating (loss)/profit	(441)	82,000	(82,441)	N/M

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

The operating profit from Other Activities for 2020 was US\$82.4 million lower than that of 2019 mainly as a result of reduction in investment income, interest income and fair value loss on investment property.

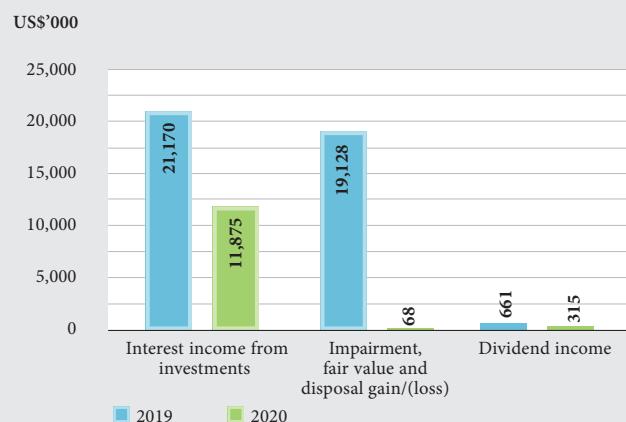
Rental Income

Rental income from Wall Street Plaza was US\$0.3 million higher than that of last year, with an occupancy rate of 83% as at the end of 2020.

Investment Income

Investment activities recorded a profit of US\$12.3 million for the year compared with US\$41.0 million in 2019. Interest income from bond investments amounted to US\$11.9 million for 2020 which was US\$9.3 million lower than last year. Fair value gain of US\$0.1 million was recorded in 2020 as compared with a net gain of US\$16.9 million for 2019.

Investment Income By Activities



Interest Income

Interest income in 2020 was US\$13.8 million less than that of 2019 as a result of decreasing interest rates.

Income from Investment in Hui Xian

Hui Xian Holdings Ltd declared and paid cash dividends in 2020, of which the Group shared a total of US\$7.9 million. The Group also received US\$0.5 million distribution from its holdings of Hui Xian REIT to add up a total of US\$8.4 million income from investment in Hui Xian. In 2019, US\$7.9 million cash dividends from Hui Xian Holdings Ltd and a US\$1.1 million distribution from Hui Xian REIT were received. In addition, fair value loss on investment in Hui Xian REIT accounted for the drop in income from investment in Hui Xian in 2020.

Fair Value Loss on Investment Property

As at 31st December 2020, the Group's investment property, Wall Street Plaza, was valued at US\$280.0 million by an independent valuer, down from the US\$310.0 million as at 31 December 2019. Taking into consideration of the US\$0.5 million capital outlays, the net loss in fair value for 2020 was therefore US\$30.5 million. In 2019, the property recorded no valuation change.

Others

Other items include business and administration expenses for property management, exchange differences and other miscellaneous items.

Finance Costs

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

Finance costs decreased by US\$60.3 million as compared with 2019, mainly due to the decrease in long-term borrowings and interest rate.

Share of Profits of Joint Ventures and Associated Companies

Share of profits of joint ventures and associated companies mainly represents the Group's investments in a 20% stake in two terminals in Tianjin and Ningbo. Other investments include investments in depot, agency and supply chain management company. The share of US\$12.8 million profit from joint ventures and associated companies in 2020 was US\$1.3 million less than that of 2019.

Profit before Taxation

Pre-tax profit for the year was US\$913.7 million compared with last year of US\$223.8 million. There was US\$713.3 million increase in operating profit by the Container Transport and Logistics segment whereas the Other Activities segment recorded operating loss of US\$0.4 million. The increase in earnings in The Container Transport and Logistics segment coupled with the decrease in finance costs offset the loss in Other Activities, resulting in the significant increase in the Group's earnings in 2020.

Earnings before Interest and Tax

EBIT increased from US\$452.3 million in 2019 to US\$1,005.0 million in 2020 and EBIT margin improved from 6.5% in 2019 to 12.3% in 2020. The improvement in freight rates and decreased bunker costs, coupled with the lifting growth helped offsetting the negative impact from rising cargo, vessel and voyage costs, leading to increased profitability for the Group in 2020.

Financial Review

Capital Expenditure

US\$'000	2020	2019	Change	Increase/ (decrease)
				%
Container vessels and capitalised dry-docking costs	34,766	24,590	10,176	41%
Assets under construction	189,297	–	189,297	N/M
Containers and chassis	172,259	216,469	(44,210)	(20%)
Terminal equipment and improvement	–	17,157	(17,157)	N/M
Terminal leases	–	582	(582)	N/M
Land and buildings	35,752	59,254	(23,502)	(40%)
Computer software	9,466	21,831	(12,365)	(57%)
Investment property	492	703	(211)	(30%)
Others	59,894	46,606	13,288	29%
	501,926	387,192	114,734	30%

Capital expenditure increased from US\$387.2 million in 2019 to US\$501.9 million in 2020, mainly due to the increase in assets under construction for the construction of twelve units of 23,000 TEU container vessels.

Vessels

On 10th March 2020, the Group entered into contracts to construct five units of 23,000 TEU container vessels at a consideration of US\$778.4 million. Further on 30th October 2020, the Group entered into contracts to construct another seven units of 23,000 TEU container vessels for an aggregate consideration of US\$1,103.88 million. The vessels are expected to be delivered from 2023.

Review of Consolidated Balance Sheet

Summary of Consolidated Balance Sheet

US\$'000	2020	2019	Change	Increase/ (decrease) %
Property, plant and equipment	3,744,666	3,162,424	582,242	18%
Right-of-use assets	2,303,265	2,830,674	(527,409)	(19%)
Investment property	280,000	310,000	(30,000)	(10%)
Joint ventures and associated companies	154,835	147,828	7,007	5%
Intangible assets	18,856	30,824	(11,968)	(39%)
Liquid assets	3,323,013	2,858,824	464,189	16%
Cash and bank balances set aside for special dividend payment	–	1,001,269	(1,001,269)	N/M
Accounts receivable and other assets	792,319	805,568	(13,249)	(2%)
Other non-current assets	27,599	54,454	(26,855)	(49%)
TOTAL ASSETS	10,644,553	11,201,865	(557,312)	(5%)
Accounts payable and other liabilities	(1,387,711)	(1,072,605)	(315,106)	29%
Dividend payable	–	(1,001,269)	1,001,269	N/M
Current taxation	(37,392)	(47,522)	10,130	(21%)
TOTAL ASSETS LESS TRADING LIABILITIES	9,219,450	9,080,469	138,981	2%
Long-term borrowings	820,325	1,033,141	(212,816)	(21%)
Current portion of long-term borrowings	213,270	394,996	(181,726)	(46%)
Lease liabilities	2,036,248	2,562,952	(526,704)	(21%)
Total debt	3,069,843	3,991,089	(921,246)	(23%)
Deferred liabilities	507,113	161,973	345,140	213%
Non-controlling interests	380	–	380	N/M
Ordinary shareholders' equity	5,642,114	4,927,407	714,707	15%
CAPITAL EMPLOYED	9,219,450	9,080,469	138,981	2%
Debt to equity ratio	0.54	0.81		
Net (cash)/debt to equity ratio	(0.04)	0.23		
Accounts payable as a % of revenue	16.94	15.59		
Accounts receivable as a % of revenue	8.32	9.71		
% return on average ordinary shareholders' equity	17.08	27.92		
% return on average ordinary shareholders' equity (excluding profit on disposal of LBCT)	17.08	4.04		
Net asset value per ordinary share (US\$)	9.02	7.87		
Liquid assets per ordinary share (US\$)	5.31	4.57		
Share price at 31st December (US\$)	9.94	4.85		
Price to book ratio based on share price at 31st December	1.10	0.62		

Financial Review

Property, Plant and Equipment and Right-of-Use Assets

US\$'000	2020	2019	Change	Increase/ (decrease)
				%
Container vessels and capitalised dry-docking costs	3,906,583	4,129,481	(222,898)	(5%)
Containers and chassis	1,655,383	1,587,991	67,392	4%
Terminal equipment and improvement	18,347	23,432	(5,085)	(22%)
Terminal leases	15,082	18,708	(3,626)	(19%)
Land and buildings	159,876	161,161	(1,285)	(1%)
Assets under construction	189,297	–	189,297	N/M
Others	103,363	72,325	31,038	43%
	6,047,931	5,993,098	54,833	1%

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

The increase in property, plant and equipment and right-of-use assets in 2020 was mainly due to the addition of assets under construction for the construction of twelve units of 23,000 TEU container vessels.

Investment Property

Investment property represents the Group's commercial building, Wall Street Plaza, in New York. The building was valued at US\$280.0 million as at the end of 2020 by an independent valuer (2019: US\$310.0 million).

Joint Ventures and Associated Companies

US\$'000	2020	2019	Change	Increase/ (decrease)
				%
Joint ventures	9,848	10,163	(315)	(3%)
Associated companies	144,987	137,665	7,322	5%
	154,835	147,828	7,007	5%

The decrease in the investment value in joint ventures is due to one of the joint ventures became the Group's subsidiary during the year and the increase in associated companies for 2020 was mainly a result of the appreciation of Renminbi.

Liquid Assets

US\$'000	2020	2019	Change	Increase/ (decrease)
				%
Container Transport and Logistics	2,079,581	2,652,851	(573,270)	(22%)
Other Activities	8,868	18,245	(9,377)	(51%)
Cash and portfolio funds	1,087,152	997,691	89,461	9%
Investments at amortised cost	147,412	191,306	(43,894)	(23%)
Less: cash and bank balances set aside for special dividend payment	–	(1,001,269)	1,001,269	N/M
Total liquid assets	3,323,013	2,858,824	464,189	16%

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

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

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

The Group's total liquid assets at the end of 2019 and 2020 are further analysed as follows:

US\$'000	2020	2019	Change	Increase/ (decrease)
				%
Cash and bank balances	3,072,795	3,455,570	(382,775)	(11%)
Restricted bank balances	2,246	60,294	(58,048)	(96%)
Portfolio investments	100,560	152,923	(52,363)	(34%)
Investments at amortised cost	147,412	191,306	(43,894)	(23%)
Less: cash and bank balances set aside for special dividend payment	–	(1,001,269)	1,001,269	N/M
Total liquid assets	3,323,013	2,858,824	464,189	16%

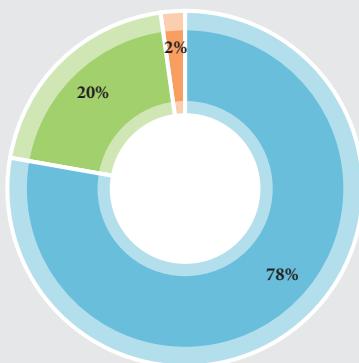
Accounts Receivable and Other Assets

US\$'000	2020	2019	Change	Increase/ (decrease)
				%
Container Transport and Logistics	763,169	764,731	(1,562)	(0%)
Other Activities	29,150	40,837	(11,687)	(29%)
	792,319	805,568	(13,249)	(2%)

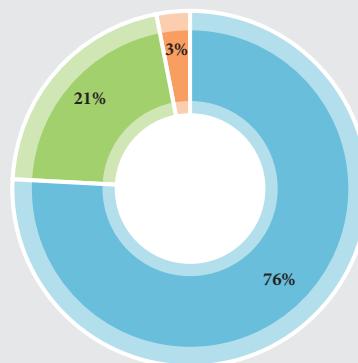
Accounts receivable and other assets for Container Transport and Logistics slightly decreased by US\$1.6 million to US\$763.2 million at the end of 2020, mainly due to the decrease in bunker balance in 2020.

Ageing Analysis of Trade Receivables

2020



2019



● Below 1 month

● 2-3 months

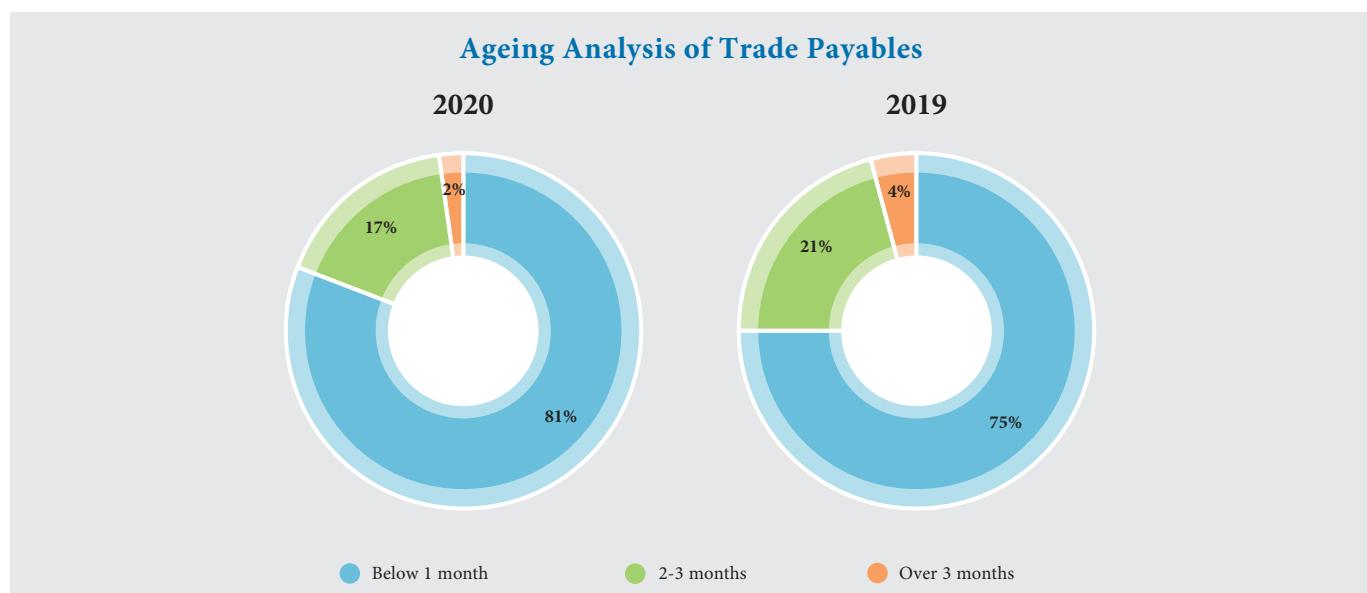
● Over 3 months

Financial Review

Accounts Payable and Other Liabilities

US\$'000	2020	2019	Change	Increase/ (decrease)
				%
Container Transport and Logistics	1,380,450	1,065,256	315,194	30%
Other Activities	7,261	7,349	(88)	(1%)
	1,387,711	1,072,605	315,106	29%

Accounts payable and other liabilities at the end of 2020 were US\$315.1 million higher than that of 2019, mainly due to increase in cost provisions to cope with growth in business volume.



Total Debt

US\$'000	2020	2019	Change	Increase/ (decrease)
				%
Bank loans	1,033,595	1,428,137	(394,542)	(28%)
Lease liabilities	2,036,248	2,562,952	(526,704)	(21%)
	3,069,843	3,991,089	(921,246)	(23%)

Total debt decreased by US\$921.2 million compared with 2019, mainly as a result of net repayment of bank loans and lease liabilities during the year.

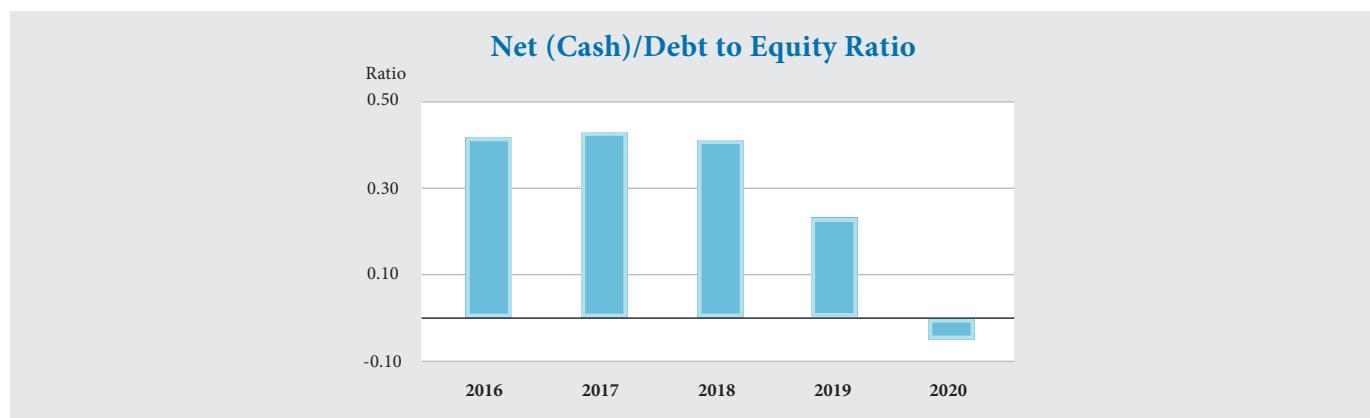
Total scheduled debt repayment between 2021 and 2025 is US\$2,348.6 million, being equivalent to 77% of the total outstanding debt as at 31st December 2020. Details of the repayment profile of the Group's borrowings and lease liabilities are set out in Notes 36 and 37 to the Consolidated Financial Statements respectively.

Debt Profile

Of the total US\$3,069.8 million debt outstanding at the end of 2020, US\$873.7 million was fixed-rate debt and the remaining US\$2,196.1 million was subject to floating interest rates at various competitive spreads over one-month to six-month LIBOR (or equivalent) and mainly related to the financing of vessels and container equipment. The Group's average cost of debt at 31st December 2020 was 1.9% (2019: 3.1%).

Net (Cash)/Debt to Equity Ratio

This ratio changed from a net debt position at the end of 2019 to a net cash position as at 31 December 2020 mainly because of the cash inflow from operations. This ratio will be closely monitored in the light of business forecasts. It is the Group's objective to keep this key ratio below a threshold of 1.0.



Shareholders' Equity

As at 31st December 2020, the Company had 625,793,297 shares in issue, consisting entirely of ordinary shares. With profit recorded for the year, the Group's consolidated shareholders' equity increased by US\$714.7 million to US\$5,642.1 million as at the end of 2020 with a net asset value per ordinary share of US\$9.02 (2019: US\$7.87). Return on average ordinary shareholders' equity is a key measure for the Group's objective to continuously enhance shareholders' value. In 2020, this ratio increased to 17.08% (2019: 4.04%, excluding the effect of the one-off profit on disposal of LBCT).

Operating Leases and Commitments

In addition to the owned operating assets and long-term leases, the Group employs assets through short-term operating lease arrangements as detailed in Note 40(c) to the Consolidated Financial Statements. Assets under short-term operating lease arrangements consist primarily of container vessels.

As at the end of 2020, the Group had outstanding capital commitments amounting to US\$1,706.0 million, representing mostly construction of twelve units of 23,000 TEU container vessels.

Financial Review

Analysis of Change in Liquid Assets

US\$'000	2020	2019	Change	Favourable/ (unfavourable)
			%	
Net inflow from operations	2,013,606	948,131	1,065,475	112%
Other inflow:				
Interest and investment income	78,767	71,425	7,342	10%
Sale of property, plant and equipment	18,860	26,311	(7,451)	(28%)
New financing	99,550	400,455	(300,905)	(75%)
Cash from joint ventures and associated companies	16,405	14,913	1,492	10%
Fair value gain on financial assets at fair value through profit or loss	–	17,027	(17,027)	N/M
Disposal of subsidiaries	–	1,709,248	(1,709,248)	N/M
Acquisition of subsidiaries	9,646	–	9,646	N/M
Others	120	–	120	N/M
	223,348	2,239,379	(2,016,031)	(90%)
Other outflow:				
Interest and financing charges paid	(75,640)	(170,123)	94,483	56%
Dividends paid to shareholders	(197,625)	(89,859)	(107,766)	(120%)
Taxation paid	(33,232)	(118,404)	85,172	72%
Increase in property, plant and equipment, investments, and non-current assets	(369,476)	(208,958)	(160,518)	(77%)
Loan repayments	(1,100,816)	(1,036,768)	(64,048)	(6%)
Fair value loss on financial assets at fair value through profit or loss	(5,642)	–	(5,642)	N/M
Others	–	(2,430)	2,430	N/M
	(1,782,431)	(1,626,542)	(155,889)	(10%)
Net inflow	454,523	1,560,968	(1,106,445)	(71%)
Beginning liquid asset balances	2,858,824	2,246,803	612,021	27%
Net change in liquid asset balances of disposal group classified as held for sale	–	53,733	(53,733)	N/M
Cash and bank balances set aside for special dividend payment	–	(1,001,269)	1,001,269	N/M
Changes in exchange rates	9,666	(1,411)	11,077	N/M
Ending liquid asset balances	3,323,013	2,858,824	464,189	16%
Represented by:				
Unrestricted bank balances and deposits	3,072,795	3,455,570	(382,775)	(11%)
Restricted bank balances and deposits	2,246	60,294	(58,048)	(96%)
Portfolio investments	100,560	152,923	(52,363)	(34%)
Investments at amortised cost	147,412	191,306	(43,894)	(23%)
Less: cash and bank balances set aside for special dividend payment	–	(1,001,269)	1,001,269	N/M
	3,323,013	2,858,824	464,189	16%

A net inflow of US\$454.5 million was recorded in 2020 compared with a net inflow of US\$1,561.0 million in 2019. Operating inflow of US\$2,013.6 million for the year was US\$1,065.5 million higher than that of 2019 with improved operating results. Decrease in other inflow was mainly because there was a net proceed of US\$1,709.2 million generated from the disposal of the U.S. Terminal Business in 2019. In addition, reduction in new financing by US\$300.9 million also led to the decrease in other inflow. The capital payments in 2020 mainly reflected the outlays for the acquisition of containers and assets under construction. The net increase in financing cash outflow was mainly due to the increase in loan repayments during the year. Total liquid asset balances increased to US\$3,323.0 million at the end of 2020, against US\$2,858.8 million in 2019.

Liquidity

As at 31st December 2020, the Group had total liquid asset balances of US\$3,323.0 million compared with debt obligations of US\$580.4 million repayable in 2021. Total current assets at the end of 2020 amounted to US\$3,993.8 million against total current liabilities of US\$2,005.5 million. The Group's shareholders' equity contains no loan capital. The Group from time to time prepares and updates cashflow forecasts for asset acquisitions, to serve project development requirements, as well as working capital needs, from time to time with the objective of maintaining a proper balance between a conservative liquidity level and an effective investment of surplus funds.

Board of Directors



Xu Lirong

Mr. Xu Lirong, aged 63, has been an Executive Director and the Chairman of the Board of the Company, and the chairman of the Executive Committee and the Nomination Committee of the Company since 3rd August 2018. He had been a director, the chairman of the board and a member of the executive committee of Orient Overseas Container Line Limited (“OOCL”), a wholly-owned subsidiary of the Company, from 3rd August 2018 to 28th February 2020. Mr. Xu holds a master degree in Business Administration from Shanghai Maritime University and is a senior engineer. Mr. Xu is currently the chairman of the board and the Party Secretary of China COSCO SHIPPING Corporation Limited (“COSCO SHIPPING”), and an executive director and the chairman of the board of COSCO SHIPPING Holdings Co., Ltd. (“COSCO SHIPPING Holdings”, a company listed in both Shanghai and Hong Kong).

Mr. Xu started his career in March 1975, and had been the deputy head of ship management department, the assistant to the general manager, the deputy general manager and the general manager of Shanghai Ocean Shipping Co., Ltd. (“Shanghai Ocean Shipping”), the deputy manager, the manager and the Party Secretary of COSCO Shanghai Freight Forwarding Company, the president and the Party Secretary of Shanghai Shipping Exchange, the general manager, the Party Committee member and the Deputy Party Secretary of COSCO SHIPPING Lines Co., Ltd. (“COSCO SHIPPING Lines”), the deputy general manager, the Party Committee member and the Deputy Party Secretary of COSCO SHIPPING Holdings, the vice president, the chairman of labour union and the Party Committee member of China Ocean Shipping Company Limited (“China Ocean Shipping”), the general manager, the director, the chairman of the board, the Party Committee member and the Party Secretary of China Shipping Group Company Limited.



Huang Xiaowen

Mr. Huang Xiaowen, aged 58, has been an Executive Director and the Chief Executive Officer of the Company, a member of the Executive Committee and the chairman of the Inside Information Committee and the Risk Committee of the Company since 10th August 2020. Mr. Huang had been in the same positions from 3rd August 2018 to 18th September 2019. Mr. Huang holds an executive master degree in Business Administration from China Europe International Business School and is a senior engineer. He is currently the executive vice president and a Party Committee member of COSCO SHIPPING, an executive director and the vice chairman of the board of COSCO SHIPPING Holdings (a company listed in both Shanghai and Hong Kong).

Mr. Huang started his career in 1981 and had been the section chief of the container shipping section of Guangzhou Ocean Shipping Company Limited, the general manager of container transportation department of China Ocean Shipping, the container business advisor of Shanghai Haixing Shipping Co., Ltd., the executive deputy general manager, the managing director, an executive director, the vice chairman and the Deputy Party Secretary of COSCO SHIPPING Development Co., Ltd. (“COSCO SHIPPING Development”, a company listed in both Shanghai and Hong Kong), the chairman of China Shipping Haisheng Co., Ltd., the deputy general manager and a Party Committee member of China Shipping Group Company Limited, an executive director and the vice chairman of the board of COSCO SHIPPING Holdings, a non-executive director and the chairman of the board of COSCO SHIPPING Ports Limited (“COSCO SHIPPING Ports”, a company listed in Hong Kong) and an executive director and the chairman of the board of COSCO SHIPPING Energy Transportation Co., Ltd. (“COSCO SHIPPING Energy”, a company listed in both Shanghai and Hong Kong). He was the chairman of the board of COSCO SHIPPING Lines and the chairman of the board of COSCO SHIPPING Bulk Co., Ltd. and a director of certain subsidiaries of COSCO SHIPPING. Mr. Huang has more than 30 years of experience in the shipping industry.

Mr. Yang Zhijian, aged 56, has been an Executive Director of the Company and a member of the Executive Committee, the Finance Committee, the Compliance Committee, the Inside Information Committee and the Risk Committee of the Company since 18th September 2019. He has been a director, the co-chief executive officer and a member of the executive committee of OOCLL, a wholly-owned subsidiary of the Company, since 18th September 2019. Mr. Yang has been re-designated from the co-chief executive officer to the chief executive officer of OOCLL since 1st January 2020 and appointed as the chairman of the board and the executive committee of OOCLL since 28th February 2020. He is also a director of certain principal subsidiaries of the Company. Mr. Yang holds an executive master degree in Business Administration from Shanghai Maritime University and is an economist. Mr. Yang is currently the employee representative director of COSCO SHIPPING, the general manager, the executive director and the Deputy Party Secretary of COSCO SHIPPING Holdings (a company listed in both Shanghai and Hong Kong), the general manager, the chairman of the board and the Deputy Party Secretary of COSCO SHIPPING Lines and a director of Faulkner Global Holdings Limited.

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



Yang Zhijian

Mr. Feng Boming, aged 51, has been an Executive Director of the Company and a member of the Executive Committee, the Remuneration Committee, the Inside Information Committee and the Risk Committee of the Company since 18th September 2019. Mr. Feng holds a master degree in Business Administration from The University of Hong Kong and is an economist. Mr. Feng is currently the chairman of the board of directors and an executive director of COSCO SHIPPING Ports (a company listed in Hong Kong), an executive director of COSCO SHIPPING Holdings (a company listed in both Shanghai and Hong Kong), a non-executive director of Qingdao Port International Co., Ltd. (a company listed in both Shanghai and Hong Kong), COSCO SHIPPING International (Hong Kong) Co., Limited. (a company listed in Hong Kong) and Piraeus Port Authority S.A. (a company listed in Athens), and a director of COSCO SHIPPING (Hong Kong) Co., Limited, COSCO SHIPPING Investment Holdings Co., Ltd. (formerly COSCO SHIPPING Financial Holdings Co., Ltd.), Hainan Harbor & Shipping Holding Co., Ltd. and certain subsidiaries of COSCO SHIPPING.

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



Feng Boming

Board of Directors



Tung Lieh Cheung Andrew

Mr. Tung Lieh Cheung Andrew, aged 56, has been a Non-Executive Director of the Company since 1st January 2020 and is a member of the Finance Committee, the Inside Information Committee and the Risk Committee of the Company. He has been an advisor to the Chief Executive Officer of OOCLL, a wholly-owned subsidiary of the Company, since 1st January 2020. Mr. Tung holds a bachelor degree from Princeton University and a master degree in Business Administration from Stanford University in the USA. Mr. Tung is currently Managing Partner of QBN Management Limited. He is also an independent non-executive director of Cathay Pacific Airways Limited (a company listed in Hong Kong) and Standard Chartered Bank (Hong Kong) Limited. He is also a member of the Hong Kong Logistics Development Council and a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development.

Mr. Tung was an Executive Director of the Company from 2nd November 2011 to 31st December 2019. He was a director and a member of the executive committee of OOCLL from March 2006 to 31st December 2019. He was the chief executive officer and senior managing director of OOCLL from 1st July 2012 to 2nd August 2018, and had been re-designated as the co-chief executive officer of OOCLL since 3rd August 2018 until 31st December 2019. He was also a director of various subsidiaries of the Company. Between 1993 and 1998, he served the Group in various capacities including director of reefer trade of OOCLL.



Yan Jun

Mr. Yan Jun, aged 53, has been a Non-Executive Director of the Company and a member of the Nomination Committee and the Risk Committee of the Company since 3rd August 2018. Mr. Yan holds a master degree in Business Management from Antai College of Economics and Management of Shanghai Jiaotong University. Mr. Yan is currently the Deputy Party Secretary, a director and the president of Shanghai International Port (Group) Co., Ltd. (“SIPG”, a company listed in Shanghai).

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

Ms. Wang Dan, aged 51, has been a Non-Executive Director of the Company and a member of the Risk Committee of the Company since 3rd August 2018. Ms. Wang holds a master degree in International Finance from Tsinghua University PBC School of Finance (formerly the Graduate School of the People's Bank of China).

Ms. Wang is the executive vice president of Silk Road Fund Co., Ltd. ("SRF") and a director of SIBUR Holding (a public joint stock company in Russia with its bonds traded at Moscow Exchange and Irish Stock Exchange). Ms. Wang worked at the international department and the monetary policy department II of the People's Bank of China ("PBOC"), and also served as an advisor to the executive director for China of PBOC at the International Monetary Fund. Before joining SRF, she served as the deputy director-general of the monetary policy department II of PBOC.



Wang Dan

Mr. Ip Sing Chi, aged 67, has been a Non-Executive Director of the Company and a member of the Risk Committee of the Company since 3rd August 2018. Mr. Ip holds a Bachelor of Arts degree from Coventry University. He is currently the group managing director of Hutchison Port Holdings Limited and the chairman of Yantian International Container Terminals Limited. He is also an executive director of Hutchison Port Holdings Management Pte. Limited (the trustee-manager of Hutchison Port Holdings Trust listed in Singapore), a non-executive director of COSCO SHIPPING Development (a company listed in both Shanghai and Hong Kong), an independent non-executive director of Piraeus Port Authority S.A. (a company listed in Athens), and a non-independent non-executive director of Westports Holdings Berhad (a company listed in Malaysia).

Mr. Ip was the founding chairman (in 2000-2001) of the Hong Kong Container Terminal Operators Association Limited, and he had been an independent non-executive director, the chairman of the remuneration and appraisal committee, a member of the strategy committee and the nomination committee of COSCO SHIPPING Energy (a company listed in both Shanghai and Hong Kong). Mr. Ip has over 40 years of experience in the maritime industry.



Ip Sing Chi

Board of Directors



Cui Hongqin

Ms. Cui Hongqin, aged 47, has been a Non-Executive Director of the Company and a member of the Risk Committee of the Company since 3rd August 2018. Ms. Cui holds a bachelor degree in Economics from Shanxi University of Economics and Management, and is a senior accountant and certified public accountant. She is currently the deputy director of the finance department of State Development & Investment Corp., Ltd. (“SDIC”), the general manager and chairman of the board of Rongshi International Holding Company Limited and SDIC Leasing Co., Ltd., the chairman of the board of SDIC Leasing of Hainan Co., Ltd., the general manager and director of Rongshi International Treasury Management Company Limited, the director of China SDIC International Trade Co., Ltd., and a non-independent director of China Water Environment Group Limited.

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



Chow Philip Yiu Wah

Mr. Chow Philip Yiu Wah, aged 73, has been an Independent Non-Executive Director of the Company since 2nd January 2015. He is the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee, the Finance Committee, the Share Committee, the Risk Committee and the Independent Board Committee of the Company. He was an Executive Director of the Company from 1st December 2003 to 30th June 2012, a Non-Executive Director of the Company from 1st July 2012 to 1st January 2015 and a consultant of the Company from 1st July 2012 to 31st December 2014. Mr. Chow holds a Bachelor of Science degree in Chemistry and Physics from the University of Hong Kong and a master degree in Business Administration from the Chinese University of Hong Kong. He did not hold directorships in any other public companies listed in Hong Kong and overseas in the last three years.

Dr. Chung Shui Ming Timpson, GBS, JP, aged 69, has been an Independent Non-Executive Director of the Company and the chairman of the Finance Committee and a member of the Audit Committee and the Nomination Committee of the Company since 3rd August 2018. Dr. Chung holds a Bachelor of Science degree from the University of Hong Kong, a master degree in Business Administration from the Chinese University of Hong Kong and a honorary doctoral degree in Social Sciences from the City University of Hong Kong. He is a fellow member of The Hong Kong Institute of Certified Public Accountants.

Dr. Chung is currently an independent non-executive director of China Everbright Limited, China Overseas Grand Oceans Group Limited, China Unicom (Hong Kong) Limited, Glorious Sun Enterprises Limited, Miramar Hotel and Investment Company, Limited (all companies are listed in Hong Kong); and China Railway Group Limited and Postal Savings Bank of China Co., Ltd. (companies listed in both Shanghai and Hong Kong); and an external director of COSCO SHIPPING.

Dr. Chung had been an audit supervisor I of Coopers & Lybrand, an independent non-executive director of China Construction Bank Corporation (a company listed in both Shanghai and Hong Kong), an independent director of China State Construction Engineering Corporation Limited (a company listed in Shanghai), an independent non-executive director of Henderson Land Development Company Limited and Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited (both companies are listed in Hong Kong), the chairman of China business of Jardine Fleming Holdings Limited and the deputy chief executive officer of BOC International Limited.

Dr. Chung is currently a member of the 13th National Committee of the Chinese People's Political Consultative Conference and a pro-chancellor of the City University of Hong Kong. He had also served many public organisations, including the chairman of the Council of the City University of Hong Kong, the chairman of the Hong Kong Housing Society and a member of the Executive Council of the Hong Kong Special Administrative Region.

Mr. Yang Liang Yee Philip, aged 72, has been an Independent Non-Executive Director of the Company since 3rd August 2018. He is the chairman of the Share Committee and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. Mr. Yang is currently an independent non-executive director of COSCO SHIPPING Ports (a company listed in Hong Kong). He is a full time arbitrator in international commercial and maritime arbitration, the honorary chairman of Hong Kong International Arbitration Centre, the member of the international advisory board of China International Economic and Trade Arbitration Commission, the Asian International Arbitration Centre in Malaysia, the Korean Commercial Arbitration Board, the General Committee of Singapore Chamber of Maritime Arbitration, and the expert committee of China International Commercial Court of the Supreme People's Court of China.

Mr. Yang had been an independent non-executive director of COSCO SHIPPING Holdings (a company listed in both Shanghai and Hong Kong), the chairman of Hong Kong International Arbitration Centre, the vice chairman of the documentary committee of the Baltic International Maritime Council in Denmark, the president of Asia-Pacific Regional Arbitration Group, the Hong Kong representative of ICC International Court of Arbitration, the chairman of the East Asia branch of the Chartered Institute of Arbitrators.

Mr. Yang has extensive experience in dealing with cases related to international commercial, maritime and trade law and is very familiar with laws and practice in such areas. He acts as an arbitrator in thousands of cases in Hong Kong, London, Singapore, Malaysia, Australia, Austria, Korea, the USA and Mainland China during the past over 30 years. He has also published many books and articles on international commercial, maritime and trade law and practice. Mr. Yang also devoted himself to the educational activities in various law schools in Hong Kong and Mainland China and is a visiting professor in more than ten universities.



Chung Shui Ming Timpson



Yang Liang Yee Philip

Board of Directors



Chen Ying

Ms. Chen Ying, aged 50, has been an Independent Non-Executive Director of the Company and a member of the Audit Committee, the Finance Committee and the Share Committee of the Company since 3rd August 2018. Ms. Chen holds a master degree in Business Administration from Fudan University, a master degree in Business Administration, major in Finance from Maastricht College in the Netherlands and graduated from the School of Finance of Renmin University of China. She is a certified public accountant in Australia, CIMA (registered management accountant) and a senior accountant in China. Ms. Chen is an external director of COSCO SHIPPING Lines, an independent non-executive director of Pingdingshan Tianan Coal Mining Co., Ltd. (a company listed in Shanghai with bonds listed in Hong Kong) and an independent director of China Shipbuilding Industry Company Limited (a company listed in Shanghai), Changzhou Fusion New Material Co., Ltd. and Shanghai Lianwei Digital Technology Group Company Limited.

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

Ms. Chen has more than twenty years' experience in financial management of large enterprises, more than ten years' experience as top executives in the top 500 of the world companies and has extensive experience in corporate finance and accounting management, capital market communication, corporate governance, internal control and risk management.



So Gregory Kam Leung

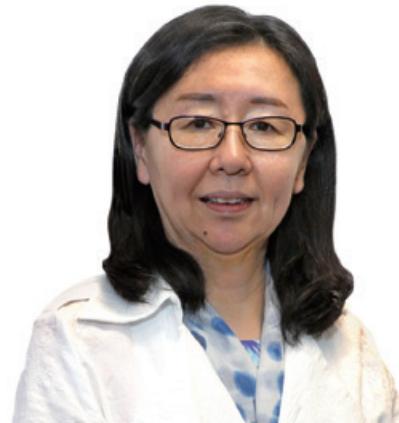
Mr. So Gregory Kam Leung, GBS, JP, aged 62, has been an Independent Non-Executive Director and a member of the Audit Committee of the Company since 17th May 2019, and a member of the Independent Board Committee of the Company since 23rd August 2019. Mr. So holds a Bachelor of Arts degree in Economics from Carleton University, Canada and a bachelor degree in Law and a master degree in Business Administration from the University of Ottawa, Canada. Mr. So has been a member of the Law Society of Alberta, Canada since June 1985, a member of the Law Society of Upper Canada in November 1988, a member of the Law Society (England and Wales) in January 1989 and a member of the Hong Kong Law Society in March 1989. Since 1984, Mr. So provided legal services in Canada. He continued his legal practice upon returning to Hong Kong in 1989 and has over 25 years of practice experience as a lawyer. Mr. So is currently an independent non-executive director of China Overseas Property Holdings Limited (a company listed in Hong Kong), Investcorp Holdings B.S.C. (a company listed in Bahrain) and Blue Insurance Limited (formerly known as Aviva Life Insurance Company Limited), a consultant in So, Lung and Associates, Solicitors and an advisor of Superland Group Holdings Limited (a company listed in Hong Kong).

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

Senior Management



Kenny Ye



Xiang Chen

Mr. Ye, aged 57, has been a Director of OOCL since June 2018 and a member of Executive Committee since November 2015. He was appointed Chief Operating Officer of OOCL in January 2020 and Director of Office of Chief Executive Officer, Corporate Human Resources, Corporate Operations, Traffic Control Center, Fleet Management and Regions Management in August 2020. He joined the Group in 1994 and has served the Group in various capacities for 26 years. Following his assignment in Shanghai, he was transferred to Hong Kong in 2004 and has served the Group in various capacities, including as Director of Asia-Europe Trade, Director of Intra-Asia Trade and Chief Executive Officer of OOCL Logistics. Mr. Ye holds a Diploma of Accounting in Lixin Accounting Institute and a Master of Business Administration from Oklahoma City University.

Ms. Chen, aged 57, has been a Director and a member of Executive Committee of OOCL and was also appointed the Director of Strategy Coordination since August 2018. She was appointed Director of Corporate Strategy Development and the Chief Executive Officer of OOCL Logistics in August 2020. She started her career in 1985 and served successively as Deputy Manager, Manager, Deputy General Manager of Marketing Division, General Manager of Business and Process System Division of COSCO Container Lines Co., Ltd. She was a Deputy Managing Director of COSCO Container Lines Co., Ltd. from 2006 to 2016, and has been the Deputy Managing Director of COSCO SHIPPING Lines since 2016. Ms. Chen graduated from Shanghai Maritime University, majoring in Transportation and Management. She has a Master's degree and the qualification of Senior Economist.



Mingwen Zhang



Steve Siu

Mr. Zhang, aged 42, has been a Director and a member of Executive Committee of OOCL since August 2018, and was also appointed the Chief Financial Officer of COSCO SHIPPING Holdings, OOIL and OOCL. He has nearly 22 years of working experience in the shipping industry. Mr. Zhang graduated from the Faculty of Finance at the Shanghai University of Finance and Economics, majoring in Investment Economics, and from the Antai College of Economics & Management at the Shanghai Jiao Tong University, majoring in Business Administration where he obtained a Bachelor's degree in Economics and a Master's degree in Business Administration. Mr. Zhang is a Chartered Financial Analyst (CFA) and a Senior Accountant.

Mr. Siu, aged 63, had been a Director and a member of Executive Committee of OOCL since November 2006 and was appointed Chief Information Officer. He had been the Chief Executive Officer of CargoSmart since January 2002. He joined the Group in 1987 and served the Group in various capacities for 33 years until he retired on 1st January 2021. Mr. Siu holds a Bachelor of Science and a Master of Science from University of Essex, UK, and a Master of Business Administration jointly organised by Northwestern University and The Hong Kong University of Science and Technology.

Senior Management



Shuai Chen



Michael Fitzgerald

Mr. Chen, aged 46, has been a Director and a member of Executive Committee of OOCL since October 2019. He is currently the Deputy General Manager of COSCO SHIPPING Holdings, the Deputy Managing Director of COSCO SHIPPING Lines. Mr. Chen joined COSCO Group in July 1995, had served in various capacities, including the Assistant to Manager and the Deputy Manager of Container Shipping Division I of China Shipping Container Lines Co., Ltd., the Assistant to General Manager of China Shipping Container Lines (Hong Kong) Co., Ltd., the General Manager of America Division of China Shipping Container Lines Co., Ltd., and the Assistant to General Manager and Deputy General Manager of China Shipping Container Lines Co., Ltd.. Mr. Chen graduated from Shanghai Maritime Academy with major in Marine Engineering Management.

Mr. Fitzgerald, aged 47, has been a Director of OOCL since June 2018 and a member of Executive Committee since 2014. He joined the group in September 2014 as Group Finance Director and has been the Group Deputy Chief Financial Officer since December 2015. He started his career at KPMG in London in August 1995, and having qualified as a Chartered Accountant, moved to the Structured Finance division of Société Générale in January 1999, where he enjoyed an almost 16-year career, holding various posts in London, Hong Kong and Paris. Mr. Fitzgerald holds the degrees of Bachelor and Master of Arts from the University of Oxford, and is a Fellow of the Institute of Chartered Accountants in England and Wales.



Raymond Fung

Mr. Fung, aged 62, has been a Director of OOCL since June 2018 and a member of Executive Committee since November 2015. He was appointed Director of Trades since January 2016, and Director of Intra-Asia Trade until 2015. Mr. Fung joined the Group in 1983 and has served the Group in various capacities for 37 years, including as General Manager of Operations, Managing Director of OOCL (UAE), Director of Australia Trade, and General Manager of Corporate Methods and Tools. Mr. Fung holds a Bachelor of Business Administration General Business Management from The Chinese University of Hong Kong.



Teddy Fung

Mr. Fung, aged 60, has been a Director of OOCL since June 2018 and a member of Executive Committee since November 2015. He was appointed Director of Trades since April 2019 and Director of Corporate Operation since September 2013 until March 2019. He joined the Group in 1994 and has served the Group in various capacities for 26 years, including as General Manager of OOCL South China sub-region, Director of Reefer Trade, Managing Director of OOCL Hong Kong Branch, and Director of Regions Management. Mr. Fung holds a Bachelor of Social Science in Economics and a Master of Arts in Transport Studies from The University of Hong Kong.



Junguang Xiao



Yu Wu

Mr. Xiao, aged 50, has been the Company Secretary, the Group Legal Advisor, the Compliance Officer, the chairman of the Compliance Committee, a member of the Inside Information Committee and the Risk Committee of OOIL since August 2020. Mr. Xiao is currently deputy general manager of the public relations division of China COSCO SHIPPING Corporation Limited. Mr. Xiao holds a Bachelor's degree in Finance from the Capital University of Economics and Business (formerly known as the Beijing Institute of Finance & Trade), and a Master's degree in Applied Finance from Macquarie University. Mr. Xiao is an associate member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute.

Ms. Wu, aged 45, has been a Director and a member of Executive Committee of OOCL since August 2020 and was also appointed the Chief Information Officer and Director of Corporate Customer Service on 1st January 2021. Ms. Wu joined COSCO Group in 1997 and is currently Assistant Managing Director of COSCO SHIPPING Lines. Ms. Wu holds a Bachelor's degree in International Shipping Management from Shanghai Maritime University and a Master's degree in Business Administration from Fudan University, and the qualification of Economist.

Financial Calendar

Announcement of results for the half year ended 30th June 2020	21st August 2020
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Despatch of 2020 Interim Report to shareholders	17th September 2020
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Closure of the Register of Members (to ascertain the shareholders qualified to receive the proposed interim dividend in respect of the six months ended 30th June 2020)	18th September 2020 to 22th September 2020 (Both days inclusive)
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Announcement of results for the year ended 31st December 2020	26th March 2021
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Despatch of 2020 Annual Report to shareholders	29th April 2021
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Closure of the Register of Members (to ascertain the shareholders eligible to attend and vote at the Annual General Meeting)	17th May 2021 to 21st May 2021 (Both days inclusive)
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2020 Annual General Meeting	21st May 2021
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Closure of the Register of Members (to ascertain the shareholders qualified to receive the proposed final and special dividends in respect of the year ended 31st December 2020)	28th May 2021 to 1st June 2021 (Both days inclusive)
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Shareholder Information

ORDINARY SHARES

Issued shares	625,793,297 shares (as at 31st December 2020)
	637,193,297 shares (as at the date of this annual report)
Nominal value per share	US\$0.10
Board lot	500 shares

ANNUAL REPORT

This annual report is available in both English and Chinese.

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

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

If you are not a shareholder, please write to:

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

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

SHAREHOLDER SERVICES

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

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong, China
Telephone: (852) 2862 8555 Facsimile: (852) 2865 0990

SHAREHOLDER ENQUIRIES

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

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

Our enquiry hotline is operational during normal office hours:

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

Shareholder Information

SHAREHOLDER INFORMATION

Ordinary shareholder information as at 31st December 2020:

Type of shareholders

Type of shareholders	Shareholders		Ordinary Shares of US\$0.10 each	
	Number	Percentage	Number	Percentage
Corporate	16	2.8520%	624,753,662	99.8339%
Individual	545	97.1480%	1,039,635	0.1661%
	561	100%	625,793,297	100%

Distribution of shareholdings

Size of shareholdings	Shareholders		Ordinary Shares of US\$0.10 each	
	Number	Percentage	Number	Percentage
1 – 10,000	542	96.6132%	448,371	0.0716%
10,001 – 100,000	15	2.6738%	433,203	0.0692%
100,001 – 1,000,000	1	0.1782%	259,000	0.0414%
1,000,001 or above	3	0.5348%	624,652,723	99.8178%
	561	100%	625,793,297	100%

Ten largest ordinary shareholders

At 31st December 2020, the interests of the ten largest ordinary shareholders of the Company, as recorded in the Company's principal register and Hong Kong branch register of members, were as follows:

Name of ordinary shareholders	Number of ordinary shares held	Percentage
Faulkner Global Holdings Limited (<i>Note</i>)	315,779,045	50.4606%
HKSCC Nominees Limited	246,920,142	39.4571%
Shanghai Port Group (BVI) Development Co., Limited	61,953,536	9.9000%
Mok Kwun Cheung	259,000	0.0414%
Po Leung Kuk	70,500	0.0113%
Ho Fuk Chuen	52,000	0.0083%
Fung Sun Kwan U/D	45,022	0.0072%
Ho Hin Kwong	40,454	0.0065%
Leung Wong Kit Ling	35,000	0.0056%
Chow Mung Ha	32,420	0.0052%

Note:

As at 31st December 2020,

- Faulkner Global Holdings Limited also had interests in 153,565,927 shares of the Company registered via Central Clearing and Settlement System under the name of HKSCC Nominees Limited, representing 24.5394% of the Company's total issued shares.
- Faulkner Global Holdings Limited had interests in a total of 469,344,972 shares of the Company, representing 75% of the Company's total issued shares.

Corporate Governance Report

CORPORATE GOVERNANCE CODE

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

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

Throughout the year 2020, the Company complied with the SEHK Code, save for the following:

- **Code Provision**

- Mr. Xu Lirong, the Chairman of the Board, did not attend the annual general meeting of the Company held on 15th May 2020 (the “Last AGM”) due to prior business engagement and delegated to Mr. Chow Philip Yiu Wah to chair the Last AGM.

- **Recommended Best Practices**

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

We have set out in this report our guiding principles and rationale for implementation of the CG Code as well as the status of the Company's compliance with Appendix 14 to the Listing Rules during the year 2020:

A. BOARD OF DIRECTORS

1. Board Composition

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

Executive Directors

Mr. Xu Lirong (*Chairman*)
Mr. Huang Xiaowen (*Chief Executive Officer*)
Mr. Yang Zhijian
Mr. Feng Boming

Non-Executive Directors

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

Independent Non-Executive Directors

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

The biographical details of the Directors of the Company are set out on the Company's website at <http://www.ooilgroup.com> and on pages 46 to 52 of this annual report.

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

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

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

During the year 2020, the Board complied with the Listing Rules' requirement in having at least three Independent Non-Executive Directors representing at least one-third of the Board, including at least one with appropriate professional qualification or accounting or related financial management expertise.

Directors' and Officers' Liabilities Insurance

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

Corporate Governance Report

2. Board and Management Responsibilities

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

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

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

The Board also delegates certain specific responsibilities to nine committees of the Company (Executive Committee, Audit Committee, Remuneration Committee, Nomination Committee, Risk Committee, Compliance Committee, Finance Committee, Share Committee and Inside Information Committee). The composition, functions and authority of each committee are described below. For the efficient management and operation of the Group's principal division, the Board also delegates and confers certain powers, authorities and discretions on such terms as it thinks fit to the board of directors, the executive committee and certain sub-committees of the Group's principal division for them to act and operate within the delegated frameworks.

The Company Secretary of the Company provides the Directors with updates on developments regarding the Listing Rules and other applicable regulatory requirements. Any Director of the Company may request the Company Secretary to organise independent professional advice at the expense of the Company to assist them to effectively discharge their duties to the Company.

3. Chairman and Chief Executive Officer

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

- a. The primary role of the Chairman is to provide leadership to the Board and to ensure that the Board functions effectively in the discharge of its responsibilities. His duties include:
 - ensure that Directors are briefed and have received timely, accurate, complete and clear information on issues to be discussed at Board meetings;
 - ensure that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed in a timely manner and that good corporate governance practices and procedures are established, implemented and maintained;
 - approve the agenda drawn up by the Company Secretary for each Board meeting taking into account any matter proposed by the other Directors of the Company for inclusion in the agenda;
 - promote a culture of openness and debate by facilitating the effective contribution of the Non-Executive Directors (including Independent Non-Executive Directors) in particular and ensuring constructive relations between the Executive Directors and the Non-Executive Directors; and encourage Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that Board decisions fairly reflect Board consensus;

- hold meetings at least annually with the Independent Non-Executive Directors without the presence of the other Directors;
- ensure effective communication with the shareholders of the Company and that their views are communicated to the Board; and to
- attend the annual general meetings of the Company and invite the chairmen of the Audit Committee, the Remuneration Committee, the Nomination Committee and the other Board committees, or in the absence of the chairman of the respective Board committees, other members of the related Board committees to be available to answer questions at the annual general meetings.

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

- b. The primary role of the Chief Executive Officer of the Company is to be responsible for the day-to-day management and operation of the business of the Group. His duties include to:
 - provide leadership and supervise the effective management of the Group and to establish and review from time to time the management system of the Group;
 - set up programs for management development and succession plans for the Group;
 - monitor and control the operational and financial performance of the Group;
 - organise, execute, implement and report to the Board on the adoption of the Company's strategies, policies and objectives by the Group pursuant to the Board's decisions;
 - provide information to the Board (as necessary) to enable the Board to monitor the performance of management and operation of the Group; and to
 - organise the implementation of the Board's decision and implement such duties as directed or delegated by the Board.

4. Board Meetings

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

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

The Company Secretary shall ensure that the procedures and applicable rules and regulations are observed. The Directors of the Company can have access to all signed minutes of the Board.

Corporate Governance Report

5. Director Induction and Continuous Professional Development

Newly appointed Director will receive a comprehensive induction pack at the time of his appointment to ensure understanding of the directors' responsibilities and obligations under the Listing Rules and the relevant regulatory requirements.

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

The program for continuous professional development of Directors may take various forms including:

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

Below is the record of participation in continuous professional development program by the Directors of the Company appointed as at 31st December 2020 relevant to the directors' duties and responsibilities, regulatory updates and business, financial and operational matters of the Group.

	Reading materials	Attending external seminars/briefings
Executive Directors		
Mr. Xu Lirong	✓	
Mr. Huang Xiaowen	✓	
Mr. Yang Zhijian	✓	
Mr. Feng Boming	✓	✓
Non-Executive Directors		
Mr. Tung Lieh Cheung Andrew	✓	
Mr. Yan Jun	✓	
Ms. Wang Dan	✓	
Mr. Ip Sing Chi	✓	
Ms. Cui Hongqin	✓	
Independent Non-Executive Directors		
Mr. Chow Philip Yiu Wah	✓	
Dr. Chung Shui Ming Timpson	✓	
Mr. Yang Liang Yee Philip	✓	
Ms. Chen Ying	✓	✓
Mr. So Gregory Kam Leung	✓	✓

Mr. Xiao Junguang, who was appointed as the Company Secretary of the Company on 5th August 2020, undertook no less than fifteen hours of professional training in year 2020 to update his skills and knowledge.

6. Supply of and Access to Information

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

7. Nomination of Directors

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

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

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

At the Last AGM, Mr. Wang Haimin, Mr. Tung Lieh Cheung Andrew, Mr. Ip Sing Chi, Mr. Chow Philip Yiu Wah and Dr. Chung Shui Ming Timpson retired and were re-elected as Directors of the Company in accordance with the Bye-laws of the Company (the "Bye-laws").

At the special general meeting of the Company held on 30th November 2020 (the "SGM"), Mr. Huang Xiaowen, appointed as an Executive Director of the Company on 10th August 2020, retired and was re-elected as an Executive Director of the Company pursuant to Appendix 14 to the Listing Rules.

Corporate Governance Report

8. Board Committees

In addition to the Audit Committee, the Remuneration Committee and the Nomination Committee established in compliance with the Listing Rules, the other committees of the Company are the Executive Committee, the Finance Committee, the Share Committee, the Compliance Committee, the Inside Information Committee and the Risk Committee. Each committee has its own well defined scope of duties and terms of reference and is empowered to make decisions on matters within its terms of reference of such committee. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the websites of the Company and the Stock Exchange. The Company Secretary shall also make available the terms of reference of all the committees to the shareholders of the Company upon their written request. Members of the respective committees and the Directors of the Company can have access to the minutes of the relevant committees.

a. Executive Committee

The Executive Committee was established in 1996 and its members are the Executive Directors of the Company, currently comprising of Mr. Xu Lirong (chairman of the Executive Committee), Mr. Huang Xiaowen (appointed as member of the Executive Committee on 10th August 2020), Mr. Yang Zhijian and Mr. Feng Boming. Mr. Xiao Junguang acts as the secretary of the Executive Committee (with effect from 5th August 2020).

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

- formulate strategies and policies and to set corporate and management targets and operational initiatives and policies on risk management, and plans and operational directions for the Group;
- monitor, control and manage operational and financial performance and business affairs of the Group;
- review, discuss and recommend to the Board for consideration and approval (if appropriate) (i) announcements, circulars and other documents (including price sensitive and financial information required to be disclosed pursuant to the Listing Rules, regulatory or statutory requirements; and (ii) submissions from the Compliance Committee, the Finance Committee and the Share Committee;
- approve capital expenditure of a specified amount;
- review, discuss and approve (if appropriate) major or unbudgeted asset acquisition or disposals; major or unbudgeted mergers and/or acquisitions by the business units of the Group's principal division; setting up of major joint-ventures and partnerships with a company not currently controlled and managed by the Group;
- liaise and consult with, advise and make recommendations to its subsidiaries and make such decisions with regard thereto as the Executive Committee shall in its absolute discretion think fit, and refer such matters as it thinks fit to the Board for consideration, approval and/or ratification, if necessary; and to
- report to the Board on its decisions, and any matter in respect of which it considers that action is needed, and its recommendations as to the steps to be taken.

b. Audit Committee

The Audit Committee was established in 1992 and its members are the Independent Non-Executive Directors, currently comprising of Mr. Chow Philip Yiu Wah (chairman of the Audit Committee), Dr. Chung Shui Ming Timpson, Mr. Yang Liang Yee Philip, Ms. Chen Ying and Mr. So Gregory Kam Leung. Ms. Lai Yuen Ying Vivian, the Head of Internal Audit Department, acts as the secretary of the Audit Committee, and Mr. Xiao Junguang acts as the assistant secretary of the Audit Committee (with effect from 5th August 2020).

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

The primary duties of the Audit Committee include to:

- recommend to the Board the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and the terms of engagement of the external auditor, and any question of its resignation or dismissal;
- act as the key representative body overseeing the Company's relation with the external auditor;
- seek from the external auditor, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with the relevant requirements, including provision of non-audit services and requirements regarding rotation of audit partners and staff;
- discuss with the external auditor any recommendation arising from the audit, and to review the external auditor's management letter, any material query raised by the external auditor to management about accounting records, financial statements or systems of control and management's response, and to ensure that the Board will provide timely response to the issues raised in the external auditor's management letter;
- establish and review from time to time the procedure to review and monitor the external auditor's independence and objectivity, and the effectiveness of the audit process in accordance with the applicable standards and the scope of the external auditor, and to discuss and understand the factors considered by the external auditor in determining the nature and scope of the audit and reporting obligations before the audit commences;
- establish and review from time to time the policy relating to hiring of employees or former employees of the external auditor and monitor the application of such policy; and to consider whether as a result of such hiring there has been any impairment of the auditor's judgment or independence in respect of the audit;
- establish and review from time to time the policy on engaging external auditor to supply non-audit services and to review such services do not impair the external auditor's independence or objectivity in relation to non-audit services including whether the skills and experience of the external auditor make it a suitable supplier of non-audit services; whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit because the external auditor provides non-audit services; and the nature of non-audit services, the related fee levels and fee levels individually and in total relative to the external auditor;

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- review the Group's financial and accounting policies and practices;
- monitor the integrity of the Company's financial statements, annual, quarterly (if prepared for publication) and interim financial reports and to review any significant financial reporting judgment contained in them, with particular focus on changes in accounting policies and practices, major judgmental areas, any significant audit adjustment, the going concern assumption and any qualification, compliance with any applicable legal requirement and accounting standard, and compliance with the requirements of the Listing Rules and other legal requirements in relation to financial reporting;
- consider any significant or unusual item that is, or may need to be, reflected in the report and financial statements and to give due consideration to any matter that has been raised by the Financial Compliance Officer of the Company, the external auditor, the Head of Internal Audit or the staff responsible for the accounting and financial reporting function;
- review with the Group's management, the external auditor and the internal auditor, the adequacy of the Group's policies and procedures regarding internal control system (including financial, operational and compliance controls) to ensure that such system is effective with audit trails to protect the accuracy and integrity of financial data and to pursue relevant enquiries into matters having, or likely to have, a material effect on the business and financial conditions of the Group. The result of the review is to be reported in the Corporate Governance Report of the Company, including a Directors' statement that they have conducted a review of its internal control system;
- provide an independent review on the effectiveness of the risk management system including the risk management framework, policies and processes;
- discuss with management the scope and quality of the risk management and internal control systems and to ensure that management has performed its duty to have effective systems including the adequacy of resources, staff qualifications and experience, training programs and budget and experience of staff of the accounting, internal audit and financial reporting functions;
- review findings of internal investigation and management's response of any suspected fraud or irregularity or failure of risk management and internal control or infringement of laws, rules and regulations;
- review the scope and effectiveness of the internal audit functions and to review the results of the internal audit functions regularly with the internal auditor matters including planning of the Audit Committee meetings and, if required by the internal auditor, the internal audit program; and to ensure co-ordination between the internal and external auditors and that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and monitor its effectiveness;
- review the effectiveness and monitor the use of the whistleblowing policy and procedures for employees to raise concerns, in confidence, to the Audit Committee about improprieties in financial reporting, internal control and other matters; and to ensure that proper arrangements are in place for fair and independent investigation of these improprieties and for appropriate follow-up action;
- report to the Board on the matters raised in the SEHK Code; and to
- report to the Board, identifying and making recommendations on any matter where action or improvement is needed and to consider other topics identified and referred to the Audit Committee by the Board.

Under the Group's whistleblowing policy, employees may report any concern regarding accounting, internal accounting controls and auditing matters to the Audit Committee without fear of dismissal or retaliation, in order to ensure that the Group complies with all the applicable laws and regulations, accounting standards, accounting controls and audit practices. The Audit Committee will review each complaint, the investigations and the follow-up actions, including disciplinary actions, by management on substantiated cases.

The Audit Committee held two meetings during the year ended 31st December 2020. The following is a summary of work performed by the Audit Committee during the year 2020:

- (i) reviewed and discussed the annual financial statements for 2019 and the interim financial statements for 2020 with the external auditor and management of the Company, with recommendations to the Board for approval;
- (ii) reviewed the significant audit and accounting issues arising from the external auditor's statutory audit of the 2019 annual financial statements and issues arising from the review of the 2020 interim financial statements;
- (iii) reviewed the impact of the new and revised accounting standards on the Company;
- (iv) reviewed the external auditor's audit strategy and approach;
- (v) reviewed the non-audit services provided by the external auditor in 2019 and approved the additional service in 2020;
- (vi) met with the external auditor without the presence of management to discuss issues from the audits and any other matters the external auditor might raise;
- (vii) reviewed the Internal Audit Department's audit objectives and approval of the annual internal audit plan;
- (viii) reviewed the findings and recommendations of the Internal Audit Department on the audits carried out on the principal activities of the Group during the year 2019;
- (ix) reviewed the effectiveness of the risk management and internal control systems;
- (x) reviewed the relevant sections in the Corporate Governance Report for the year ended 31st December 2019 concerning the Audit Committee;
- (xi) reviewed the adequacy of the resources, staff qualifications and experience, training programs and budget and experience of staff of the Company's accounting, internal audit and financial reporting functions;
- (xii) reviewed the continuing connected transactions and their annual caps; and
- (xiii) reviewed the continuous implementation of the whistleblowing policy.

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

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c. Remuneration Committee

The Remuneration Committee was established in 2005 and is currently comprised of Mr. Chow Philip Yiu Wah (chairman of the Remuneration Committee), Mr. Feng Boming and Mr. Yang Liang Yee Philip, majority of whom are the Independent Non-Executive Directors of the Company. Mr. Xiao Junguang acts as the secretary of the Remuneration Committee (with effect from 5th August 2020).

The primary duties of the Remuneration Committee include to:

- review and recommend to the Board the Company's policy and structure of the remuneration of the Directors of the Company, senior management (including the chief executive officer of the principal division of the Group) and employees of the Group including performance-based bonus scheme on the basis that they are fairly but reasonably rewarded for their individual contribution to the overall performance of the Company;
- establish and review a formal and transparent procedure for developing the remuneration policy;
- (i) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and determine the remuneration packages of individual Executive Directors of the Company and senior management (including the chief executive officer of the principal division of the Group); and (ii) recommend to the Board the remuneration of the Non-Executive Directors of the Company;
- consult the Chairman of the Board and/or Chief Executive Officer of the Company about their remuneration proposals for the other Executive Directors of the Company and senior management (including the chief executive officer of the principal division of the Group);
- review and approve compensation payable to the Executive Directors of the Company and senior management (including the chief executive officer of the principal division of the Group) for any loss or termination of office to ensure that it is consistent with the contractual terms and is otherwise fair and not excessive;
- review and approve compensation arrangements relating to the dismissal and removal of the Directors for their misconduct to ensure that they are consistent with the contractual terms and are otherwise reasonable and appropriate;
- ensure that no Director or any of his/her associates or senior management (including the chief executive officer of the principal division of the Group) is involved in deciding his/her own remuneration; and to
- advise the Board any matter relating to the remuneration and reward of the Executive Directors of the Company or senior management (including the chief executive officer of the principal division of the Group) or employees of the Group.

The Remuneration Committee held two meetings during the year ended 31st December 2020. The work performed by the Remuneration Committee during the year 2020 includes:

- (i) reviewed the Company's remuneration policy and structure for the Directors of the Company, and the senior management and employees of the Group, and ensured compliance of disclosure with the Listing Rules and in line with best practices;
- (ii) reviewed the procedure for developing the Company's remuneration policy;
- (iii) reviewed the discretionary management bonus of the Executive Directors of the Company, and the senior management and employees of the Group for the year 2019; and
- (iv) reviewed and recommended to the Board or determined with delegated responsibilities, as the case may be, in accordance with the terms of reference of the Remuneration Committee, the remuneration packages of the Directors of the Company, and the senior management of the Group for the year 2020.

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

d. Nomination Committee

The Nomination Committee was established in 2012 and is currently comprising of Mr. Xu Lirong (chairman of the Nomination Committee), Mr. Yan Jun, Mr. Chow Philip Yiu Wah, Dr. Chung Shui Ming Timpson and Mr. Yang Liang Yee Philip, majority of whom are the Independent Non-Executive Directors of the Company. Mr. Xiao Junguang acts as the secretary of the Nomination Committee (with effect from 5th August 2020).

The primary duties of the Nomination Committee include to:

- review and recommend to the Board the Nomination Policy on the selection criteria of the potential candidates for the directorship of the Company;
- review and recommend to the Board the succession plan to ensure the stability of the Board to complement the Company's corporate strategy;
- review and report annually on the implementation of the Board Diversity Policy and the Nomination Policy of the Company, and progress (if relevant);
- review the structure, size and composition (including gender, age, cultural and education background, ethnicity, skills, knowledge, industry experience and length of service) of the Board at least annually and recommend any proposed change to the Board to complement the Company's corporate strategy;
- receive from the Board referral of suitable qualified candidate for it to assess if the potential candidate meets the selection criteria, which shall be based on the Nomination Policy and the Board Diversity Policy appropriate for the Group's strategic focus and specific business needs; assess and recommend to the Board for approval the nomination of a selected candidate as a director of the Company either to fill a casual vacancy or as an addition to the existing Board and/or a member of any Board committee of the Company;
- review and recommend to the Board the appointment or re-appointment/re-election of Directors and succession plan for the Directors to maintain a balance of skills, knowledge, experience and diversity of perspectives of the Board;
- assess and report to the Board the qualifications of any person proposed by a shareholder of the Company for election as a director of the Company to ensure compliance with the Nomination Policy of the Company and the requirements as provided in the Listing Rules are satisfied;
- assess the independence of the Independent Non-Executive Directors of the Company;

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- regularly review and report to the Board the contribution required by a Director to perform his/her responsibilities and whether he is spending sufficient time in performing them;
- assess the performance of the Executive Directors of the Company and conduct a regular evaluation of the Board's performance by members of the Nomination Committee, who are the Independent Non-Executive Directors of the Company, and report results of the evaluation to the Board; and to
- review the appointment of the chairman of the board and the chief executive officer of the principal division of the Group and report result of the review to the Board of the Company for consideration and approval.

The Nomination Committee passed resolutions by way of written resolution in year 2020. The work performed by the Nomination Committee during the year 2020 includes:

- (i) reviewed the Nomination Policy of the Company;
- (ii) reviewed the procedures for appointment of new Directors of the Company and plans for orderly succession;
- (iii) reviewed the implementation of the Board Diversity Policy of the Company;
- (iv) reviewed the structure, size and composition of the Board of the Company;
- (v) reviewed and recommended to the Board on the changes in the directorship and officership of the Company and the changes in the membership of certain committees of the Company;
- (vi) recommended re-election of the retiring directors at the Last AGM;
- (vii) assessed the independence of the Independent Non-Executive Directors of the Company;
- (viii) reviewed the contribution of the Directors of the Company for the year 2019;
- (ix) evaluated performance of the Board and assessed performance of the Executive Directors of the Company by members of the Nomination Committee, who are the Independent Non-Executive Directors of the Company, in accordance with the terms of reference of the Nomination Committee; and
- (x) reviewed and recommended to the Board on the change of composition of the board of directors and certain committees of the principal division of the Group.

The Board Diversity Policy is summarised as follows:

- the Company ensures that its Board has the appropriate balance of skills, breadth of experience, independence and objectivity, engagement and credibility, rigour and structure and diversity of perspectives of the Board required to support the execution of its strategic focus and specific business needs in order for the Board to be effective;
- selection of candidates will be based on a range of perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, industry experience, skills, knowledge and length of service. The Board's appointment should be based on meritocracy and diversity of perspectives appropriate for the Company's strategic focus and specific business needs and the contribution that the selected candidates will bring to the Board; and
- the Nomination Committee will take into consideration of the Board Diversity Policy in identifying and nominating suitable qualified candidates to become members of the Board, and shall ensure that the selected candidates shall have the breadth of experience, independence and objectivity, engagement and credibility, rigour and structure.

The Nomination Policy is summarised as follows:

- the Board is responsible for the selection and appointment of Directors of the Company and for nomination of the Directors of the Company for election by the shareholders of the Company thereafter at regular intervals by rotation so as to achieve a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's strategic focus and specific business needs. The Nomination Committee is responsible for evaluating and nominating candidates for approval by the Board.
- the Nomination Committee will assess if the potential candidate meets the selection criteria, which shall be based on the Nomination Policy and the Board Diversity Policy appropriate for the Company's strategic focus and specific business needs under the formalised procedure for selection and appointment of the Directors of the Company and key management of the principal division of the Group. Contribution by the potential candidate shall bring to the Board reflecting the following:
 - structure, size and composition of the current Board;
 - time commitment to the Board;
 - diversity of the Board in all its aspects as set out in the Board Diversity Policy;
 - reputation and integrity;
 - Board succession plan;
 - requirements as provided in the Listing Rules; and
 - other factors that the Board may consider appropriate.
- the Nomination Committee will monitor and review the Nomination Policy periodically to ensure that it remains relevant to the Company's strategic focus and business needs and reflects both current regulatory requirements and good corporate governance.

e. Risk Committee

The Risk Committee was established in 2015 and is currently comprised of Mr. Huang Xiaowen (appointed as the chairman of the Risk Committee on 10th August 2020), Mr. Yang Zhijian, Mr. Feng Boming, Mr. Tung Lieh Cheung Andrew, Mr. Yan Jun, Ms. Wang Dan, Mr. Ip Sing Chi, Ms. Cui Hongqin, Mr. Chow Philip Yiu Wah, Mr. Ye Jianping Kenny (appointed as a member of the Risk Committee on 1st April 2020), Mr. Zhang Mingwen, Mr. Chen Shuai (appointed as a member of the Risk Committee on 29th October 2020) and Mr. Xiao Junguang (appointed as a member of the Risk Committee on 5th August 2020). Mr. Lam Tuen Pei Pius acts as the secretary of the Risk Committee (with effect from 24th August 2020).

The primary duties of the Risk Committee include to:

- establish risk appetite, risk management strategy, and a strong and independent internal control and review systems;
- align strategic direction and business objectives of the Group with risk appetite;
- oversight on adequacy of the Group's risk management policies, process and system. In pursuing the Group's strategic direction and business objectives, aims to optimise risk and return;
- identify, assess and manage principal risks to pursue the Group's strategic and business objective;

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- provide direction on the importance of risk management and risk management culture;
- formulate, implement and review environmental, social and governance (“ESG”) strategy of the Group; and to
- identify, assess and manage ESG-related risks and ensure appropriate and effective ESG risk management systems are in place.

The Risk Committee held two meetings in year 2020. The work performed by the Risk Committee during the year 2020 includes:

- (i) reviewed and recommended to the Board the Group’s risk appetite, risk management strategy, risk management policies, process and system in pursuit of the Group’s strategic direction and business objectives;
- (ii) identified, reviewed, assessed and managed principal risks of the Group to pursue the Group’s strategic and business objectives;
- (iii) reviewed and reported to the Board the Company’s compliance with the SEHK Code in relation to risk management; and
- (iv) reviewed and reported to the Board the Company’s compliance with the Listing Rules in relation to the ESG related compliance.

f. Compliance Committee

The Compliance Committee was established in 2004 and is currently comprised of Mr. Yang Zhijian, Mr. Zhang Mingwen, Mr. Michael Fitzgerald, Mr. Xiao Junguang (appointed as the chairman of the Compliance Committee with effect from 5th August 2020), Ms. Lau Siu Ping Karen, Ms. Lai Yuen Ying Vivian and Mr. Lam Tuen Pei Pius. The Board has delegated the responsibility for monitoring the corporate governance compliance to the Compliance Committee.

The primary duties of the Compliance Committee include to:

- review, monitor and provide administrative support on the compliance control of the Group and compliance of the following corporate governance functions of the Company:
 - (a) on the Company’s policies and practices on corporate governance and make recommendations to the Board;
 - (b) on the training and continuous professional development of Directors of the Company and senior management of the Group;
 - (c) on the Company’s policies and practices on compliance with legal and regulatory requirements;
 - (d) on the development of the code of conduct and compliance manuals (if any) applicable to employees of the Group and Directors of the Company;
 - (e) on the Company’s compliance with the CG Code and the SEHK Code;
 - (f) to report the above items (a) to (e) to the Board regularly; and
 - (g) to prepare (i) the Corporate Governance Report covering all mandatory disclosure requirements as set out in the Listing Rules; and/or (ii) information required to be disclosed by the Compliance Committee in the Company’s results announcements, the annual reports, the interim reports and any other documents, pursuant to the Listing Rules;

- review and report to the Board regularly the shareholders' communication policy to ensure its effectiveness; and to
- ensure the Company is in compliance with the Listing Rules including disclosure and compliance obligations for matters including notifiable transactions, connected transactions, continuing connected transactions, advance to an entity, financial assistance and guarantees to affiliated companies of the Company, loan agreements with covenants relating to specific performance of the controlling shareholder of the Company, breach of a loan agreement by the Company, disclosure of financial information pursuant to Appendix 16 to the Listing Rules, and general obligations of disclosure under rule 13.09 of the Listing Rules.

The Compliance Committee held two meetings in year 2020. The work performed by the Compliance Committee during the year 2020 includes:

- (i) reviewed the Company's policies and practices on corporate governance, risk management, and made recommendations to the Board;
- (ii) reviewed and monitored the training and continuous professional development of Directors of the Company;
- (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, particularly on legal, financial and accounting, internal control and audit, risk management and ESG related compliance;
- (iv) reviewed and monitored the code of conduct and compliance manuals (if any) applicable to employees of the Group and Directors of the Company;
- (v) reviewed the Company's compliance with the CG Code and the SEHK Code and the disclosure requirements in the Corporate Governance Report;
- (vi) reviewed the Company's compliance with the disclosure requirements in the Sustainability Report;
- (vii) reviewed and reported to the Board on the effectiveness of the shareholders' communication policy; and
- (viii) reviewed and reported to the Board on the notifiable transactions, connected transactions, continuing connected transactions and the significant contracts of the Group.

g. Finance Committee

The Finance Committee was established in 1993 and is currently comprised of Dr. Chung Shui Ming Timpson (chairman of the Finance Committee), Mr. Yang Zhijian, Mr. Tung Lieh Cheung Andrew, Mr. Chow Philip Yiu Wah, Ms. Chen Ying and Mr. Zhang Mingwen. Mr. Xiao Junguang acts as the secretary of the Finance Committee (with effect from 5th August 2020).

The primary duties of the Finance Committee include to:

- assist in the financial requirements of the Group including financing, refinancing, leasing, purchase and sale of vessels, properties and equipment and the financing of the business operations of the Group;
- report to the Board on its decisions, and any matter in respect of which it considers that action is needed, and its recommendation as to the steps to be taken; and to
- discuss and review the disclosure obligations of the Company on financial, accounting or related issues on compliance with the Listing Rules and refer transactions with their recommendations to the Executive Committee of the Company for its endorsement and/or approval.

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h. Share Committee

The Share Committee was established in 1992 and is currently comprised of Mr. Yang Liang Yee Philip (chairman of the Share Committee), Mr. Chow Philip Yiu Wah and Ms. Chen Ying. Mr. Xiao Junguang acts as the secretary of the Share Committee (with effect from 5th August 2020).

The primary duties of the Share Committee include to:

- deal with and grant approval on the removal of the ordinary shares of the Company from the Principal Register in Bermuda to the Branch Register in Hong Kong, China or vice versa;
- deal with the share transactions including, but not limited to, share repurchases, issue of bonus shares, scrip dividend schemes, top up placings, share subscriptions and placement of the Company's shares;
- give authorisation to the Company's Principal Registrar and Branch Registrar to issue share certificates to the shareholders of the Company who have reported loss of the share certificates of the Company and in connection with the above share transactions; and to
- discuss and review the disclosure obligations of the Company on share transactions and compliance with the Listing Rules.

i. Inside Information Committee

The Inside Information Committee was established in 2013 and is currently comprised of Mr. Huang Xiaowen (appointed as the chairman of the Inside Information Committee on 10th August 2020), Mr. Yang Zhijian, Mr. Feng Boming, Mr. Tung Lieh Cheung Andrew and Mr. Xiao Junguang (appointed as a member of the Inside Information Committee on 5th August 2020).

The primary duties of the Inside Information Committee include to:

- ensure proper systems and control are in place to collect, review and verify potential inside information;
- identify, assess and escalate potential inside information to the attention of the Board; report to the Board on the recommendation of the Inside Information Committee, and any matter in respect of which it considers that action is needed, and its recommendation as to the actions to be taken and what information to be disclosed;
- vet and clear announcements or other public disclosures; and to
- supervise the Company's compliance with continuing disclosure obligations.

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

The attendance records of each Director and each member of the Board Committees of the Company at the relevant meetings held in year 2020 are as follows:

	Board	Actual Attendance/Number of Meetings a Director is entitled to attend								Inside Information Committee		General Meetings
		Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee	Compliance Committee	Finance Committee	Share Committee	Information Committee		
No. of meetings held during the year	5	2	2	2	0	2	2	0	0	0	0	2
Executive Directors												
Mr. Xu Lirong (<i>Chairman</i>)	4/5	2/2	-	-	N/A	-	-	-	-	-	-	1/2
Mr. Huang Xiaowen (<i>Chief Executive Officer</i>) <i>(Note 1)</i>	3/3	2/2	-	-	-	1/1	-	-	-	-	N/A	1/1
Mr. Yang Zhijian	5/5	2/2	-	-	-	1/2	0/2	N/A	-	N/A	2/2	
Mr. Feng Boming	4/5	2/2	-	1/2	-	2/2	-	-	-	N/A	1/2	
Mr. Wang Haimin <i>(Note 2)</i>	2/2	N/A	-	-	-	1/1	-	-	-	N/A	0/1	
Non-Executive Directors												
Mr. Tung Lieh Cheung Andrew	5/5	-	-	-	-	2/2	-	N/A	-	N/A	2/2	
Mr. Yan Jun	4/5	-	-	-	N/A	2/2	-	-	-	-	0/2	
Ms. Wang Dan	4/5	-	-	-	-	2/2	-	-	-	-	1/2	
Mr. Ip Sing Chi	5/5	-	-	-	-	2/2	-	-	-	-	2/2	
Ms. Cui Hongqin	3/5	-	-	-	-	2/2	-	-	-	-	2/2	
Independent Non-Executive Directors												
Mr. Chow Philip Yiu Wah	5/5	-	2/2	2/2	N/A	2/2	-	N/A	N/A	-	2/2	
Dr. Chung Shui Ming Timpson	4/5	-	1/2	-	N/A	-	-	N/A	-	-	2/2	
Mr. Yang Liang Yee Philip	5/5	-	2/2	2/2	N/A	-	-	-	N/A	-	2/2	
Ms. Chen Ying	5/5	-	2/2	-	-	-	-	N/A	N/A	-	1/2	
Mr. So Gregory Kam Leung	5/5	-	2/2	-	-	-	-	-	-	-	2/2	
Others												
Mr. Ye Jianping Kenny <i>(Note 3)</i>	-	-	-	-	-	1/1	-	-	-	-	-	
Mr. Zhang Mingwen	-	-	-	-	-	2/2	2/2	N/A	-	-	-	
Mr. Chen Shuai <i>(Note 4)</i>	-	-	-	-	-	N/A	-	-	-	-	-	
Mr. Xiao Junguang <i>(Note 5)</i>	-	-	-	-	-	1/1	1/1	-	-	N/A	-	
Mr. Michael Fitzgerald	-	-	-	-	-	-	2/2	-	-	-	-	
Mr. Lam Tuen Pei Pius	-	-	-	-	-	-	2/2	-	-	-	-	
Ms. Lau Siu Ping Karen <i>(Note 6)</i>	-	-	-	-	-	-	1/1	-	-	-	-	
Ms. Lai Yuen Ying Vivian <i>(Note 6)</i>	-	-	-	-	-	-	1/1	-	-	-	-	
Ms. Lammy Lee <i>(Note 7)</i>	-	-	-	-	-	1/1	1/1	-	-	N/A	-	
Mr. Fung Yee Chung Vincent <i>(Note 8)</i>	-	-	-	-	-	-	1/1	-	-	-	-	
Average attendance rate	90.67%	100%	90%	83.33%	N/A	96.43%	85.71%	N/A	N/A	N/A	73.33%	

Notes:

- Appointed as an Executive Director, the Chief Executive Officer, a member of the Executive Committee and the chairman of the Inside Information Committee and the Risk Committee of the Company on 10th August 2020.
- Resigned as an Executive Director, the Chief Executive Officer, a member of the Executive Committee and the chairman of the Inside Information Committee and the Risk Committee of the Company on 10th August 2020.
- Appointed as a member of the Risk Committee on 1st April 2020.
- Appointed as a member of the Risk Committee on 29th October 2020.
- Appointed as the chairman of the Compliance Committee and a member of the Inside Information Committee and Risk Committee on 5th August 2020.
- Appointed as members of the Compliance Committee on 1st April 2020.
- Resigned as the chairperson the Compliance Committee and a member of the Inside Information Committee and Risk Committee on 5th August 2020.
- Resigned as a member of the Compliance Committee on 1st April 2020.

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10. Securities Transactions by Directors

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

All Directors of the Company have confirmed, following specific enquiry by the Company, that they have fully complied with the required standards set out in both the Company’s own code and the Model Code for the year ended 31st December 2020.

11. Share Interests of Directors and Senior Management

a. Directors

Directors’ interests in the ordinary shares of the Company are set out on pages 89 and 90 of this annual report.

b. Senior Management ^(Note)

As at 31st December 2020, the number of ordinary shares of the Company held by the senior management of the Group are as follows:

Name	Number of ordinary shares held
Mr. Kenny Ye	7,000
Ms. Chen Xiang	–
Mr. Chen Shuai	–
Mr. Zhang Mingwen	–
Mr. Steve Siu	–
Mr. Michael Fitzgerald	–
Mr. Raymond Fung	–
Mr. Teddy Fung	–
Mr. Xiao Junguang	–
Ms. Wu Yu	–

Note: Biographical details of the senior management as at 31st December 2020 are set out on pages 53 to 55 of this annual report.

12. Emoluments of Directors and Senior Management

a. Emoluments of Directors

The emoluments of the Directors of the Company for the year ended 31st December 2020 are set out on pages 145 and 146 of this annual report.

b. Emoluments of Senior Management

The emoluments of the senior management of the Group for the year ended 31st December 2020 are set out below:

Emolument bands (US\$)	Number of individuals 2020
0 – 128,202	2
128,202 – 256,400	0
256,401 – 384,600	1
384,601 – 512,800	0
512,801 – 641,000	1
641,001 – 769,200	1
769,201 – 897,400	2
897,401 – 1,025,600	1
1,025,601 – 1,153,800	3
1,153,801 – 1,282,000	0
1,282,001 – 1,410,200	1
Total	12 (Note)

Note: Inclusive of two senior management who ceased as senior management during the year 2020.

B. ACCOUNTABILITY AND AUDIT

1. External Auditor

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

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

The fee in respect of audit and non-audit services provided by the external auditor to the Company for the year ended 31st December 2020 is set out on page 148 note 11 to the consolidated financial statements of this annual report.

2. Directors' and Auditor's Acknowledgement

All Directors of the Company have acknowledged their responsibilities for preparing the consolidated financial statements for the year ended 31st December 2020.

PricewaterhouseCoopers, the external auditor of the Company, has acknowledged the reporting responsibilities in the auditor's report on the consolidated financial statements for the year ended 31st December 2020.

3. Internal Controls

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

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

- a distinct organisational structure for the principal division with defined authority responsibilities and control/measures;
- an annual budget for the principal division allocating resources in accordance with identified and prioritised business opportunities. The annual budget for the principal division is approved by the Board on an annual basis;
- a comprehensive management accounting system for the principal division to provide financial and operational performance indicators to the relevant management, and financial information for reporting and disclosure purposes. Actual operational results are measured against budget each month. Detailed forecasts for the year and long-term forecasts of profit and loss, cash flow and balance sheets are regularly reviewed and updated. Variances to budget are analysed and explained and appropriate action taken, if necessary;
- systems and procedures are in place to identify, measure, manage and control risks including business, compliance, operational, financial and information services risks that may have an impact on the Group and the principal division. Exposure to these risks is monitored by the Executive Committee of the Company and the board of directors, the executive committee and the management of the principal division;
- clearly defined procedures are in place for the control of capital and major expenditure commitments, off-balance sheet financial instruments and the supervision, control and review of the investment portfolio; and
- the Internal Audit Department performs independent reviews of the risks and controls identified to provide reasonable assurance to management of the Company and principal division and the Audit Committee that controls have been set in place and adequately addressed.

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

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

According to the 2020 Internal Audit report, the Group's internal control system was functioning effectively, there was no significant weakness found in the course of the audits carried out during the year, and there was no change in the nature and extent of significant risks as well as the scope and quality of management's ongoing monitoring of the risks and the internal control system. The Audit Committee has concluded that the Group has maintained sound and effective internal controls to safeguard the Group's assets, and there is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group. The Board, therefore, is of the view that there are no significant frauds, irregularities, internal control deficiencies or suspected infringement of laws, rules and regulations that cause the Board to believe that the systems of internal control are ineffective or inadequate, and there are no significant areas of concern which may affect the shareholders of the Company. The Board is satisfied that the Company and the Group have fully complied with the code provisions on internal control as set forth in the SEHK Code for the year ended 31st December 2020.

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

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

- a) it monitors any inside information and makes appropriate announcement as required by the Listing Rules;
- b) it conducts its affairs by reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission;
- c) it has established procedures for handling external affairs about the Group; and
- d) it has established guidelines to be followed by senior management and employees in dealing with confidential and inside information.

4. Risk Management

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

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

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

The Risk Committee reviews the adequacy and effectiveness of the risk management and internal control systems and internal audits are conducted as part of ongoing review on the effectiveness of the risk management and internal control systems. Emerging risks that may have an impact on the Group are also discussed in the Risk Committee meetings and shared with the Audit Committee.

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

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

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

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

- a) First line of defence – Functional units establish risk and control environments in the Group's day-to-day business operations, and as risk owners, are responsible for risk identification, formulation of risk mitigation strategy and upward reporting of risk monitoring progress;
- b) Second line of defence – The Risk Management Department monitors the risk management system and internal control systems to ensure its effectiveness and facilitates the development and setting of policies and guidelines and its effective implementation of the risk management and internal control systems. It also provides advice and guidance to the first-line functional units on implementation of the risk management and internal control systems; and
- c) Third line of defence – The Internal Audit Department provides independent review on the effectiveness of the risk management and internal control systems.

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

For the year ended 31st December 2020, following management confirmation to the Risk Committee on its scope and quality of its ongoing risks monitoring and internal control systems; and satisfaction on the effectiveness of the risk management and internal control systems with no significant control failings or weaknesses and no significant areas of concern identified which might affect the shareholders of the Company, the Risk Committee has reported twice to the Board on their review and confirmation of its satisfaction on the adequacy and effectiveness of the risk management and internal control systems, including the scope and quality of the Group's ongoing monitoring of risks.

The Board confirmed that the Group's risk management and internal control systems are functioning adequately and effectively. The Board is satisfied that the Company and the Group have fully complied with the code provisions on risk management as set forth in the SEHK Code for the year ended 31st December 2020.

C. COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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D. SHAREHOLDERS' RIGHTS

1. Convening a special general meeting

Pursuant to the Bermuda Companies Act and the Company's Bye-law, the shareholder(s) of the Company holding not less than one-tenth of the paid up capital of the Company having the right to vote at general meetings of the Company shall have the right, by written requisition sent to the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and to the Company's principal office at 31st Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong, China, for the attention of the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

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

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

2. Putting forward proposals at general meetings

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

- (i) a written request stating the resolution intended to be moved at an annual general meeting; or
- (ii) a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

The written request/statement must be signed by the shareholder(s) concerned and deposited at the Company's registered office at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and to the Company's principal office at 31st Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong, China, for the attention of the Company Secretary of the Company, not less than six weeks before the general meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the general meeting in the case of any other requisition.

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

- (i) include the resolution in the agenda for the general meeting; or
- (ii) circulate the statement for the general meeting,

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

3. Putting enquiries to the Board

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

4. Dividends

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

The Dividend Policy has a target annual dividend payout of 40% of the consolidated net profit attributed to the shareholders of the Company in the financial years of 2021, 2022 and 2023, and the Company’s annual dividend payment shall not be less than US\$400 million in the aforesaid financial years, whether as interim and/or final dividends, subject to, inter alia, the financial performance, liquidity position, future plans and working capital requirements of the Company and the prevailing economic, financial, business and regulatory circumstances. The Company may also declare special dividends from time to time in addition to the semi-annual dividends.

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

Details of the dividend paid by the Company during the year 2020 are set out on page 150 of this annual report.

E. INVESTOR RELATIONS

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

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

1. Shareholding Information

As at 31st December 2020:

- Authorised share capital: US\$205,000,000, comprising 900,000,000 ordinary shares of US\$0.1 each, 65,000,000 limited voting convertible redeemable preferred shares of US\$1 each and 50,000,000 redeemable preferred shares of US\$1 each.
- Issued and fully-paid up capital: US\$62,579,329.7 comprising 625,793,297 ordinary shares of US\$0.1 each.
- Details of the shareholding of the ordinary shares of the Company by the type of shareholders as at 31st December 2020 are as follows:

Type of Shareholders	Number of Shareholders	Shareholders % of total	Number of Shares
Corporate	16	2.8520%	624,753,662
Individual	545	97.1480%	1,039,635
Total	561	100%	625,793,297

Corporate Governance Report

- Details of the shareholding of the ordinary shares of the Company by range as at 31st December 2020 are as follows:

Size of shareholdings	Number of Shareholders	Shareholders % of total
1 – 10,000	542	96.6132%
10,001 – 100,000	15	2.6738%
100,001 – 1,000,000	1	0.1782%
1,000,001 or above	3	0.5348%
Total	561	100%

As at the date of this annual report, the issued and fully-paid up capital of the Company is US\$63,719,329.7 comprising 637,193,297 ordinary shares of US\$0.1 each.

2. Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company maintained at least 25% of public float as at 31st December 2020.

3. Financial Calendar

Important dates for the coming financial year are set out on page 56 of this annual report.

4. Memorandum of Association and Bye-Laws

There were no changes to the memorandum of association and bye-laws of the Company during the year 2020, and the consolidated version is available on the websites of the Company and the Stock Exchange.

Report of the Directors

The Board of Directors of the Company (the “Board”) presents this report together with the audited consolidated financial statements for the year ended 31st December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, and the activities of its principal subsidiaries, associated companies and joint ventures are set out on pages 185 to 195 of this annual report.

GROUP RESULTS

The consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) are set out on page 108 of this annual report.

DIVIDENDS

An interim dividend of US4.89 cents (HK\$0.381 at the exchange rate of US\$1: HK\$7.8) per ordinary share was paid on 23rd October 2020.

The Board has recommended the payment of a final dividend of US50.26 cents (HK\$3.920 at the exchange rate of US\$1: HK\$7.8) per ordinary share and a special dividend of US86.6 cents (HK\$6.755 at the exchange rate of US\$1: HK\$7.8) per ordinary share for the year ended 31st December 2020 to be paid on 29th June 2021 to the shareholders of the Company whose names appear on the register of members of the Company on 1st June 2021. Shareholders should complete the dividend election form (if applicable) and return it to the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 21st June 2021.

BUSINESS REVIEW

A review of the business of the Group and an analysis of the Group’s performance during the year are provided in Chairman’s Statement on pages 10 to 13, Operations Review on pages 14 to 21 and Financial Review sections on pages 30 to 45 of this annual report. Description of the principal risks and uncertainties that the Group is facing can be found in Chairman’s Statement on pages 10 to 13 and Operations Review on pages 14 to 21. Also, the financial risk management objectives and policies of the Group can be found in note 3 to the consolidated financial statements. The Group’s future business development is provided in Chairman’s Statement on pages 10 to 13 and Operations Review on pages 14 to 21 of this annual report. In addition, discussions on the Group’s environmental policies and performance and compliance with the relevant laws and regulations and an account of the Group’s key relationships with its employees, customers and suppliers and stakeholders, that have a significant impact on the Group are contained in the Corporate Responsibility section on pages 22 to 29 of this annual report and in the Company’s 2020 Sustainability Report to be published in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Report of the Directors

DIRECTORS

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

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

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

Notes:

1. appointed as an Executive Director and the Chief Executive Officer of the Company with effect from 10th August 2020.
2. resigned as an Executive Director and the Chief Executive Officer of the Company with effect from 10th August 2020.

In accordance with bye-laws 87(2) and 87(3) of the Bye-laws of the Company (the “Bye-laws”), Mr. Yan Jun, Ms. Wang Dan, Ms. Cui Hongqin, Mr. Yang Liang Yee Philip and Ms. Chen Ying will retire by rotation and, being eligible, will offer themselves for re-election at the annual general meeting of the Company to be held on 21st May 2021 (the “Annual General Meeting”).

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

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

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

1. Significant Contracts

During the period from 1st January 2020 to 2nd September 2020 (the "Period"), the Group shared the rental of office premises at Harbour Centre, Hong Kong on an actual cost reimbursement basis with Island Navigation Corporation International Limited ("INCIL") and such arrangement was terminated as of 3rd September 2020. The total amount of rental on an actual cost reimbursement basis paid by INCIL to the Group for the Period was approximately US\$1,287,000.

During the Period, INCIL was owned by trusts related to Tung family members, to whom Mr. Tung Lieh Cheung Andrew, a Non-Executive Director of the Company, was related.

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

2. Shares

As at 31st December 2020, the issued share capital of the Company consisted of 625,793,297 ordinary shares (the "Shares"). The interests and short positions of the Directors and the Chief Executive of the Company in the Shares, the underlying Shares and the debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows as at 31st December 2020:

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

Nil.

(b) Long Positions in the shares of the associated corporations of the Company:

Name of associated corporation	Name of Director	Capacity	Number of ordinary shares held as personal interest	Total number of shares interested	Approximate percentage of total issued share capital of relevant class of associated corporation
COSCO SHIPPING Holdings Co., Ltd.	Yang Zhijian	Beneficial owner	100,000 (H Shares)	100,000 (H Shares)	0.00388% (Note 1)
COSCO SHIPPING Development Co., Ltd.	Yang Zhijian	Beneficial owner	400,000 (H Shares)	400,000 (H Shares)	0.01088% (Note 2)
	Feng Boming	Beneficial owner	29,100 (A Shares)	29,100 (A Shares)	0.00037% (Note 2)
COSCO SHIPPING Ports Limited	Feng Boming	Beneficial owner	32,379	32,379	0.00098% (Note 3)

Report of the Directors

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

Name of associated corporation	Name of Director	Capacity	Date of grant	Exercise price per A share	Number of outstanding share options granted (Note 4)	Total number of shares interested	Approximate percentage of total issued share capital of relevant class of shares of associated corporation (Note 1)
COSCO SHIPPING Holdings Co., Ltd. (A Shares)	Yang Zhijian	Beneficial owner	29th May 2020	RMB3.50	936,000	936,000	0.00967%
	Feng Boming	Beneficial owner	29th May 2020	RMB3.50	936,000	1,466,000	0.01515%
		Interest of spouse	3rd June 2019	RMB4.10	530,000		

Notes:

- (1) The shareholding percentage in COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings") was calculated on the basis of 2,580,600,000 H shares of COSCO SHIPPING Holdings in issue and 9,678,929,227 A shares of COSCO SHIPPING Holdings in issue as at 31st December 2020 (as the case may be).
- (2) The shareholding percentage in COSCO SHIPPING Development Co., Ltd. ("COSCO SHIPPING Development") was calculated on the basis of 3,676,000,000 H shares of COSCO SHIPPING Development in issue and 7,932,125,000 A shares of COSCO SHIPPING Development in issue as at 31st December 2020 (as the case may be).
- (3) The shareholding percentage in COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports") was calculated on the basis of 3,315,296,374 shares of COSCO SHIPPING Ports in issue as at 31st December 2020.
- (4) According to the terms of the Share Option Incentive Scheme of COSCO SHIPPING Holdings (the "Scheme") and its amendments approved on 18th May 2020, the Scheme is valid for 10 years from 30th May 2019 and the share options shall be vested 24 months after the date of grant (the "Vesting Period"). Subject to the fulfilment of the relevant conditions of exercise, these share options shall be exercisable in three batches after the expiry of the Vesting Period, i.e. (a) the exercise period of 33% of the share options will commence on the first trading day after expiration of the 24-month period from the date of grant and ending on the last trading day of the 36-month period from the date of grant; (b) the exercise period of 33% of the share options will commence on the first trading day after expiration of the 36-month period from the date of grant and ending on the last trading day of the 48-month period from the date of grant; and (c) the exercise period of 34% of the share options will commence on the first trading day after expiration of the 48-month period from the date of grant and ending on the last trading day of the 84-month period from the date of grant. Details of the Scheme are set out in the announcements dated 3rd June 2019 and 30th March 2020 of COSCO SHIPPING Holdings (A shares). No consideration was paid by the grantees for acceptance of the share options.

Save as disclosed above, as at 31st December 2020, none of the Directors or the Chief Executive of the Company had any interest or short position in the Shares, the underlying Shares and the debentures of the Company or any of its associated corporation (within the meaning of the SFO) which were required to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

3. Directors' Interests in Competing Business

China COSCO SHIPPING Corporation Limited ("COSCO SHIPPING"), an indirect controlling shareholder of the Company, its subsidiaries or its associates are engaged in the same business of container shipping, management and operation of container terminals and/or logistic services (the "Competing Companies") as the Group. During the year of 2020, Mr. Xu Lirong, Mr. Huang Xiaowen, Mr. Yang Zhijian and Mr. Feng Boming, the Executive Directors of the Company, and Mr. Wang Haimin, the then Executive Director of the Company, were holding directorships and/or senior management positions in COSCO SHIPPING, its subsidiaries or its associates; Dr. Chung Shui Ming Timpson, the Independent Non-Executive Director of the Company, was an external director of COSCO SHIPPING; Mr. Yang Liang Yee Philip, the Independent Non-Executive Director of the Company, was an independent non-executive director of COSCO SHIPPING Holdings (retired on 30th November 2020) and COSCO SHIPPING Ports (appointed on 29th April 2020); and Ms. Chen Ying, the Independent Non-Executive Director of the Company, was an external director of COSCO SHIPPING Lines Co., Ltd..

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

Save as disclosed above, so far as the Directors of the Company were aware, none of the Directors of the Company or their respective close associates (as defined in the Listing Rules) had any interest in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group during the year.

MANAGEMENT CONTRACTS

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

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' SHARE INTERESTS

As at 31st December 2020, the following persons (other than the Directors or the Chief Executive of the Company) had an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO:

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

Notes:

1. COSCO SHIPPING Holdings (Hong Kong) Limited (“COSCO SHIPPING HK”) held 100% of the shares of Faulkner Global Holdings Limited (“Faulkner”) and, accordingly, had an indirect interest in the same Shares in which Faulkner had an interest.
2. COSCO SHIPPING Holdings held 100% of the shares of COSCO SHIPPING HK and, accordingly, had an indirect interest in the same Shares in which COSCO SHIPPING HK had an interest.
3. China Ocean Shipping Company Limited (“China Ocean”) held 37.89% of the shares of COSCO SHIPPING Holdings by itself and its subsidiaries, and, accordingly, had an indirect interest in the same Shares in which COSCO SHIPPING Holdings had an interest. COSCO SHIPPING held 8.33% of the shares of COSCO SHIPPING Holdings. Both China Ocean and COSCO SHIPPING are state-owned enterprises established in the People’s Republic of China.
4. COSCO SHIPPING held 100% of the shares of China Ocean and, accordingly, had an indirect interest in the same Shares in which China Ocean had an interest.
5. Shanghai International Port Group (HK) Co., Ltd. (“SIPG HK”) held 100% of the shares of Shanghai Port Group (BVI) Development Co., Limited (“SIPG BVI”) and, accordingly, had an indirect interest in the same Shares in which SIPG BVI had an interest.
6. Shanghai International Port (Group) Co., Ltd. held 100% of the shares of SIPG HK and, accordingly, had an indirect interest in the same Shares in which SIPG HK had an interest.
7. Green Amber Investment Limited (“Green Amber”) held 100% of the shares of PSD Investco Inc. (“PSD”) and, accordingly, had an indirect interest in the same Shares in which PSD had an interest.
8. Silk Road Fund Co., Ltd. (“Silk Road Fund”) held 100% of the shares of Green Amber and, accordingly, had an indirect interest in the same Shares in which Green Amber had an interest.
9. Buttonwood Investment Holding Company Ltd. held 65% of the shares of Silk Road Fund and, accordingly, had an indirect interest in the same Shares in which Silk Road Fund had an interest.

Save as disclosed herein, as at 31st December 2020, the Company had not been notified by any person (other than the Directors or the Chief Executive of the Company) who had an interest or short position in the Shares or the underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, details of the Company’s continuing connected transactions and connected transactions during the year 2020 are as follows:

1. Continuing Connected Transactions

COSCO SHIPPING indirectly controls more than 50% of the issued share capital of the Company. Accordingly, COSCO SHIPPING and its subsidiaries and associates as defined under the Listing Rules (collectively the “COSCO SHIPPING Group”) are connected persons of the Company. Transactions contemplated under each of the following master agreements constitute continuing connected transactions (the “Continuing Connected Transactions”) of the Company.

a) Business Master Agreement

Pursuant to a master agreement dated 30th October 2019 entered into between the Company (for itself and on behalf of its subsidiaries and associates) and COSCO SHIPPING (for itself and on behalf of its subsidiaries and associates), both parties agreed to provide and to procure members of its group to provide to each other services related to containerized liner, logistics, information technology and other contractual arrangements (the “Business Master Agreement”). The Business Master Agreement is for a term of three years from 1st January 2020 to 31st December 2022, and is subject to renewal for successive periods of three years.

Report of the Directors

The following table is a summary of the transaction amounts and the annual cap for the year ended 31st December 2020 for each type of the transactions contemplated under the Business Master Agreement.

Types of services under the Business Master Agreement	Transaction amounts for year 2020 (US\$'000)	Annual caps for year 2020 (US\$'000)
Provision of services by COSCO SHIPPING Group to the Group		
(A) Liner services		
(i) network services	104,981	224,000
(ii) operation services	100,523	120,000
(iii) vessel operating common carrier services	–	2,400
(iv) other services, including information technology services	21	15,000
(B) Logistics services including non-vessel operating common carrier services, international supply chain services, and domestic logistics services	19,347	26,000 <i>(Note)</i>
(C) Other contractual arrangements, including office leases and insurance service	8,968	20,000
(D) Other services, including use of common facilities, ad-hoc use of business facilities and crew manning service/manning agency service	1,296	12,000
Provision of services by the Group to COSCO SHIPPING Group		
(A) Liner services		
(i) network services	5,617	103,000
(ii) operation services	1,507	6,000
(iii) vessel operating common carrier services	119,394	120,000
(iv) other services, including information technology services	36,548	75,000
(B) Logistics services including non-vessel operating common carrier services, international supply chain services, and domestic logistics services	5,108	10,000
(C) Other contractual arrangements, including office leases and insurance service	–	6,000
(D) Other services, including use of common facilities, ad-hoc use of business facilities and crew manning service/manning agency service	–	6,000

Note: The annual caps for the provision of logistics services by COSCO SHIPPING Group to OOIL Group under the Business Master Agreement for the three years ending 31st December 2022 were revised and approved at the special general meeting of the Company held on 30th November 2020 (the “SGM”):

	Original annual caps	Revised annual caps
2020:	US\$15,000,000	US\$26,000,000
2021:	US\$19,000,000	US\$34,000,000
2022:	US\$23,000,000	US\$44,000,000

b) Bunker Master Agreement

Pursuant to a master agreement dated 30th October 2019 entered into between the Company (for itself and on behalf of its subsidiaries and associates) and COSCO SHIPPING (for itself and on behalf of its subsidiaries and associates), COSCO SHIPPING Group agreed to sell and to procure members of its group to sell bunker, fuel and oil to the Group (the “Bunker Master Agreement”). The Bunker Master Agreement is for a term of three years from 1st January 2020 to 31st December 2022, and is subject to renewal for successive periods of three years.

The following table is a summary of the transaction amounts and the annual cap for the year ended 31st December 2020 for the transactions contemplated under the Bunker Master Agreement.

	Transaction amounts for year 2020 (US\$'000)	Annual cap for year 2020 (US\$'000)
Purchase of bunker, fuel and oil by the Group from COSCO SHIPPING Group	113,661	135,000 <i>(Note)</i>

Note: The annual caps for the continuing connected transactions under the Bunker Master Agreement for the three years ending 31st December 2022 were revised and approved at the SGM:

	Original annual caps	Revised annual caps
2020:	US\$120,000,000	US\$135,000,000
2021:	US\$120,000,000	US\$370,000,000
2022:	US\$120,000,000	US\$410,000,000

c) Terminal Master Agreement

Pursuant to a master agreement dated 30th October 2019 entered into between the Company (for itself and on behalf of its subsidiaries and associates) and COSCO SHIPPING (for itself and on behalf of its subsidiaries and associates), both parties agreed to provide and to procure members of its group to provide to each other terminal services and related services (the “Terminal Master Agreement”). The Terminal Master Agreement is for a term of three years from 1st January 2020 to 31st December 2022, and is subject to renewal for successive periods of three years.

The following table is a summary of the transaction amounts and the annual cap for the year ended 31st December 2020 for each type of the transactions contemplated under the Terminal Master Agreement.

	Transaction amounts for year 2020 (US\$'000)	Annual caps for year 2020 (US\$'000)
Provision of services by COSCO SHIPPING Group to the Group	133,034	155,000
Provision of services by the Group to COSCO SHIPPING Group	3,997	25,000

Report of the Directors

d) Equipment Procurement Master Agreement

Pursuant to a master agreement dated 30th October 2019 entered into between the Company (for itself and on behalf of its subsidiaries and associates) and COSCO SHIPPING (for itself and on behalf of its subsidiaries and associates), both parties agreed to provide and to procure members of its group to provide to each other services relating to equipment procurement including container acquisition and pooling (the “Equipment Procurement Master Agreement”). The Equipment Procurement Master Agreement is for a term of three years from 1st January 2020 to 31st December 2022, and is subject to renewal for successive periods of three years.

The following table is a summary of the transaction amounts and the annual caps for the year ended 31st December 2020 for each type of the transactions contemplated under the Equipment Procurement Master Agreement.

	Transaction amounts for year 2020 (US\$'000)	Annual caps for year 2020 (US\$'000)
Provision of services by COSCO SHIPPING Group to the Group	106,959	570,000
Provision of services by the Group to COSCO SHIPPING Group	7,932	36,000

e) Vessel Services Master Agreement

Pursuant to a master agreement dated 30th October 2019 entered into between the Company (for itself and on behalf of its subsidiaries and associates) and COSCO SHIPPING (for itself and on behalf of its subsidiaries and associates), both parties agreed to provide and to procure members of its group to provide to each other vessel services, including vessel chartering, vessel supervision, and other vessel-related services (the “Vessel Services Master Agreement”). The Vessel Services Master Agreement is for a term of three years from 1st January 2020 to 31st December 2022 and is subject to renewal for successive periods of three years.

The following table is a summary of the transaction amounts and the annual cap for the year ended 31st December 2020 for each type of the transactions contemplated under the Vessel Services Master Agreement.

	Transaction amounts for year 2020 (US\$'000)	Annual caps for year 2020 (US\$'000)
Provision of services by COSCO SHIPPING Group to the Group	90,835	190,000
Provision of services by the Group to COSCO SHIPPING Group	35,991	61,000

f) Financial Services Master Agreement

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

The following table is a summary of the transaction amounts and the annual cap for the year ended 31st December 2020 for each type of the transactions contemplated under the Financial Services Master Agreement.

	Highest daily outstanding balance*	Maximum daily outstanding balance*
	for year 2020	for year 2020
	(US\$'000)	(US\$'000)
Provision of deposit service by COSCO SHIPPING Group to the Group	58,960	200,000
	Highest daily outstanding balance*	Maximum daily outstanding balance*
	for year 2020	for year 2020
	(US\$'000)	(US\$'000)
Provision of loan service by COSCO SHIPPING Group to the Group	-	100,000
	Transaction amounts	Annual cap
	for year 2020	for year 2020
	(US\$'000)	(US\$'000)
Provision of other financial services by COSCO SHIPPING Group to the Group	-	1,000

* The daily outstanding balance of deposits and/or loans includes accrued interest and handling fee.

Report of the Directors

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

The Company's auditor was engaged to report on the Group's Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing the findings and conclusions in respect of the Continuing Connected Transactions as disclosed above in accordance with rule 14A.56 of the Listing Rules. A copy of aforesaid auditor's letter has been provided by the Company to the Stock Exchange.

2. Connected Transactions

During the year 2020, the indirect wholly-owned subsidiaries of the Company entered into the following agreements:

a) Shipbuilding contracts for five vessels

On 10th March 2020, five indirect wholly-owned subsidiaries of the Company respectively entered into the shipbuilding contracts on substantially the same terms with Nantong COSCO KHI Ship Engineering Co., Ltd. ("Nantong") or Dalian COSCO KHI Ship Engineering Co., Ltd. ("Dalian") for the construction of a total of five vessels for an aggregate consideration of US\$778.4 million.

Details of this major and connected transaction in relation to the construction of five vessels are set out in the announcement of the Company dated 10th March 2020.

b) Shipbuilding contracts for seven vessels

On 30th October 2020, seven indirect wholly-owned subsidiaries of the Company respectively entered into the shipbuilding contracts on substantially the same terms with Nantong or Dalian for the construction of a total of seven vessels for an aggregate consideration of US\$1,103.9 million.

Details of this major and connected transaction in relation to the construction of seven vessels are set out in the announcement of the Company dated 30th October 2020.

As at 10th March 2020 and 30th October 2020, Nantong was an associate of COSCO SHIPPING which indirectly held 50% equity interest in Nantong. Dalian was an indirect subsidiary of COSCO SHIPPING and Nantong directly held 30% equity interest in Dalian. COSCO SHIPPING indirectly controls more than 50% of the issued share capital of the Company. Accordingly, both Nantong and Dalian were connected persons of the Company and the transactions contemplated under the twelve shipbuilding contracts constituted connected transactions of the Company.

During the year, the Group conducted certain related party transactions, as disclosed in note 42 to the consolidated financial statements on page 181 of this annual report. Some of these transactions also constituted connected transactions of the Group (exempted or non-exempted) and in respect of which the Company has complied with the relevant applicable requirements under Chapter 14A of the Listing Rules.

PERMITTED INDEMNITY

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PRE-EMPTIVE RIGHTS

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

SHARE CAPITAL

Details of the shares of the Company issued during the year are set out in note 33 to the consolidated financial statements on pages 169 of this annual report.

TOP-UP PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 22nd January 2021, the Company entered into the placing and subscription agreement with Faulkner and J.P. Morgan Securities (Asia Pacific) Limited, pursuant to which Faulkner conditionally agreed to subscribe for 11,400,000 new shares (the "Subscription Shares") of the Company at the price of HK\$81.80 per share (the "Subscription").

The Subscription Shares were allotted and issued pursuant to the general mandate granted to the Directors of the Company by a resolution of the shareholders passed at the annual general meeting of the Company held on 15th May 2020 (the "General Mandate"). As at the date of the placing and subscription agreement, the Company was authorised to allot and issue 125,158,659 new shares under such General Mandate. Accordingly, the allotment and issue of the Subscription Shares was not subject to the approval of the shareholders of the Company.

Completion of the Subscription took place on 29th January 2021. The net proceeds from the Subscription amounted to approximately HK\$923 million (net of expenses relating to the top-up placing).

Details of top-up placing are set out in the announcements of the Company dated 22nd January 2021 and 29th January 2021.

RESERVES

Movements during the year in the reserves of the Group and the Company are set out in note 34 and note 43 to the consolidated financial statements on pages 170 and 183 to 184 of this annual report.

Report of the Directors

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed “Top-Up Placing of Existing Shares and Subscription of New Shares under General Mandate”, the Company had not entered into any equity-linked agreement for the year ended 31st December 2020.

CORPORATE GOVERNANCE

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

The Company has adopted its own corporate governance code (the “CG Code”), which in addition to applying the principles as set out in the Corporate Governance Code (the “SEHK Code”) contained in Appendix 14 to the Listing Rules, also incorporates and conforms to local and international best practices. The CG Code sets out the corporate governance principles applied by the Group and is constantly reviewed to ensure transparency, accountability and independence. Further information on the CG Code is set out in the corporate governance report (the “Corporate Governance Report”) on pages 60 to 86 of this annual report.

Throughout the year of 2020, the Company complied with the SEHK Code, except as set out in the Corporate Governance Report.

PUBLIC FLOAT

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

DONATIONS

Donations made by the Group during the year amount to US\$55,000.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 21st May 2021.

A circular containing, inter alia, (i) a notice convening the Annual General Meeting; (ii) details of the retiring Directors to be re-elected at the Annual General Meeting; (iii) the general mandate to authorise the allotment of and otherwise dealing with shares of all classes in the capital of the Company and securities convertible into shares and options, warrants or similar rights to subscribe for shares or such convertible securities; and (iv) the general mandate to authorise the repurchase of the Company’s securities, together with a proxy form will be despatched to the shareholders of the Company on or around 19th April 2021.

COMPANY SECRETARY

The Company Secretary of the Company is Mr. Xiao Junguang.

AUDITOR

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

On behalf of the Board

Orient Overseas (International) Limited

Xu Lirong

Chairman

Hong Kong, China, 26th March 2021

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Independent Auditor's Report

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

OPINION

What we have audited

The consolidated financial statements of Orient Overseas (International) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 108 to 195, which comprise:

- the consolidated balance sheet as at 31st December 2020;
- the consolidated profit and loss account for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

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

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

- Provision for operating costs
- Recognition of freight revenue on a percentage of completion basis
- Provision for onerous contract for the Terminal Service Agreement ("TSA") for Long Beach Container Terminal ("LBCT")

Key Audit Matter

Provision for operating costs

Refer to notes 4(c) and 39 to the consolidated financial statements.

As at 31st December 2020, included in the accrued expenses of US\$894.3 million was a provision for operating costs for container transport operation which mainly comprise cargo, vessel and voyage costs, equipment and repositioning costs and terminal operating costs.

As generally, it would take management several months to finalise certain costs with suppliers subsequent to the receipt of such services, management makes a provision at the period end for operating costs that are not yet billed by the suppliers based on known services received, pattern of historical cost and estimated vendor tariffs etc.

We focus on the estimation of provision for operating costs because it involved significant management's judgement which are subjective taking into account a number of factors, such as pattern of historical cost and the estimated vendor tariff.

How our audit addressed the Key Audit Matter

Our procedures in relation to the provision for operating costs included:

- Obtained an understanding of management's internal control and process over provision for operating costs and assessed the level of inherent risk by considering the degree of estimation uncertainty and factors such as subjectivity.
- Understood, evaluated and tested the information technology general control environment of the operation and accounting systems used to record the operating costs and cost provisioning.
- Evaluated and tested the key controls over the operating costs, cost provisioning and accounts payable cycle, in particular the management review and approval of the vendor tariffs in the operation system.
- Understood the extraction logic in operation system and tested the accuracy and completeness of the reports generated from the operation system for making the provision for operating costs, on a sample basis.
- Assessed the effectiveness of management's estimation process by evaluating the outcome of provision made in the prior year and reviewing the monthly provision analysis prepared by management.
- Evaluated the sufficiency of year end provision made by management by reviewing the utilisation of provision subsequent to the year end.
- Checked paid and unpaid invoices after the year end, on a sample basis, and evaluated whether the operating costs have been recorded and provided for in the proper period.

We found that the judgement involved in making the provision for operating costs was supportable by the available evidence.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Recognition of freight revenue of vessel voyages in progress at the year end</p> <p><i>Refer to notes 2.22, 4(e) and 5 to the consolidated financial statements.</i></p> <p>For the year ended 31st December 2020, majority of the Group's revenue of US\$8,191.3 million was derived from the freight revenue from container transport operation.</p> <p>The Group recognises freight revenue based on the sailing schedules and the respective freight rates in accordance with agreements or contracts.</p> <p>For voyages in progress at the year end, the Group applies a percentage of completion to the contracted freight revenue of each voyage and the percentage is determined based on the days of vessel voyage completed to date relative to the total estimated days required for the completion of the entire voyage. We focus on the freight revenue in progress at the year end because the transaction volume of the voyages which were in progress at year end is significant and complex calculations are involved in the estimation of freight revenue on a percentage of completion basis.</p>	<p>Our procedures in relation to freight revenue of vessel voyages in progress at the year end included:</p> <ul style="list-style-type: none">• Obtained an understanding of management's internal control and estimation process and assessed the level of inherent risk by considering the degree of estimation uncertainty and factors such as complexity.• Understood, evaluated and tested the information technology general control environment of the operation and accounting systems used to record the freight revenue transactions.• Evaluated and tested the key controls, on a sample basis, over the recognition of freight revenue in progress at the year end.• Selected vessel voyages in progress at the year end in the estimation schedule, on a sample basis, and agreed the contracted revenue to the data recorded in the operation system.• Assessed the percentage of completion estimated by management in respect of the vessel voyages in progress at year end, by agreeing the estimated departure dates and arrival dates of vessel voyages in progress in the operation system to the sailing schedules, on a sample basis.• Tested, subsequent to the year end, the actual departure dates and arrival dates of vessel voyages in progress at year end, on a sample basis.• Checked the calculation, on a sample basis, of the estimated freight revenue of vessel voyages in progress at year end. <p>We found that management's estimation of freight revenue for vessel voyages in progress at year end are supportable by available evidence.</p>

Key Audit Matter

Provision for onerous contract for the TSA for LBCT

Refer to notes 2.18, 4(d) and 38 to the consolidated financial statements.

In October 2019, the Group entered into a terminal service agreement for procuring the placement of an annual minimum number of vessel lifts ("MVC") at Long Beach Container Terminal ("LBCT") for each of the 20 years commencing on 1 November 2019 ("TSA"). According to the TSA, the Group is entitled to an excess rebate or obliged to pay a deficiency payment when there is surplus or shortfall over the respective MVC for each year during the contract period.

A provision should be made for the present obligation under the TSA where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Management performed an assessment to determine if any onerous provision for the TSA is required.

As at 31st December 2020, the Group recognised a provision for onerous contract of US\$348.5 million for the TSA, which is calculated using an expected value approach involving probability weighted possible scenarios taking into considerations of respective economic benefits to be received and associated fulfilment costs during the remaining contract period.

The estimation of the fulfilment costs and economic benefits over the remaining contract period involves significant judgements and assumptions including, a) the projected vessel lifts to be placed at LBCT, b) the expected amount of deficiency payment/excess rebates as stipulated in the TSA when the volume is below/in excess of the MVC, c) the amount of expected bunker costs and other operating costs and d) the expected freight rate from operating the service routes to/from LBCT.

We focused on this area because of the significance of the onerous provision as well as the estimation of it involved a high degree of uncertainty. The inherent risk in relation to the onerous contract assessment is significant due to the complexity of the calculation methodology and model and high level of subjectivity of management's judgements and assumptions made.

How our audit addressed the Key Audit Matter

Our procedures in relation to the assessment of the provision for onerous contract for the TSA included:

- Obtained an understanding of management's assessment process of the onerous provision for the TSA and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and factors such as complexity and subjectivity.
- Evaluated the appropriateness of the identification of expected economic benefits and fulfilment cost element included in management's assessment through discussion with management and corroborated with our review of the key terms of the TSA and our understanding of the applicable accounting standard requirements.
- Assessed the calculation methodology and model for onerous contract provision with the involvement of our in house specialists.
- Evaluated management's projected vessel lifts for the remaining contract period under the TSA through discussion with management, referencing to market data and comparing to historical vessel lifts and trends of LBCT.
- Checked management's calculation of the excess rebate or deficiency payment according to the terms in the TSA and the projected vessel lifts at LBCT.
- Assessed the reasonableness of expected bunker costs with reference to market forecast and other expected operating costs and freight rate based on the approved budget, market data, and our knowledge of the business and industry.
- Evaluated the probability weighting applied to the possible scenarios prepared by management based on our understanding of the Group's business and industry as well as discussion with management and corroborated with management's sensitivity analysis on the probability weighting applied to possible scenarios.
- Evaluated the appropriateness and adequacy of the relevant disclosures made in the Group's consolidated financial statements.

Based on the procedures performed, we found the calculation methodology and model, judgements and assumptions used in the estimation of the provision of onerous contract were supportable based on available evidence.

Independent Auditor's Report

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26th March 2021

Consolidated Profit and Loss Account

For the year ended 31st December 2020

US\$'000	Note	2020	2019
Revenue	5	8,191,304	6,878,740
Operating costs	6	(6,602,121)	(6,069,201)
Gross profit		1,589,183	809,539
Other operating income	7	78,853	83,679
Business and administrative expenses		(642,031)	(562,435)
Net impairment losses on financial assets		(15,446)	(4,915)
Other (losses)/gains, net	8	(18,372)	35,413
Operating profit	11	992,187	361,281
Finance costs	12	(91,312)	(151,599)
Share of profits of joint ventures	20	3,290	4,116
Share of profits of associated companies	21	9,509	10,028
Profit before taxation		913,674	223,826
Taxation	13	(10,656)	(69,839)
Profit for the year from continuing operations		903,018	153,987
Discontinued operation:			
Profit for the year from discontinued operation	16	–	1,194,806
Profit for the year		903,018	1,348,793
Profit attributable to:			
Equity holders of the Company		902,723	1,348,793
Non-controlling interests		295	–
		903,018	1,348,793
Earnings per ordinary share (US cents)	14		
From continuing operations		144.3	24.6
From discontinued operation		–	190.9
Basic and diluted		144.3	215.5

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2020

US\$'000	2020	2019
Profit for the year	903,018	1,348,793
Other comprehensive income/(loss):		
Items that will not be subsequently reclassified to profit or loss:		
Remeasurement losses on defined benefit schemes	(6,777)	(10,084)
Investments at fair value through other comprehensive income		
Change in fair value	(7,800)	(7,925)
Total items that will not be subsequently reclassified to profit or loss	(14,577)	(18,009)
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Currency translation adjustments		
Foreign subsidiaries	9,366	(1,643)
Associated companies	8,862	(2,066)
Joint ventures	495	(15)
Release of reserve upon step acquisition from joint venture to subsidiary	652	-
Total items that have been reclassified or may be reclassified subsequently to profit or loss	19,375	(3,724)
Other comprehensive income/(loss) for the year, net of tax	4,798	(21,733)
Total comprehensive income for the year	907,816	1,327,060
Total comprehensive income attributable to:		
Equity holders of the Company	907,556	1,327,060
Non-controlling interests	260	-
	907,816	1,327,060
Total comprehensive income for the year attributable to equity holders of the Company arising from:		
Continuing operations	907,556	132,254
Discontinued operation	-	1,194,806
	907,556	1,327,060

Consolidated Balance Sheet

As at 31st December 2020

US\$'000	Note	2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	17	3,744,666	3,162,424
Right-of-use assets	18	2,303,265	2,830,674
Investment property	19	280,000	310,000
Investments in joint ventures	20	9,848	10,163
Investments in associated companies	21	144,987	137,665
Intangible assets	22	18,856	30,824
Deferred taxation assets	23	6,255	5,083
Restricted bank balances	25	321	56,795
Investments at fair value through other comprehensive income	26	7,895	15,694
Investments at amortised cost	27	113,295	147,420
Other non-current assets	28	21,344	49,371
		6,650,732	6,756,113
Current assets			
Inventories	29	94,778	113,485
Debtors and prepayments	30	681,126	668,268
Investments at amortised cost	27	34,117	43,886
Portfolio investments at fair value through profit or loss	31	100,560	152,923
Tax recoverable		8,520	8,121
Restricted bank balances	25	1,925	3,499
Cash and bank balances	32	3,072,795	3,455,570
		3,993,821	4,445,752
Total assets		10,644,553	11,201,865
EQUITY			
Equity holders			
Share capital	33	62,579	62,579
Reserves	34	5,579,535	4,864,828
		5,642,114	4,927,407
Non-controlling interests		380	-
Total equity		5,642,494	4,927,407

Consolidated Balance Sheet

As at 31st December 2020

US\$'000	Note	2020	2019
LIABILITIES			
Non-current liabilities			
Borrowings	36	820,325	1,033,141
Lease liabilities	37	1,669,163	2,309,083
Deferred taxation liabilities	23	143,121	150,479
Pension and retirement liabilities	24	15,447	11,494
Provision	38	348,545	–
		2,996,601	3,504,197
Current liabilities			
Creditors and accruals	39	1,387,711	1,072,605
Borrowings	36	213,270	394,996
Lease liabilities	37	367,085	253,869
Current taxation		37,392	47,522
Dividend payable	15	–	1,001,269
		2,005,458	2,770,261
Total liabilities		5,002,059	6,274,458
Total equity and liabilities		10,644,553	11,201,865

Huang Xiaowen
Yang Zhijian
Directors

Consolidated Cash Flow Statement

For the year ended 31st December 2020

US\$'000	Note	2020	2019
Cash flows from operating activities			
Cash generated from operations	41(a)	2,013,606	948,131
Interest and financing charges paid		(75,640)	(170,123)
Income tax paid		(33,232)	(118,404)
Net cash from operating activities		1,904,734	659,604
Cash flows from investing activities			
Sale and redemption on maturity of non-current assets		72,817	60,153
Purchase of property, plant and equipment		(369,581)	(181,795)
Purchase of other non-current assets		(9,958)	(29,352)
Decrease in portfolio investments at fair value through profit or loss		46,721	241,609
Acquisition of subsidiaries	41(c)	9,646	–
Disposal of subsidiaries	41(d)	–	1,709,248
Deposit paid for investment in an entity		–	(1,678)
Investment in a joint venture		–	(146)
Investment in an associated company		(852)	(2,840)
Net change in amounts due from joint ventures		–	2,183
Increase in restricted bank balances and bank deposits maturing more than three months		(433,638)	(1,182,172)
Interest received		69,999	61,777
Dividends and distribution received from investments		8,768	9,648
Dividends received from joint ventures and associated companies		17,257	15,716
Net cash (used in)/from investing activities		(588,821)	702,351
Cash flows from financing activities			
Drawdown of loans	41(b)	99,550	301,310
Repayment of loans	41(b)	(496,934)	(684,659)
Drawdown of lease liabilities	41(b)	–	99,145
Repayment of lease liabilities	41(b)	(603,882)	(352,109)
Dividends paid to equity holders of the Company		(1,198,894)	(89,859)
Capital contribution from non-controlling interests		120	–
Net cash used in financing activities		(2,200,040)	(726,172)
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year		(884,127)	635,783
Net change in cash and cash equivalents of disposal group classified as held for sale		2,272,570	1,584,465
Currency translation adjustments		–	53,733
Cash and cash equivalents at end of year	41(f)	9,666	(1,411)
		1,398,109	2,272,570

Consolidated Statement of Changes in Equity

For the year ended 31st December 2020

US\$'000	Equity holders			Non-controlling interests	
	Share capital	Reserves	Sub-total		Total
At 1st January 2019	62,579	4,626,245	4,688,824	–	4,688,824
Total comprehensive income for the year	–	1,327,060	1,327,060	–	1,327,060
Transactions with owners					
Employee share-based compensation	–	2,651	2,651	–	2,651
2018 final dividend	–	(48,181)	(48,181)	–	(48,181)
2019 interim dividend	–	(41,678)	(41,678)	–	(41,678)
2019 first special dividend	–	(1,001,269)	(1,001,269)	–	(1,001,269)
At 31st December 2019	62,579	4,864,828	4,927,407	–	4,927,407
Total comprehensive income for the year	–	907,556	907,556	260	907,816
Transactions with owners					
Employee share-based compensation	–	4,776	4,776	–	4,776
2019 final dividend	–	(16,834)	(16,834)	–	(16,834)
2019 second special dividend	–	(150,190)	(150,190)	–	(150,190)
2020 interim dividend	–	(30,601)	(30,601)	–	(30,601)
Capital contribution from non-controlling interests	–	–	–	120	120
At 31st December 2020	62,579	5,579,535	5,642,114	380	5,642,494

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

Orient Overseas (International) Limited (the “Company”) is a members’ limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal office is 31st Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong, China.

The principal activity of the Company is investment holding and the activities of its principal subsidiaries, associated companies and joint ventures are set out on pages 185 to 195 of the consolidated financial statements.

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

The ultimate parent company of the Group is China COSCO SHIPPING Corporation Limited (“COSCO SHIPPING”), a state-owned enterprise established in the People’s Republic of China (the “PRC”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, as modified by the revaluation of investment property, investments at fair value through other comprehensive income and portfolio investments at fair value through profit or loss which are carried at fair value.

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

The adoption of revised standards

In 2020, the Group adopted the following amendments to existing standards below, which are relevant to its operations.

Amendments to existing standards

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 3 (Amendment)	Definition of a Business

The adoption of the above amendments to existing standards do not have a material impact on the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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

New standard and amendments to existing standards	Effective for accounting periods beginning on or after
HKFRS 16 (Amendment)	COVID-19 Related Rent Concessions
HKFRS 17	Insurance Contracts
HKAS 16 (Amendment)	Property, Plant and Equipment – Proceeds before Intended Use
HKAS 37 (Amendment)	Onerous Contracts – Cost of Fulfilling a Contract
HKAS 1 (Amendment)	Presentation of Financial Statements
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
	1st June 2020
	1st January 2021
	1st January 2022
	1st January 2022
	1st January 2023
	To be announced

The adoption of HKFRS 16 (Amendment), HKFRS 17, HKAS 16 (Amendment), HKAS 37 (Amendment), HKAS 1 (Amendment) and HKFRS 10 and HKAS 28 (Amendments) are not expected to have a significant effect on the consolidated financial statements of the Group.

2.2 Consolidation

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

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

(a) Subsidiaries

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

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

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (Continued)

(a) Subsidiaries (Continued)

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

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

(b) Transactions with non-controlling interests

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

(c) Disposal of subsidiaries

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

(d) Joint arrangements

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (Continued)

(e) Associated companies

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

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

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

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

2.3 Property, plant and equipment

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

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

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Property, plant and equipment (Continued)

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

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

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

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

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

2.4 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

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

2.5 Vessel repairs and surveys

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets

(a) Goodwill

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

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

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

(b) Computer software

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

Computer software costs mainly comprise internally generated capitalised software development costs.

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

2.7 Impairment of investments in subsidiaries and non-financial assets

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

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

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

2.9 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

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

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

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

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

(b) Recognition and derecognition

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets (Continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in "other operating income" using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other gains/(losses)" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated profit and loss account.
- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in "other gains/(losses)". Interest income from these financial assets is included in "other operating income" using the effective interest rate method. Foreign exchange gains and losses are presented in "other gains/(losses)". Impairment losses are presented as separate line item in the consolidated profit and loss account.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within "other gains/(losses)" in the period in which it arises.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Equity instruments

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

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

(d) Impairment

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

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

(e) Offsetting financial instruments

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

2.10 Inventories

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

2.11 Debtors

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Cash and cash equivalents

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

2.13 Share capital

Ordinary shares are classified as equity.

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

2.14 Creditors

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

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

2.15 Borrowings

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

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

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

2.16 Current and deferred taxation

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

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

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

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Current and deferred taxation (Continued)

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

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

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

2.17 Employee benefits

(a) Pension obligations

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Employee benefits (Continued)

(b) Bonus plans

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

(c) Employee leave entitlements

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

(d) Share-based payments

Employee services settled in equity instruments

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

2.18 Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

A provision for onerous contracts is recognised where the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under them.

The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both:

- the incremental costs of fulfilling that contract – for example, cargo cost; and
- an allocation of other costs that relate directly to fulfilling contracts – for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Financial guarantee contracts

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

- the amount determined in accordance with the expected credit loss model under HKFRS 9 “Financial Instruments”; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 “Revenue from Contracts with Customers”.

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

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

2.20 Segment information

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

2.21 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in US dollar, which is the Company’s functional currency and the Group’s presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated profit and loss account.

Changes in the fair value of debt securities denominated in foreign currency classified as investments at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as investments at fair value through other comprehensive income, are included in the investments revaluation reserve in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the consolidated profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

- (a) Freight revenues from the operation of the container transport are recognised over time which is determined on the percentage of completion basis of each individual vessel voyage.
- (b) Revenues from logistics business are recognised when services are rendered or over time which is determined on the percentage of completion basis of the progress of the transportation.
- (c) Revenues from the operation of container terminals and provision of other services are recognised when services are rendered.
- (d) Rental income under operating leases is recognised over the periods of the respective leases on a straight-line basis.

2.23 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.24 Dividend income

Dividend income is recognised when the right to receive payment is established.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

2.26 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Leases (Continued)

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

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

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

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

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (note 19). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated balance sheet based on their nature.

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

2.27 Borrowing costs

Borrowing costs are expensed in the consolidated profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

2.28 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in fair value are recognised in the consolidated profit and loss account.

2.29 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's Directors/equity holders.

Notes to the Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to the purchase of property, plant and equipment are recognised as a deduction from the carrying amount of the related assets in the consolidated balance sheet and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, price risk, credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group has regularly monitored current and expected liquidity requirements against the cash on hand, expected net operating cash flow, committed facilities and its compliance with loan covenants, to ensure the Group's liquidity requirements can be met in the short and longer term.

The Group has paid ongoing attention on credit quality of counterparties, in particular major customers and financial institutions with relationship in terms of debt securities, derivatives and cash transactions. Credit qualities of respective counterparties are disclosed in respective notes to the consolidated financial statements.

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to fluctuation in the exchange rates of foreign currencies to the US dollar. Foreign currency exposures are covered by forward contracts and options whenever appropriate.

Income and expenses from container transport and logistics activities are mainly denominated in US dollar and in various currencies, mainly including Australian dollar, Canadian dollar, Euro, Japanese yen and Renminbi.

To limit currency exposure, the US dollar based activities are financed primarily by loans in US dollar. With all other variables held constant, an average change in the US dollar exchange rate of 1%, compared with all other non-US dollar related currencies, has a positive/negative effect on the results for 2020 of approximately US\$3.9 million (2019: US\$3.5 million).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Price risk

The container transport and logistics activities are sensitive to economic fluctuations. The Group is exposed to freight rate risk. The Group's revenue will increase/decrease by US\$72.8 million (2019: US\$61.3 million) for 1% increase/reduction of the average container freight rates with all other variables held constant.

The Group is exposed to bunker price risk for its container transport and logistics activities. Bunker cost is one of the major cost components of container transport and logistics activities. An increase in bunker price can only be partially compensated through freight surcharge bunker price adjustment. With all other variables held constant, the operating costs will be increased by approximately US\$1.9 million (2019: US\$1.9 million) for one US dollar increase in bunker price per ton.

The Group is also exposed to equity/debt securities price risk because of investments held by the Group include investments at fair value through other comprehensive income or portfolio investments at fair value through profit or loss which are accounted at fair value. To manage its price risk arising from investments in equity/debt securities, the Group diversifies its portfolio. If the prices of the respective quoted equity/debt securities of the Group had been increased/decreased by 1% and all other variables held constant, the profit after taxation of the Group for the year ended 31st December 2020 would increase/decrease by US\$1.0 million (2019: US\$1.5 million) as a result of the changes in fair value of equity/debt securities under portfolio investments at fair value through profit or loss.

(c) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that services are provided to customers with an appropriate credit history.

The extent of the Group's credit exposure is mainly represented by the aggregate balance of cash and bank balances, portfolio investments at fair value through profit or loss, investments at amortised cost, restricted bank balances, trade receivables and other receivables. The credit quality of these exposures is disclosed in relevant notes to the consolidated financial statements.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping sufficient cash and cash equivalents and readily realisable liquid assets.

Surplus cash held by the operating entities over and above balance required for working capital management is transferred to the Group Treasury. Group Treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room. At the reporting date, the Group held liquid assets of US\$3,173.4 million (2019: US\$3,608.5 million) that are expected to readily generate cash inflows for managing liquidity risk.

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

US\$'000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31st December 2020				
Borrowings	227,322	235,593	411,246	202,676
Lease liabilities	396,632	284,735	925,980	535,752
Creditors and accruals	1,373,458	–	–	–
At 31st December 2019				
Borrowings	434,953	257,734	546,122	326,287
Lease liabilities	320,380	583,607	981,742	943,577
Creditors and accruals	1,021,639	–	–	–
Dividend payable	1,001,269	–	–	–

(e) Cash flow interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has a policy to place surplus funds with creditable financial institutions which offer the best return for the Group on a short-term basis.

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing bank balances, borrowings and lease liabilities.

At 31st December 2020, if interest rates had been 0.1% higher/lower with all other variables held constant, post-tax profit for the year would have been US\$0.7 million higher/lower (2019: US\$0.5 million higher/lower), mainly as a result of higher/lower net interest income on the net floating rate bank balances.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings and lease liabilities (including "current and non-current borrowings and lease liabilities" as shown in the consolidated balance sheet) less restricted bank balances, cash and bank balances and portfolio investments at fair value through profit or loss.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management (Continued)

The gearing ratios at 31st December 2020 and 2019 are as follows:

US\$'000	2020	2019
Total borrowings (note 36)	(1,033,595)	(1,428,137)
Total lease liabilities (note 37)	(2,036,248)	(2,562,952)
	(3,069,843)	(3,991,089)
Less: Restricted bank balances (note 25)	2,246	60,294
Cash and bank balances (note 32)	3,072,795	3,455,570
Portfolio investments at fair value through profit or loss (note 31)	100,560	152,923
Net cash/(debt)	105,758	(322,302)
Total equity	5,642,494	4,927,407
Gearing ratio	N/A	0.07

The change in net cash/(debt) position results primarily from the profit generated during the year.

3.3 Fair value estimation

The financial instruments that are measured in the consolidated balance sheet at fair value, require disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are measured at fair value at 31st December 2020 and 2019:

US\$'000	2020		
	Level 1	Level 3	Total
Assets			
Portfolio investments at fair value through profit or loss			
Equity securities	20,156	-	20,156
Debt securities	80,404	-	80,404
Investments at fair value through other comprehensive income			
Unlisted equity securities	-	7,895	7,895
Total assets	100,560	7,895	108,455

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

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

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise portfolio investments at fair value through profit or loss.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value levels 2 and 3 financial instruments include:

- Dealer quotes.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

There were no changes in valuation techniques during the year.

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

The following table presents the changes in level 3 instruments:

US\$'000	2020	2019
Opening balance	15,694	24,422
Currency translation adjustments	1	5
Disposals	–	(808)
Fair value change recognised in other comprehensive income	(7,800)	(7,925)
Closing balance	7,895	15,694

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income tax in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of overseas subsidiaries to be repatriated and distributed by way of dividends as the Directors consider that the timing of the reversal of the related temporary differences can be controlled or such profits will not be distributed and such temporary differences will not be reversed in the foreseeable future (note 23).

Recognition of deferred tax assets, which principally relate to tax losses, depends on management's expectation of future taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Property, plant and equipment, right-of-use assets and intangible assets

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment, right-of-use assets and intangible assets. Management will revise the depreciation and amortisation charges where useful lives and residual values are different from previously estimated.

Management determines the estimated useful lives and related depreciation expenses for the vessels and containers. Management estimates useful lives of its vessels and containers by reference to expected usage of the vessels and containers, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the market. It could change significantly as a result of the changes of these factors.

Were the useful lives of vessels and containers to differ by 10% from management estimates with all other variables held constant, it is estimated that depreciation expense would increase or decrease by approximately US\$60.9 million or US\$42.1 million respectively for the year ended 31st December 2020 (2019: US\$55.9 million or US\$38.7 million respectively).

Management determines the residual values for its vessels and containers. This estimate is based on the current scrap values of steels in an active market at each measurement date since management decides to dispose of the fully depreciated vessels and containers as scrap steels. Depreciation expense would increase where the residual values are less than previously estimated values.

Notes to the Consolidated Financial Statements

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Property, plant and equipment, right-of-use assets and intangible assets (Continued)

Were the residual values of vessels and containers to differ by 10% from management estimates with all other variables held constant, it is estimated that depreciation expense would increase or decrease by approximately US\$14.0 million or US\$12.9 million respectively for the year ended 31st December 2020 (2019: US\$11.4 million or US\$10.7 million respectively).

(c) Provision of operating costs

Operating costs, which mainly comprise cargo cost, vessel and voyage costs, equipment and repositioning costs and terminal operating cost. Invoices in relation to these expenses are received several months after the expenses have been incurred. Consequently, recognition of accrued operating costs is based on the known services entered, pattern of historical costs as well as the estimated vendor tariffs.

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

(d) Commitment to long-term service agreement

The Group entered into a Terminal Service Agreement (“TSA”) in October 2019 following the completion of the disposal of Long Beach Container Terminal (“LBCT”). According to the TSA, the Group committed to place, or procure the placement of an annual minimum number of vessel lifts (“MVC”) for 20 years. Failure to meet the committed volume for each of the contract year would require certain level of deficiency payment as stipulated in the TSA.

As at 31st December 2020, the Group reassessed the expected number of vessel lifts in LBCT for each of the remaining contract years with reference to future prospects of the market and its expected load factor. Considering the prolonged COVID-19 pandemic in the USA and the uncertain vaccine efficacy, recovery of the USA economy has been affected and was expected to be continuously affected for the foreseeable future. It was expected that a slower economy growth would affect the demand/import of the USA for some time as it shall take years to recover from various pandemic impact. In addition, the pandemic also changed the cargo inflow to the USA by other means. As at 31st December 2020, with these uncertainties over such long-term period of the TSA, management reassessed that the projected vessel lifts in LBCT would grow at a smaller and slower extent compared with prior year’s assessment and thus led to a shortfall on MVC over the remaining contract period.

As such, the Group further estimated the present value of the unavoidable costs of meeting the obligations under the remaining term of the TSA (till October 2039) and the corresponding associated economic benefits in relation to the Group with reference to a) the expected number of vessel lifts; b) the expected amount of deficiency payment/excess rebates as stipulated in the TSA when the volume is below/in excess of the MVC; c) the expected operating costs (including cargo cost, vessel and voyage costs and equipment and repositioning costs); and d) the associated income expected to be earned from operating the service routes to/from LBCT. Based on the assessment performed by management, an onerous provision of US\$348.5 million (2019: nil) was recognised as at 31st December 2020.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Commitment to long-term service agreement (Continued)

The Group applied the expected value approach considering several probability-weighted possible scenarios which included adjusting key assumptions such as volume, freight rate, bunker cost and probability applied on the scenarios. The onerous contract assessment involves a significant level of management estimates and judgement, including the future profitability generated from routes using LBCT and the expected number of vessel lifts handled in LBCT during the remaining contract term. To the extent that the actual results differ from these estimates, the amount of provision will be differed and will affect the consolidated profit and loss account. The provision, including the estimates and assumptions contained therein, are reviewed regularly by management. The key assumptions used by management as at 31st December 2020 are as follows:

Key assumptions	Range of possible scenarios
Volume growth rate	-3% to +14%
Freight rate growth rate	-5% to +5%
Bunker cost	-5% to +5% on fuel oil futures
Probability applied	2% to 60%

For illustration purpose, management has performed sensitivity analysis by adjusting the probability applied to the possible scenarios. The effects for the respective sensitivity analysis, holding other factors constant, are set out below:

Sensitivity cases	Change of onerous provision as at 31st December 2020
Changing the most probable scenario to 100%	Decrease by approximately US\$2 million
Changing the most probable scenario to 40% and second most probable scenario to 35%	Increase by approximately US\$63 million
Changing the most probable scenario to 40% and third most probable scenario to 34%	Decrease by approximately US\$63 million

(e) Recognition of freight revenue of vessel voyages in progress at year end

The Group recognises freight revenue from container transport operation based on the sailing schedules and the respective freight rates. For vessel voyages in progress at the year end, the Group applies a percentage of completion to the freight revenue under each vessel voyage and the percentage is determined based on the days of vessel voyage completed to date relative to total estimated days required for the completion of the entire voyage. If the total estimated vessel voyage days were different from the estimate, this would have an impact on the freight revenue in the following reporting period.

Had the percentage of completion to freight revenue from vessel voyages in progress at year end been decreased or increased by 10% from management's estimate for the year ended 31st December 2020, the revenue would have been US\$20.5 million (2019: US\$6.0 million) lower or higher in the current period.

Changes in management's estimate of freight revenue for vessel voyages in progress at year end could cause a material change in freight revenue recognised in the current period.

Notes to the Consolidated Financial Statements

5. REVENUE AND SEGMENT INFORMATION

(a) Revenue

US\$'000	2020	2019
Container transport and logistics	8,164,201	6,851,974
Others	27,103	26,766
	8,191,304	6,878,740

The principal activities of the Group are container transport and logistics.

Revenue comprises gross freight, charter hire, service and other income from the operation of the container transport and logistics and rental income from the investment property.

(b) Segment information

The principal activities of the Group are container transport and logistics. Container transport and logistics include global containerised shipping services in major trade lanes, covering Trans-Pacific, Trans-Atlantic, Asia/Europe, Asia/Australia and Intra-Asia trades, and integrated services over the management and control of effective storage and flow of goods. In accordance with the Group's internal financial reporting provided to the chief operating decision-makers, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the reportable operating segments are container transport and logistics and others. The Executive Directors are the Group's chief operating decision-makers.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Operating segments

The segment results for the year ended 31st December 2020 are as follows:

US\$'000	Continuing operations		
	Container transport and logistics	Others	Total
Revenue from contracts with customers:			
Over time	8,164,201	–	8,164,201
Revenue from other source:			
Rental income	–	27,103	27,103
	8,164,201	27,103	8,191,304
Other operating income	45,224	33,629	78,853
	8,209,425	60,732	8,270,157
Operating profit/(loss)	992,628	(441)	992,187
Finance costs (note 12)	(91,312)	–	(91,312)
Share of profits of joint ventures (note 20)	3,290	–	3,290
Share of profits of associated companies (note 21)	9,509	–	9,509
Profit/(loss) before taxation	914,115	(441)	913,674
Taxation (note 13)	(21,114)	10,458	(10,656)
Profit for the year	893,001	10,017	903,018
Fair value loss from an investment property	–	(30,492)	(30,492)
Additions to non-current assets [#]	501,433	493	501,926
Depreciation of property, plant and equipment	235,078	12	235,090
Depreciation of right-of-use assets	195,599	–	195,599
Amortisation	21,497	–	21,497

Notes to the Consolidated Financial Statements

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Operating segments (Continued)

The segment results for the year ended 31st December 2019 are as follows:

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

* Additions to non-current assets comprise additions to property, plant and equipment, right-of-use assets, investment property and intangible assets.

The amount of revenue for discontinued operation is presented after eliminating inter-segment revenue of US\$184.4 million for the year ended 31st December 2019.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Operating segments (Continued)

The segment assets and liabilities at 31st December 2020 and 2019 are as follows:

US\$'000	2020		
	Container transport and logistics	Others	Group
Segment assets	8,922,942	1,566,571	10,489,513
Joint ventures	10,053	–	10,053
Associated companies	144,987	–	144,987
Total assets	9,077,982	1,566,571	10,644,553
Segment liabilities	(4,856,120)	(145,939)	(5,002,059)

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

The segment of “Others” primarily includes assets and liabilities of property investment and corporate level activities. Assets under the segment of “Others” consist primarily of investment property, investments at fair value through other comprehensive income, investments at amortised cost and portfolio investments at fair value through profit or loss together with cash and bank balances that are managed at the corporate level. Liabilities under the segment of “Others” primarily include creditors and accruals and deferred taxation liabilities related to investment property and corporate level activities.

Notes to the Consolidated Financial Statements

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Geographical information

The Group's two reportable operating segments operate in four main geographical areas, even though they are managed on a worldwide basis. Freight revenues from container transport and logistics are analysed based on the outbound cargoes of each geographical territory.

The Group's total assets mainly include container vessels and containers which are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, non-current assets by geographical areas are not presented.

US\$'000	Revenue	Additions to non-current assets [#]
Year ended 31st December 2020		
Continuing operations		
Asia	6,041,641	57,293
Europe	1,213,372	2,372
North America	752,992	1,511
Australia	183,299	50
Unallocated*	–	440,700
	8,191,304	501,926
Year ended 31st December 2019		
Continuing operations		
Asia	4,955,430	77,244
Europe	1,043,705	2,335
North America	714,983	10,427
Australia	164,622	142
Unallocated*	–	279,878
	6,878,740	370,026
Discontinued operation		
North America	111,608	17,166
	6,990,348	387,192

[#] Additions to non-current assets comprise additions to property, plant and equipment, right-of-use assets, investment property and intangible assets.

* Unallocated additions to non-current assets comprises additions to container vessels and capitalised dry-docking costs, containers and computer software costs.

Notes to the Consolidated Financial Statements

6. OPERATING COSTS

US\$'000	2020	2019
Cargo	3,754,943	3,270,251
Vessel and voyage	1,332,368	1,207,429
Bunker cost	712,878	839,115
Equipment and repositioning	785,225	736,833
	6,585,414	6,053,628
Direct operating expenses from property that generated rental income	16,707	15,573
	6,602,121	6,069,201

For the year ended 31st December 2020, cargo cost included an onerous provision (note 38) of US\$348.5 million (2019: nil).

7. OTHER OPERATING INCOME

US\$'000	2020	2019
Dividend income from investments at fair value through other comprehensive income	7,971	7,903
Interest income from banks	44,384	51,064
Interest income from deposits in a fellow subsidiary	91	–
Interest income from investments at amortised cost	7,775	9,683
Income from portfolio investments at fair value through profit or loss		
Interest income	4,100	11,487
Distribution	482	1,084
Dividend income	315	661
Government grants*	12,417	1,550
Others	1,318	247
	78,853	83,679

* These mainly represent grants relating to salaries, employment, and other subsidies under COVID-19.

Notes to the Consolidated Financial Statements

8. OTHER (LOSSES)/GAINS, NET

US\$'000	2020	2019
Fair value loss from an investment property	(30,492)	(703)
Fair value (loss)/gain on portfolio investments at fair value through profit or loss (realised and unrealised)	(5,642)	17,027
Gain on bunker price derivative contracts	–	5,538
Fair value gain on foreign exchange forward contracts	85	1,785
Gain on bargain purchase of subsidiaries	377	–
Gain on disposal of property, plant and equipment	8,481	11,175
Loss on written-off of right-of-use assets	(106)	(146)
Loss on written-off of intangible assets	(5)	(3,356)
Loss on derecognition of lease liabilities	(1,195)	–
Exchange gain	10,125	4,093
	(18,372)	35,413

9. EMPLOYEE BENEFIT EXPENSES

US\$'000	2020	2019
Wages and salaries (including share-based compensation)	566,105	589,079
Pension and retirement benefits		
Defined contribution plans (note 24)	29,703	31,479
Defined benefit plan (note 24)	1,331	1,105
	597,139	621,663
Representing:		
Continuing operations	597,139	516,565
Discontinued operation	–	105,098
	597,139	621,663

Employee benefit expenses of US\$106.5 million (2019: US\$117.2 million) are included in “operating costs” in the consolidated profit and loss account.

10. DIRECTORS' AND MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of each Director is set out below:

Name of Director US\$'000	Fees	Salaries and benefits	Discretionary bonuses	Estimated money value of other benefits ^{*1}	Employer's contribution to provident fund scheme	Total
For the year ended 31st December 2020						
Mr. Xu Lirong	-	-	-	-	-	-
Mr. Huang Xiaowen ^{*2}	-	-	-	-	-	-
Mr. Wang Haimin ^{*3}	-	-	-	-	-	-
Mr. Yang Zhijian	-	-	-	-	-	-
Mr. Feng Boming	-	-	-	-	-	-
Mr. Tung Lieh Cheung Andrew	346	-	-	91	-	437
Mr. Yan Jun	45	-	-	-	-	45
Ms. Wang Dan	32	-	-	-	-	32
Mr. Ip Sing Chi	32	-	-	-	-	32
Ms. Cui Hongqin	32	-	-	-	-	32
Mr. Chow Philip Yiu Wah	106	-	-	-	-	106
Dr. Chung Shui Ming Timpson	64	-	-	-	-	64
Mr. Yang Liang Yee Philip	77	-	-	-	-	77
Ms. Chen Ying	58	-	-	-	-	58
Mr. So Gregory Kam Leung	51	-	-	-	-	51

Notes to the Consolidated Financial Statements

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

(a) Directors' emoluments (Continued)

Name of Director US\$'000	Fees	Salaries and benefits	Special bonus	Estimated money value of other benefits* ¹	Employer's contribution to provident fund scheme	Total
For the year ended 31st December 2019						
Mr. Xu Lirong	-	-	-	-	-	-
Mr. Huang Xiaowen* ⁵	-	-	-	-	-	-
Mr. Wang Haimin* ³	-	-	-	-	-	-
Mr. Yang Zhijian* ⁴	-	-	-	-	-	-
Mr. Feng Boming* ⁴	-	-	-	-	-	-
Mr. Zhang Wei* ⁵	-	-	-	-	-	-
Mr. Tung Lieh Cheung Andrew	-	627	40	66	67	800
Mr. Yan Jun	45	-	-	-	-	45
Ms. Wang Dan	32	-	-	-	-	32
Mr. Ip Sing Chi	32	-	-	-	-	32
Ms. Cui Hongqin	32	-	-	-	-	32
Mr. Chow Philip Yiu Wah	106	-	-	-	-	106
Dr. Chung Shui Ming Timpson	64	-	-	-	-	64
Mr. Yang Liang Yee Philip	73	-	-	-	-	73
Ms. Chen Ying	64	-	-	-	-	64
Mr. So Gregory Kam Leung* ⁶	36	-	-	-	-	36
Professor Wong Yue Chim Richard* ⁷	25	-	-	-	-	25

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

*² Appointed on 10th August 2020.

*³ Resigned on 10th August 2020.

*⁴ Appointed on 18th September 2019.

*⁵ Resigned on 18th September 2019.

*⁶ Appointed on 17th May 2019.

*⁷ Resigned on 17th May 2019.

During the year, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. No Directors of the Company waived or agreed to waive any emoluments during the year.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year do not include any Director (2019: included one Director) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining five (2019: four) individuals are as follows:

US\$'000	2020	2019
Basic salaries, housing allowances, other allowances and benefits in kind	2,752	2,172
Discretionary bonuses	2,068	629
Estimated money value of other benefits	23	21
Pension costs – defined contribution plans	463	250
Share-based compensation	365	180
	5,671	3,252

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

Emolument bands (US\$)	Number of individuals	
	2020	2019
576,901 ~ 641,000 (HK\$4,500,001 ~ HK\$5,000,000)	–	1
769,201 ~ 833,300 (HK\$6,000,001 ~ HK\$6,500,000)	–	1
833,301 ~ 897,400 (HK\$6,500,001 ~ HK\$7,000,000)	–	2
897,401 ~ 961,500 (HK\$7,000,001 ~ HK\$7,500,000)	–	1
961,501 ~ 1,025,600 (HK\$7,500,001 ~ HK\$8,000,000)	1	–
1,025,601 ~ 1,089,700 (HK\$8,000,001 ~ HK\$8,500,000)	1	–
1,089,701 ~ 1,153,800 (HK\$8,500,001 ~ HK\$9,000,000)	2	–
1,282,001 ~ 1,346,100 (HK\$10,000,001 ~ HK\$10,500,000)	1	–
	5	5

(c) Key management compensation

US\$'000	2020	2019
Salaries, discretionary bonuses and other employee benefits	7,512	6,067
Estimated money value of other benefits	28	40
Pension costs – defined contribution plans	663	499
Share-based compensation	585	372
	8,788	6,978

The Group usually determines and pays discretionary bonuses to employees (including Directors) around April/May each year based on the actual financial results of the Group for the preceding year. The discretionary bonuses shown above represent actual payments to the Directors and individuals during the current financial year in relation to performance for the preceding year.

Notes to the Consolidated Financial Statements

11. OPERATING PROFIT

US\$'000	2020 Continuing operations	2019	
		Continuing operations	Discontinued operation
Operating profit is arrived at after crediting:			
Operating lease rental income			
Land and buildings	27,103	26,766	–
and after charging:			
Depreciation of property, plant and equipment	235,090	213,488	–
Depreciation of right-of-use assets	195,599	195,767	–
Expenses relating to short-term leases and leases with low-value assets	321,153	226,548	–
Vessels and equipment	–	545	3,404
Terminals and berths	3,737	6,293	5
Land and buildings			
Direct operating expenses from property that generated rental income	16,707	15,573	–
Amortisation of intangible assets	21,497	20,081	–
Auditors' remuneration			
Audit	2,791	2,671	–
Non-audit	1,436	1,863	32

Expenses relating to short-term leases and leases with low-value assets of US\$322.0 million and US\$2.9 million (2019: US\$228.7 million and US\$4.7 million) respectively are included in “operating costs” and “business and administrative expenses” in the consolidated profit and loss account.

12. FINANCE COSTS

US\$'000	2020	2019
Interest expense		
Bank loans and bank overdrafts	24,507	58,434
Lease liabilities	67,874	93,165
Amount capitalised under assets under construction (note 17(b))	92,381 (1,069)	151,599 –
Net interest expense	91,312	151,599

The borrowing costs of the loans to finance the assets under construction (note 17) represented an average capitalisation rate of approximately 2.0% (2019: nil) per annum.

Notes to the Consolidated Financial Statements

13. TAXATION

US\$'000	2020	2019
Current taxation		
PRC enterprise income tax	7,815	3,019
Hong Kong profits tax	(1,980)	7,660
Overseas taxation	13,208	19,328
	19,043	30,007
Deferred taxation		
PRC enterprise income tax	(1,693)	(352)
Hong Kong profits tax	(200)	(32)
Overseas taxation	(6,494)	40,216
	(8,387)	39,832
	10,656	69,839

Taxation has been provided at the appropriate tax rates prevailing in the countries in which the Group operates on the estimated assessable profits for the year. These rates range from 5% to 35% (2019: 5% to 46%) and the rate applicable for Hong Kong profits tax is 16.5% (2019: 16.5%).

Taxation credit for Hong Kong profits tax represents the write-back of overprovision of taxation made in previous years.

The associated companies in the PRC enjoy preferential tax treatment.

The tax of the Group's profit before taxation differs from the theoretical amount that would arise using the applicable tax rates, being the weighted average of rates prevailing in the territories in which the Group operates, as follows:

US\$'000	2020	2019
Profit before taxation	913,674	223,826
Share of profits of joint ventures	(3,290)	(4,116)
Share of profits of associated companies	(9,509)	(10,028)
	900,875	209,682
Tax calculated at applicable tax rates	141,499	38,357
Income not subject to tax	(401,438)	(342,218)
Expenses not deductible for tax purposes	267,844	326,929
Tax losses not recognised	2,875	1,876
Temporary differences not recognised	3,176	1,791
Utilisation of previously unrecognised tax losses	(3,236)	(1,519)
Utilisation of previously unrecognised temporary differences	(1,860)	(544)
Withholding tax	4,630	45,740
Change in tax rates	(660)	1,523
Other items	(2,174)	(2,096)
	10,656	69,839

Notes to the Consolidated Financial Statements

14. EARNINGS PER ORDINARY SHARE

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

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

	2020	2019
Number of ordinary shares in issue (thousands)	625,793	625,793
Group's profit from continuing operations attributable to equity holders of the Company (US\$'000)	902,723	153,987
Earnings per share from continuing operations attributable to equity holders of the Company (US cents)	144.3	24.6
Group's profit from discontinued operation attributable to equity holders of the Company (US\$'000)	–	1,194,806
Earnings per share from discontinued operation attributable to equity holders of the Company (US cents)	–	190.9

15. DIVIDENDS

US\$'000	2020	2019
Interim paid of US4.89 cents (2019: US6.66 cents) per ordinary share	30,601	41,678
Special paid of nil (2019: US160.0 cents) per ordinary share	–	1,001,269
Proposed final of US50.26 cents (2019: US2.69 cents) per ordinary share	320,253	16,834
Proposed special of US86.6 cents (2019: US24.0 cents) per ordinary share	551,809	150,190
	902,663	1,209,971

The Board of Directors proposes a final dividend in respect of 2020 of US50.26 cents (2019: US2.69 cents) per ordinary share. In addition, the Board of Directors proposes a special dividend of US86.6 cents (2019: US24.0 cents) per ordinary share. The proposed dividends will be accounted for as an appropriation of retained profit in the year ending 31st December 2021.

16. DISCONTINUED OPERATION

On 29th April 2019, the Group entered into the Sale and Purchase Agreement with Olivia Holdings, LLC relating to the sale and purchase of the entire interests in LBCT LLC, a wholly owned subsidiary of the Company which operates LBCT, for a consideration of US\$1,780.0 million (subject to certain post-completion adjustments). The sale was completed on 24th October 2019.

Analysis of the results and cash flows of the discontinued operation for the year ended 31st December 2019 is as follows:

(a) Results

US\$'000	2019
Revenue	111,608
Operating costs	(12,048)
Gross profit	99,560
Other operating income	1,198
Business and administrative expenses	(24,109)
Reversal of impairment losses on financial assets	179
Operating profit	76,828
Finance costs	(35,656)
Profit after taxation	41,172
Profit on disposal of a subsidiary	1,153,634
Profit from discontinued operation	1,194,806

Note:

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

(b) Cash flows

US\$'000	2019
Operating cash flows	138,719
Investing cash flows	1,751,412
Financing cash flows	(116,848)
Total cash flows	1,773,283

Notes to the Consolidated Financial Statements

17. PROPERTY, PLANT AND EQUIPMENT

	Container vessels and capitalised dry-docking costs	Assets under construction	Containers and chassis	Terminal equipment and improvement	Freehold land and buildings outside Hong Kong	Buildings outside Hong Kong	Leasehold improvement and furniture	Vehicles, scrubbers and other vessel equipment, computer and other equipment	Total
US\$'000									
Cost									
At 1st January 2020	2,615,542	-	2,507,879	82,194	7,386	46,473	66,500	175,541	5,501,515
Currency translation adjustments	-	-	6	-	2	3,138	2,471	2,034	7,651
Additions	16,476	189,297	172,259	-	-	-	7,598	51,748	437,378
Acquisition of subsidiaries	-	-	-	-	-	-	2	31	33
Reclassification (note 18)	760,557	-	-	-	-	-	-	-	760,557
Disposals/written off	(10,524)	-	(70,206)	-	-	-	(2,132)	(12,696)	(95,558)
At 31st December 2020	3,382,051	189,297	2,609,938	82,194	7,388	49,611	74,439	216,658	6,611,576
Accumulated depreciation									
At 1st January 2020	976,085	-	1,108,160	58,762	3,446	21,962	50,980	119,696	2,339,091
Currency translation adjustments	-	-	27	-	4	1,476	1,818	1,524	4,849
Charge for the year	114,355	-	84,521	5,085	79	1,623	8,163	21,264	235,090
Reclassification (note 18)	373,059	-	-	-	-	-	-	-	373,059
Disposals/written off	(10,425)	-	(60,122)	-	-	-	(2,116)	(12,516)	(85,179)
At 31st December 2020	1,453,074	-	1,132,586	63,847	3,529	25,061	58,845	129,968	2,866,910
Net book amount									
At 31st December 2020	1,928,977	189,297	1,477,352	18,347	3,859	24,550	15,594	86,690	3,744,666
	Container vessels and capitalised dry-docking costs	Assets under construction	Containers and chassis	Terminal equipment and improvement	Freehold land and buildings outside Hong Kong	Buildings outside Hong Kong	Leasehold improvement and furniture	Vehicles, scrubbers and other vessel equipment, computer and other equipment	Total
US\$'000									
Cost									
At 1st January 2019	2,518,403	24,536	2,426,578	82,194	7,188	47,218	57,157	148,664	5,311,938
Currency translation adjustments	-	-	(2)	-	168	(745)	(221)	(250)	(1,050)
Additions	21,552	-	216,469	-	30	-	11,648	34,443	284,142
Reclassification (note 18)	89,206	-	(74,737)	-	-	-	-	-	14,469
Disposals/written off	(13,619)	(24,536)	(60,429)	-	-	-	(2,084)	(7,316)	(107,984)
At 31st December 2019	2,615,542	-	2,507,879	82,194	7,386	46,473	66,500	175,541	5,501,515
Accumulated depreciation									
At 1st January 2019	848,237	-	1,055,751	55,384	3,234	20,670	46,716	108,035	2,138,027
Currency translation adjustments	-	-	(4)	-	133	(323)	(194)	(146)	(534)
Charge for the year	104,906	-	78,188	3,378	79	1,615	6,481	18,841	213,488
Reclassification (note 18)	36,468	-	19,954	-	-	-	-	-	56,422
Disposals/written off	(13,526)	-	(45,729)	-	-	-	(2,023)	(7,034)	(68,312)
At 31st December 2019	976,085	-	1,108,160	58,762	3,446	21,962	50,980	119,696	2,339,091
Net book amount									
At 31st December 2019	1,639,457	-	1,399,719	23,432	3,940	24,511	15,520	55,845	3,162,424

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) The aggregate net book amount of assets pledged as security for bank loans amounts to US\$1,651.2 million (2019: US\$2,100.7 million). Specific charges on vessels of the Group include legal mortgages and assignments of insurance claims and charter hire income relating to these vessels.
- (b) Interest costs of US\$1.1 million (2019: nil) during the year were capitalised as part of assets under construction.
- (c) Depreciation charge of US\$212.1 million (2019: US\$190.2 million) for the year has been expensed in “operating costs” and US\$23.0 million (2019: US\$23.3 million) in “business and administrative expenses”.
- (d) As at 31st December 2020 and 2019, the buildings outside Hong Kong are held under medium-term leasehold land.
- (e) Included in the container vessels and capitalised dry-docking costs, the net book value of capitalised dry-docking costs amounts to US\$48.9 million (2019: US\$46.8 million).

18. RIGHT-OF-USE ASSETS

US\$'000	Container vessels and capitalised dry-docking costs	Containers	Terminal leases	Land and buildings	Vehicles, furniture and other equipment	Total
Cost						
At 1st January 2020	3,365,220	225,575	22,646	166,807	1,406	3,781,654
Currency translation adjustments	–	–	–	4,930	67	4,997
Additions	18,290	–	–	35,752	548	54,590
Acquisition of subsidiaries	–	–	–	487	28	515
Reclassification (note 17)	(760,557)	–	–	–	–	(760,557)
Disposals/written off	(2,678)	(175)	–	(19,205)	(204)	(22,262)
Lease modification	–	–	396	(2,617)	7	(2,214)
At 31st December 2020	2,620,275	225,400	23,042	186,154	1,852	3,056,723
Accumulated depreciation						
At 1st January 2020	875,196	37,303	3,938	34,097	446	950,980
Currency translation adjustments	–	–	–	1,566	32	1,598
Charge for the year	143,132	10,108	4,022	37,838	499	195,599
Reclassification (note 17)	(373,059)	–	–	–	–	(373,059)
Disposals/written off	(2,600)	(42)	–	(18,814)	(204)	(21,660)
At 31st December 2020	642,669	47,369	7,960	54,687	773	753,458
Net book amount						
At 31st December 2020	1,977,606	178,031	15,082	131,467	1,079	2,303,265

Notes to the Consolidated Financial Statements

18. RIGHT-OF-USE ASSETS (CONTINUED)

US\$'000	Container vessels and capitalised dry-docking costs	Containers	Terminal leases	Land and buildings	Vehicles, furniture and other equipment	Total
Cost						
At 1st January 2019	3,463,087	151,008	22,064	111,726	913	3,748,798
Currency translation adjustments	–	–	–	(1,380)	(13)	(1,393)
Additions	3,038	–	582	59,224	506	63,350
Reclassification (note 17)	(89,206)	74,737	–	–	–	(14,469)
Disposals/written off	(11,699)	(170)	–	(2,763)	–	(14,632)
At 31st December 2019	3,365,220	225,575	22,646	166,807	1,406	3,781,654
Accumulated depreciation						
At 1st January 2019	771,074	50,571	–	2,659	–	824,304
Currency translation adjustments	–	–	–	(396)	(1)	(397)
Charge for the year	152,121	6,750	3,938	32,511	447	195,767
Reclassification (note 17)	(36,468)	(19,954)	–	–	–	(56,422)
Disposals/written off	(11,531)	(64)	–	(677)	–	(12,272)
At 31st December 2019	875,196	37,303	3,938	34,097	446	950,980
Net book amount						
At 31st December 2019	2,490,024	188,272	18,708	132,710	960	2,830,674

19. INVESTMENT PROPERTY

US\$'000	2020	2019
Balance at beginning of year	310,000	310,000
Additions	492	703
Fair value loss	310,492 (30,492)	310,703 (703)
Balance at end of year	280,000	310,000

Background

The investment property, "Wall Street Plaza", is a commercial property located at 88, Pine Street, New York, USA. The property is situated on three parcels of freehold land, all of which are wholly owned by the Group.

Valuation processes of the Group

The Group's investment property was valued at 31st December 2020 and 2019 by an independent professionally qualified valuer who holds a recognised relevant professional qualification. The Group's finance department reviews the valuation performed by the independent valuer for financial reporting purposes. This team reports directly to the Chief Financial Officer ("CFO"). Discussions of valuation processes and results are held between the CFO, the finance team and the valuer. As at 31st December 2020 and 2019, the fair value of the property has been determined by Cushman & Wakefield, Inc..

19. INVESTMENT PROPERTY (CONTINUED)

Valuation techniques

Fair value of the investment property is derived by using the discounted cash flow method with significant unobservable inputs (level 3). The net present value of the income stream is estimated by applying an appropriate discount rate which reflects the risk profile.

There were no changes to the valuation techniques during the year.

Information about fair value measurement using significant unobservable inputs

Discount rate is estimated by Cushman & Wakefield, Inc. based on the risk profile of the property being valued. If the discount rate is higher, the fair value would be lower. At 31st December 2020, discount rate of 7.3% per annum (2019: 7.0% per annum) is used in the valuation.

Net operating income growth rates of 0% per annum (2019: 3% per annum) for the first and second years and 3% per annum (2019: 3% per annum) for the remaining years are used in the valuation. If the growth rate is higher, the fair value would be higher.

Prevailing market rents are estimated based on recent lettings of US\$49 per sq ft to US\$53 per sq ft (2019: US\$52 per sq ft to US\$56 per sq ft), within the subject property. If the rents are higher, the fair value would be higher.

20. INVESTMENTS IN JOINT VENTURES

US\$'000	2020	2019
Share of net assets	9,848	10,163

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

US\$'000	2020	2019
Non-current assets	1,790	1,138
Current assets	11,532	11,921
Current liabilities	(3,474)	(2,896)
Share of net assets	9,848	10,163
Income	12,021	16,923
Expenses	(8,731)	(12,807)
Share of profits of joint ventures	3,290	4,116
Share of total comprehensive income of joint ventures	3,785	4,101

Particulars of the joint ventures at 31st December 2020 are shown on page 195.

Notes to the Consolidated Financial Statements

21. INVESTMENTS IN ASSOCIATED COMPANIES

US\$'000	2020	2019
Share of net assets	141,999	137,665
Goodwill	2,988	-
Carrying amount	144,987	137,665

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

US\$'000	2020	2019
Non-current assets	125,904	123,095
Current assets	31,742	17,395
Non-current liabilities	(98)	(107)
Current liabilities	(15,549)	(2,718)
Share of net assets	141,999	137,665
Income	80,408	39,424
Expenses	(70,899)	(29,396)
Share of profits of associated companies	9,509	10,028
Share of total comprehensive income of associated companies	18,371	7,962

Particulars of the associated companies at 31st December 2020 are shown on page 195.

22. INTANGIBLE ASSETS

US\$'000	Computer software costs
At 1st January 2019	
Cost	146,452
Accumulated amortisation	(114,024)
Net book amount	<u>32,428</u>
Year ended 31st December 2019	
Opening net book amount	32,428
Currency translation adjustments	2
Additions	21,831
Disposals/written off	(3,356)
Amortisation	(20,081)
Closing net book amount	<u>30,824</u>
At 31st December 2019	
Cost	160,479
Accumulated amortisation	(129,655)
Net book amount	<u>30,824</u>
Year ended 31st December 2020	
Opening net book amount	30,824
Currency translation adjustments	68
Additions	9,466
Disposals/written off	(5)
Amortisation	(21,497)
Closing net book amount	18,856
At 31st December 2020	
Cost	170,049
Accumulated amortisation	(151,193)
Net book amount	18,856

Amortisation of US\$21.5 million (2019: US\$20.1 million) is included in “business and administrative expenses” in the consolidated profit and loss account.

Notes to the Consolidated Financial Statements

23. DEFERRED TAXATION ASSETS/(LIABILITIES)

US\$'000	2020	2019
Deferred taxation assets	6,255	5,083
Deferred taxation liabilities	(143,121)	(150,479)
	(136,866)	(145,396)

Deferred taxation assets and liabilities are offset when there is a legal right to set off current taxation assets with current taxation liabilities and when the deferred taxation relates to the same taxation authority. The above assets/(liabilities) shown in the consolidated balance sheet are determined after appropriate offsetting of the relevant amounts and include the following:

US\$'000	2020	2019
Deferred taxation assets to be recovered after more than twelve months	3,619	3,892
Deferred taxation liabilities to be settled after more than twelve months	(143,000)	(150,478)

Deferred taxation is calculated in full on temporary differences under the liability method using applicable tax rates prevailing in the countries in which the Group operates. The movements in deferred taxation assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year were as follows:

US\$'000	Accelerated accounting depreciation	Tax losses	Others	Total
Deferred taxation assets				
At 1st January 2019	518	4,661	3,367	8,546
Currency translation adjustments	13	(9)	26	30
(Charged)/credited to consolidated profit and loss account	127	(2,585)	119	(2,339)
At 31st December 2019	658	2,067	3,512	6,237
Currency translation adjustments	30	(9)	167	188
Credited/(charged) to consolidated profit and loss account	696	(413)	215	498
At 31st December 2020	1,384	1,645	3,894	6,923

23. DEFERRED TAXATION ASSETS/(LIABILITIES) (CONTINUED)

US\$'000	Accelerated tax depreciation	Revaluation of investment property	Undistributed profits of subsidiaries and affiliates		Others	Total
Deferred taxation liabilities						
At 1st January 2019	1,766	87,635	16,387	8,352	114,140	
Currency translation adjustments	(2)	–	–	2	–	
Charged/(credited) to consolidated profit and loss account	(13)	(500)	45,148	(7,142)	37,493	
At 31st December 2019	1,751	87,135	61,535	1,212	151,633	
Currency translation adjustments	(28)	–	–	–	(28)	
Acquisition of subsidiaries	–	–	–	73	73	
(Credited)/charged to consolidated profit and loss account	(60)	(10,470)	1,972	669	(7,889)	
At 31st December 2020	1,663	76,665	63,507	1,954	143,789	

Deferred taxation assets of US\$29.6 million (2019: US\$34.0 million) arising from unused tax losses of US\$153.4 million (2019: US\$176.6 million) have not been recognised in the consolidated financial statements. Unused tax losses of US\$120.7 million (2019: US\$122.0 million) have no expiry date and the remaining balance will expire at various dates up to and including 2040.

Except for the deferred taxation liabilities of US\$62.5 million (2019: US\$60.0 million) recognised as at 31st December 2020 for current intention to remit retained profit of subsidiaries of US\$220.9 million (2019: US\$200.0 million), deferred taxation liabilities of US\$42.2 million (2019: US\$33.2 million) on temporary differences associated with investments in subsidiaries of US\$249.4 million (2019: US\$195.6 million) have not been recognised as there is no current intention of remitting the retained profit of these subsidiaries to the holding companies in the foreseeable future.

24. PENSION AND RETIREMENT BENEFITS

The Group operates a number of defined benefit and defined contribution pension and retirement schemes in the main countries in which the Group operates. The total charges to the consolidated profit and loss account for the year were US\$31.0 million (2019: US\$32.6 million).

Defined contribution schemes

The principal defined contribution schemes are operated in the PRC and the USA. These schemes cover approximately 82% of the Group's employees. Contributions to the defined contribution schemes, all the assets of which are held in trust funds separate from the Group, are based on a percentage of an employee's salary, depending upon the length of service of the employee, but the Group's contributions to certain schemes may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in those contributions.

In 2008, the Group terminated the defined benefit scheme and post-retirement medical plans in the USA at the request of the labour unions. All the pension assets and obligations were transferred to a defined benefit multi-employer pension plan and a defined benefit multi-employer post-retirement medical plan (the "Plans") together with other industry players. Since the Group is not able to identify its share of the underlying financial position and performance of the Plans with sufficient reliability for accounting purposes, accordingly the Plans are accounted for by the Group as defined contribution plans.

Notes to the Consolidated Financial Statements

24. PENSION AND RETIREMENT BENEFITS (CONTINUED)

Defined contribution schemes (Continued)

The charges for the defined contribution schemes to the consolidated profit and loss account during the year are as follows:

US\$'000	2020	2019
Contributions to the schemes	29,817	31,594
Forfeitures utilised	(114)	(115)
	29,703	31,479

Defined benefit scheme

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

US\$'000	2020	2019
Net scheme liabilities	(15,447)	(11,494)

Net funded scheme liabilities

The defined benefit scheme is operated in the United Kingdom which was valued by Barnett Waddingham LLP. The defined benefit scheme (the “Scheme”) covers less than 1% of the Group’s employees and is funded. The assets of the Scheme are held in trust funds separate from the Group. Contributions to the Scheme are assessed in accordance with the advice of qualified actuaries in compliance with local practice and regulations. The actuarial assumptions used to calculate the projected benefit obligations of the Group’s pension schemes vary according to the economic conditions of the countries in which they are situated.

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

US\$'000	2020	2019
Fair value of plan assets	225,825	209,708
Present value of funded obligations	(241,272)	(221,202)
Deficit of funded plan	(15,447)	(11,494)

24. PENSION AND RETIREMENT BENEFITS (CONTINUED)

Defined benefit scheme (Continued)

Net funded scheme liabilities (Continued)

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

US\$'000	2020	2019
Balance at beginning of year	209,708	190,210
Currency translation adjustments	8,367	7,295
Interest income on plan assets	3,808	5,233
Remeasurement gain on assets	14,384	16,959
Contributions from the Group	4,683	3,050
Contributions from the plan members	119	136
Benefits paid	(15,244)	(13,175)
 Balance at end of year	 225,825	 209,708

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

US\$'000	2020	2019
Balance at beginning of year	221,202	193,410
Currency translation adjustments	8,895	7,450
Current service cost	1,148	1,042
Interest expense	3,991	5,296
Experience (gains)/losses on liabilities	(1,308)	2,441
Losses from changes to demographic assumptions	305	7,269
Losses from changes to financial assumptions	22,164	17,333
Contributions from the plan members	119	136
Benefits paid	(15,244)	(13,175)
 Balance at end of year	 241,272	 221,202

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

US\$'000	2020	2019
Current service cost	1,148	1,042
Interest expense	3,991	5,296
Interest income on plan assets	(3,808)	(5,233)
 Net expense recognised for the year	 1,331	 1,105

Charges of US\$1.3 million (2019: US\$1.1 million) were included in "business and administrative expenses" in the consolidated profit and loss account.

Notes to the Consolidated Financial Statements

24. PENSION AND RETIREMENT BENEFITS (CONTINUED)

Defined benefit scheme (Continued)

Net funded scheme liabilities (Continued)

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

US\$'000	2020	2019
Discount rate	1.2%	1.9%
Inflation rate	3.2%	3.3%
Expected future salary increases	2.3%	2.3%
Expected future pension increases	2.4%	2.4%
Actual return on plan assets (US\$'000)	18,192	22,192

At 31st December 2020, if discount rate had been 0.2% higher/lower, with all other variables held constant, the fair value of the funded obligations would have been US\$6.9 million lower/US\$7.2 million higher. At 31st December 2020, if inflation rate had been 0.2% higher/lower, with all other variables held constant, the fair value of the funded obligations would have been US\$3.2 million higher/US\$4.1 million lower. The sensitivities show the likely effect of a single assumption being adjusted while holding all other assumptions constant.

Plan assets of the Scheme comprise the following:

US\$'000	2020	2019
Equity	70,706	31%
Debt	134,479	60%
Others	20,640	9%
	225,825	100%
		209,708
		100%

Expected normal and deficit reduction contributions to the Scheme for the year ending 31st December 2021 is US\$4.7 million.

Through its defined benefit pension plan, the Group is exposed to a number of risks as follows:

- Investment risk. The Scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if deficit emerges.
- Interest rate and market risk. The Scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Scheme holds assets such as equities, the value of the assets and liabilities may not move in the same way.
- Inflation risk. A significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to deficits emerging.
- Longevity and other demographic risk. If members live longer than assumed, a deficit will emerge in the Scheme.

25. RESTRICTED BANK BALANCES

US\$'000	2020	2019
Non-current	321	56,795
Current	1,925	3,499
	2,246	60,294

As at 31st December 2020, the restricted bank balances of US\$2.2 million (2019: US\$60.3 million) are funds pledged or required to be utilised for specific purposes.

The carrying amounts of the Group's restricted bank balances are mainly denominated in US dollar (2019: US dollar).

The credit quality of restricted bank balances by reference to Standard & Poor's and/or Moody's credit ratings is as follows:

US\$'000	2020	2019
AA	1,781	1,669
A	458	58,624
BBB	7	1
	2,246	60,294

26. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

US\$'000	2020	2019
Balance at beginning of year	15,694	24,422
Currency translation adjustments	1	5
Disposals	–	(808)
Change in fair value recognised in other comprehensive income	(7,800)	(7,925)
Balance at end of year	7,895	15,694

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

US\$'000	2020	2019
Unlisted equity securities	7,895	15,694

Notes to the Consolidated Financial Statements

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

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

US\$'000	2020	2019
Renminbi	7,860	15,660
Other currencies	35	34
	7,895	15,694

27. INVESTMENTS AT AMORTISED COST

US\$'000	2020	2019
Listed debt securities		
Hong Kong	42,497	86,361
Overseas	104,915	104,945
	147,412	191,306
Less: Current portion included in current assets	(34,117)	(43,886)
	113,295	147,420
Market value	157,911	199,305

Movements in investments at amortised cost are as follows:

US\$'000	2020	2019
Balance at beginning of year	191,306	222,959
Redemptions on maturity	(43,890)	(33,842)
Amortisation	(4)	(71)
Reversal of impairment	–	2,260
Balance at end of year	147,412	191,306

The carrying amounts of investments at amortised cost are denominated in US dollar (2019: US dollar).

27. INVESTMENTS AT AMORTISED COST (CONTINUED)

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

US\$'000	2020	2019
AA	799	799
A	64,334	75,227
BBB	82,279	107,278
Non-ranking	–	8,002
	147,412	191,306

The maximum exposure to credit risk at the balance amount of investments at amortised cost.

28. OTHER NON-CURRENT ASSETS

US\$'000	2020	2019
Deposit for container purchase	–	6,521
Deposit for container purchase with a fellow subsidiary	–	18,997
Deposit for vessel equipment	7,371	951
Others	13,973	22,902
	21,344	49,371

29. INVENTORIES

US\$'000	2020	2019
Bunker	83,278	103,543
Consumable stores	11,500	9,942
	94,778	113,485

Notes to the Consolidated Financial Statements

30. DEBTORS AND PREPAYMENTS

US\$'000	2020	2019
Trade receivables		
Third parties	446,246	396,007
Joint ventures	205	680
Fellow subsidiaries	6,598	476
Related companies	5,875	–
Less: Provision for impairment	(47,566)	(34,837)
Trade receivables – net	411,358	362,326
Other debtors	105,972	134,034
Other prepayments	132,150	146,037
Utility and other deposits	17,518	14,881
Amounts due from related parties		
Joint ventures	–	121
Fellow subsidiaries	13,578	9,460
Related companies	550	1,409
	681,126	668,268

The credit quality of trade receivables net of provision for impairment, by reference to Standard & Poor's and/or Moody's credit ratings (if available) or to historical information about counterparty default rates is as follows:

US\$'000	2020	2019
Counterparties with external credit rating		
A	17,875	24,427
BBB	10,317	7,317
BB	6,270	4,785
	34,462	36,529
Counterparties without external credit rating		
Group 1	26,629	25,991
Group 2	346,272	295,935
Group 3	3,995	3,871
	376,896	325,797
	411,358	362,326

Notes:

Group 1 – new customers (less than 6 months).

Group 2 – existing customers (more than 6 months) with no defaults in the past.

Group 3 – existing customers (more than 6 months) with some defaults in the past.

30. DEBTORS AND PREPAYMENTS (CONTINUED)

Trade receivables are normally due for payment on presentation of invoices or granted with an approved credit period ranging mainly from 10 to 30 days. Debtors with overdue balances are requested to settle all outstanding balances before any further credit is granted.

The ageing analysis of the Group's trade receivables, net of provision for impairment, prepared in accordance with the dates of invoices, is as follows:

US\$'000	2020	2019
Below 1 month	319,114	273,727
2 to 3 months	84,194	76,003
4 to 6 months	6,680	8,258
Over 6 months	1,370	4,338
	411,358	362,326

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers. Other debtors are fully performing.

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

US\$'000	2020	2019
US dollar	84,580	105,477
Canadian dollar	14,930	10,523
Euro	74,501	64,027
Japanese yen	16,213	26,230
Hong Kong dollar	15,161	9,071
Renminbi	89,145	43,912
Pound sterling	11,177	11,049
Australian dollar	33,181	25,890
Other currencies	72,470	66,147
	411,358	362,326

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

US\$'000	2020	2019
Balance at beginning of year	34,837	29,525
Currency translation adjustments	(165)	-
Provision	19,200	11,869
Written off	(1,779)	(1,721)
Reversal	(4,527)	(4,836)
Balance at end of year	47,566	34,837

To measure the expected credit losses which are included in the balance of provision for impairment of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and due dates of invoices.

The expected loss rates are based on the payment profiles over a period of 36 months before 31st December 2020 or 31st December 2019 respectively and the corresponding historical credit losses experienced within the year. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Notes to the Consolidated Financial Statements

31. PORTFOLIO INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

US\$'000	2020	2019
Listed equity securities		
Hong Kong	18,091	29,627
Overseas	2,065	8,046
Market value of listed equity securities	20,156	37,673
Listed debt securities		
Hong Kong	61,612	73,970
Overseas	18,792	41,280
	100,560	152,923

The carrying amounts of the Group's portfolio investments at fair value through profit or loss are mainly denominated in US dollar (2019: US dollar).

The credit quality of listed debt securities by reference to Standard & Poor's and/or Moody's credit ratings is as follows:

US\$'000	2020	2019
A	18,697	29,090
BBB	34,071	51,347
BB	7,009	6,970
Non-ranking	20,627	27,843
	80,404	115,250

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

32. CASH AND BANK BALANCES

US\$'000	2020	2019
Short-term bank deposits		
Maturing within three months from the date of placement	783,839	1,947,092
Deposits placed with a fellow subsidiary*	58,960	–
Cash at bank and in hand	555,310	325,478
	1,398,109	2,272,570
Short-term bank deposits		
Maturing more than three months from the date of placement	1,674,686	1,183,000
	3,072,795	3,455,570

* The deposits placed with a fellow subsidiary, a finance company, bear interest at prevailing market rates.

Notes to the Consolidated Financial Statements

32. CASH AND BANK BALANCES (CONTINUED)

The carrying amounts of the Group's cash and bank balances are mainly denominated in US dollar (2019: US dollar).

The credit quality of cash at bank and in hand and short-term bank deposits by reference to Standard & Poor's, Moody's and/or Fitch's credit ratings is as follows:

US\$'000	2020	2019
AA	141,548	180,244
A	1,179,826	1,170,805
BBB	1,679,508	2,082,708
BB	464	540
B	4,446	5,583
Others	67,003	15,690
	3,072,795	3,455,570

33. SHARE CAPITAL

US\$'000	2020	2019
Authorised:		
900,000,000 ordinary shares of US\$0.10 each	90,000	90,000
65,000,000 convertible redeemable preferred shares of US\$1 each	65,000	65,000
50,000,000 redeemable preferred shares of US\$1 each	50,000	50,000
	205,000	205,000
Issued and fully paid:		
At 31st December 2019 and 2020	625,793	62,579

	Number of shares (thousands)	Ordinary shares US\$'000
At 31st December 2019 and 2020	625,793	62,579

Notes to the Consolidated Financial Statements

34. RESERVES

US\$'000	Employee share-based compensation			Capital redemption reserve	Investments revaluation reserve	Foreign exchange translation reserve	Retained profit	Total
	Share premium	Contribution surplus	Employee share-based compensation reserve					
At 1st January 2019	172,457	–	88,547	4,696	22,413	26,701	4,311,431	4,626,245
Total comprehensive income/(loss) for the year	–	–	–	–	(7,925)	(3,724)	1,338,709	1,327,060
Transactions with owners								
Employee share-based compensation	–	2,651	–	–	–	–	–	2,651
2018 final dividend	–	–	–	–	–	–	(48,181)	(48,181)
2019 interim dividend	–	–	–	–	–	–	(41,678)	(41,678)
2019 first special dividend	–	–	–	–	–	–	(1,001,269)	(1,001,269)
At 31st December 2019	172,457	2,651	88,547	4,696	14,488	22,977	4,559,012	4,864,828
Total comprehensive income/(loss) for the year	–	–	–	–	(7,800)	19,410	895,946	907,556
Transactions with owners								
Employee share-based compensation	–	4,776	–	–	–	–	–	4,776
2019 final dividend	–	–	–	–	–	–	(16,834)	(16,834)
2019 second special dividend	–	–	–	–	–	–	(150,190)	(150,190)
2020 interim dividend	–	–	–	–	–	–	(30,601)	(30,601)
At 31st December 2020	172,457	7,427	88,547	4,696	6,688	42,387	5,257,333	5,579,535

35. SHARE-BASED PAYMENTS

An intermediate holding company of the Group, COSCO SHIPPING Holdings operates share option schemes whereby options are granted to eligible employees of the Group to subscribe for its shares. No outstanding options were vested and exercisable as at 31st December 2020. COSCO SHIPPING Holdings has no legal or constructive obligation to repurchase or settle the options in cash.

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

At a special general meeting of COSCO SHIPPING Holdings held on 29th May 2020, the shareholders of COSCO SHIPPING Holdings approved the adoption of a share option scheme (the “2020 Share Option Scheme”). No consideration was paid by the grantees for the acceptance of share options.

Under the 2019 Share Option Scheme and 2020 Share Option Scheme, the exercises of the options of three batches are subject to two-year, three-year and four-year vesting periods respectively during which a participant is not allowed to exercise any option granted. After the expiration of each vesting period, the participant may exercise the options in three batches in the one year, one year and three years after the expiration of each vesting period respectively. Within the exercise period of the share options, and subject to the fulfilment of the vesting conditions and the exercise arrangement of the share options, grant of each share option entitles the grantee to subscribe for one A share of COSCO SHIPPING Holdings at relevant exercise price in three batches evenly after the expiry of each vesting period.

Movements of the share options granted by COSCO SHIPPING Holdings to the employees of the Group during the year ended 31st December 2020 and 2019 are set out below:

Date of grant	Exercisable period	Exercise price	Year ended 31st December 2020			
			Number of share options			
			Outstanding as at 1st January 2020	Granted during the period	Transferred from a fellow subsidiary	Outstanding as at 31st December 2020
3rd June 2019	Note i	RMB4.10	44,331,000	-	754,000	45,085,000
29th May 2020	Note ii	RMB3.50	-	4,195,200	-	4,195,200
			44,331,000	4,195,200	754,000	49,280,200

Date of grant	Exercisable period	Exercise price	Year ended 31st December 2019			
			Number of share options			
			Outstanding as at 1st January 2019	Granted during the period	Transferred from a fellow subsidiary	Outstanding as at 31st December 2019
3rd June 2019	Note i	RMB4.10	-	44,331,000	-	44,331,000

Notes to the Consolidated Financial Statements

35. SHARE-BASED PAYMENTS (CONTINUED)

Notes:

- (i) The share options were granted on 3rd June 2019 under the 2019 Share Option Scheme at an exercise price of RMB4.10. According to the provisions of the 2019 Share Option Scheme, share options under each grant have a validity period of ten years from 30th May 2019 and cannot be exercised evenly during the two-year, three-year and four-year period commencing from the date of grant (the “Restriction Period”). Besides, subject to the fulfilment of the relevant vesting conditions, share options will be exercised in three batches evenly over a period of one year, one year and three years after the expiry of each Restriction Period, i.e. 33%, 33% and 34%.
- (ii) The share options were granted on 29th May 2020 under the 2020 Share Option Scheme at an exercise price of RMB3.50. According to the provisions of the 2020 Share Option Scheme, share options under each grant have a validity period of ten years from 29th May 2020 and cannot be exercised evenly during the Restriction Period. Besides, subject to the fulfilment of the relevant vesting conditions, share options will be exercised in three batches evenly over a period of one year, one year and three years after the expiry of each Restriction Period, i.e. 33%, 33% and 34%.

36. BORROWINGS

US\$'000	2020	2019
Non-current		
Bank loans		
Secured	648,346	921,503
Unsecured	171,979	111,638
	820,325	1,033,141
Current		
Bank loans		
Secured	173,948	355,525
Unsecured	39,322	39,471
	213,270	394,996
Total borrowings	1,033,595	1,428,137

The maturity of borrowings is as follows:

US\$'000	Bank loans
As at 31st December 2020	
2021	213,270
2022	224,405
2023	251,333
2024	70,789
2025	74,401
2026 onwards	199,397
	1,033,595

36. BORROWINGS (CONTINUED)

US\$'000	Bank loans
As at 31st December 2019	
2020	394,996
2021	227,599
2022	240,735
2023	167,550
2024	86,969
2025 onwards	310,288
	1,428,137

Borrowings are secured by property, plant and equipment of the Group (note 17(a)).

The effective interest rates at the balance sheet date are as follows:

	2020	2019
Bank loans	1.3%	2.9%

The carrying amounts of non-current and current borrowings approximate their fair values.

The carrying amounts of the Group's borrowings are denominated in US dollar (2019: US dollar).

The fixed interest rate borrowings of the Group as at 31st December 2020 amounted to US\$nil (2019: US\$18.5 million). The remaining borrowings of US\$1,033.6 million (2019: US\$1,409.6 million) were subject to floating interest rates.

37. LEASE LIABILITIES

US\$'000	2020	2019
Non-current	1,669,163	2,309,083
Current	367,085	253,869
	2,036,248	2,562,952

Notes to the Consolidated Financial Statements

37. LEASE LIABILITIES (CONTINUED)

The maturity of lease liabilities is as follows:

US\$'000	Present value	Minimum payments
As at 31st December 2020		
2021	367,085	396,632
2022	260,665	284,735
2023	336,879	354,175
2024	243,409	256,144
2025	306,332	315,661
2026 onwards	521,878	535,752
	2,036,248	2,143,099
As at 31st December 2019		
2020	253,869	320,380
2021	527,785	583,607
2022	260,232	304,477
2023	344,150	377,247
2024	275,066	300,018
2025 onwards	901,850	943,577
	2,562,952	2,829,306

38. PROVISION

The Group entered into the TSA in October 2019 to which the Group committed to place, or procure the placement of an annual minimum number of vessel lifts in LBCT for 20 years. Failure to meet the committed volume for each contract year would require certain level of deficiency payment as stipulated in the TSA.

As at 31st December 2020, the Group reassessed the expected number of vessel lifts in LBCT for each of the remaining contract years with reference to future prospects of the market and its expected load factor. Considering the prolonged COVID-19 pandemic in the USA and the uncertain vaccine efficacy, recovery of the USA economy has been affected and was expected to be continuously affected for the foreseeable future. It was expected that a slower economy growth would affect the demand/import of the USA for some time as it shall take years to recover from various pandemic impact. In addition, the pandemic also changed the cargo inflow to the USA by other means. As at 31st December 2020, with these uncertainties over such long-term period, management reassessed that the projected vessel lifts in LBCT would grow at a smaller and slower extent compared with prior year's assessment and thus led to a shortfall on MVC over the remaining contract period. The Group estimated an onerous contract provision of US\$348.5 million (2019: nil). Refer to note 4(d) for more details of the calculation methodology adopted and assumptions used by management in estimating the onerous provision.

39. CREDITORS AND ACCRUALS

US\$'000	2020	2019
Trade payables		
Third parties	213,626	202,306
Joint ventures	3,467	4,175
Fellow subsidiaries	92,410	19,223
Related companies	9,724	13,979
	319,227	239,683
Other creditors	144,343	168,643
Accrued expenses	894,288	612,662
Contract liabilities and deferred revenue*	14,253	50,966
Amounts due to related parties		
Joint ventures	651	651
Fellow subsidiaries	13,489	–
Related companies	1,460	–
	1,387,711	1,072,605

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

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

US\$'000	2020	2019
Below 1 month	257,905	180,956
2 to 3 months	55,148	49,498
4 to 6 months	2,726	2,707
Over 6 months	3,448	6,522
	319,227	239,683

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

US\$'000	2020	2019
US dollar	174,959	106,554
Canadian dollar	9,854	9,265
Euro	21,089	22,048
Japanese yen	19,131	20,480
Hong Kong dollar	16,231	16,178
Renminbi	34,001	24,716
Other currencies	43,962	40,442
	319,227	239,683

40. COMMITMENTS

(a) Capital commitments – Property, plant and equipment

US\$'000	2020	2019
Contracted but not provided for	1,701,811	1,699

Notes to the Consolidated Financial Statements

40. COMMITMENTS (CONTINUED)

(b) Capital commitments – Investment in an associated company

US\$'000	2020	2019
Contracted but not provided for	4,139	4,937

(c) Lease commitments

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

US\$'000	Vessels and equipment	Land and buildings	Total
At 31st December 2020			
Less than 1 year	97,106	1,632	98,738
Between 1 and 2 years	25,360	–	25,360
Between 2 and 5 years	69,309	–	69,309
Over 5 years	34,099	–	34,099
	225,874	1,632	227,506
At 31st December 2019			
Less than 1 year	41,835	1,679	43,514
Between 1 and 2 years	2,332	–	2,332
Between 2 and 5 years	1,047	–	1,047
	45,214	1,679	46,893

(d) Operating lease rental receivable

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

US\$'000	Land and buildings
At 31st December 2020	
Less than 1 year	24,601
Between 1 and 2 years	20,964
Between 2 and 5 years	48,899
Over 5 years	32,010
	126,474
At 31st December 2019	
Less than 1 year	24,946
Between 1 and 2 years	24,582
Between 2 and 5 years	60,180
Over 5 years	52,842
	162,550

41. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to cash generated from operations

US\$'000	2020	2019
Operating profit	992,187	438,109
Interest income	(56,350)	(73,432)
Dividend income and distribution	(8,768)	(9,648)
Provision for onerous contract	348,545	–
Depreciation and amortisation	452,186	429,336
Reversal of impairment on investments at amortised cost	–	(2,260)
Fair value loss/(gain) from assets and liabilities	36,049	(23,647)
Gain on bargain purchase of subsidiaries	(377)	–
Net gain on disposal of non-current assets	(8,481)	(11,175)
Loss on written-off of non-current assets	111	3,502
Employee share-based compensation	4,776	2,651
Operating profit before working capital changes	1,759,878	753,436
Decrease in inventories	18,707	5,535
Increase in debtors and prepayments	(18,609)	(2,523)
Increase in creditors and accruals	256,987	196,875
Decrease in other non-current liabilities	–	(5,005)
Change in net pension liabilities	(3,442)	(1,945)
Settlement of derivative financial instruments	85	1,758
Cash generated from operations	2,013,606	948,131

Notes to the Consolidated Financial Statements

41. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

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

US\$'000	Borrowings	Lease liabilities	Total
At 1st January 2019	1,758,977	2,675,461	4,434,438
Cash flow			
Inflow from financing activities*	301,310	99,145	400,455
Outflow from financing activities*	(684,659)	(352,109)	(1,036,768)
Non-cash changes			
Inception of leases (note 41(e))	–	60,218	60,218
Termination of leases	–	(2,214)	(2,214)
Currency translation adjustments	–	(1,368)	(1,368)
Finance costs	4,098	15,571	19,669
Other changes	48,411	68,248	116,659
At 31st December 2019	1,428,137	2,562,952	3,991,089
Cash flow			
Inflow from financing activities	99,550	–	99,550
Outflow from financing activities	(496,934)	(603,882)	(1,100,816)
Non-cash changes			
Acquisition of subsidiaries	–	456	456
Inception of leases (note 41(e))	–	56,186	56,186
Termination of leases	–	(496)	(496)
Lease modification	–	(2,214)	(2,214)
Currency translation adjustments	–	6,195	6,195
Finance costs	2,842	17,051	19,893
At 31st December 2020	1,033,595	2,036,248	3,069,843

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

41. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(c) Acquisition of subsidiaries

Details of the purchase consideration, the net assets acquired and gain on bargain purchase are as follows:

US\$'000	2020
Purchase consideration	65
Fair value of previously held equity interest at the date of acquisition	531
Fair value of net assets acquired (see below)	(1,625)
Release of reserve upon step acquisition from joint venture to subsidiary	652
 Gain on bargain purchase	 (377)

The fair values of assets and liabilities recognised as a result of the acquisitions are as follows:

US\$'000	2020
Property, plant and equipment	33
Right-of-use assets	515
Debtors and prepayments	5,416
Cash and bank balances	9,711
Lease liabilities	(456)
Deferred taxation liabilities	(73)
Creditors and accruals	(12,524)
Current taxation	(997)
 Total identifiable net assets acquired	 1,625
 Net cash inflow on acquisition:	
Cash and cash equivalents acquired	9,711
Less: Purchase consideration settled in cash	(65)
 Net cash inflow	 9,646

Notes to the Consolidated Financial Statements

41. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(d) Disposal of a subsidiary

	US\$'000	2019
Net assets disposed		
Property, plant and equipment	413,249	
Right-of-use assets	819,133	
Inventories	6,050	
Debtors and prepayments	32,299	
Amount due from an intermediate holding company	17,233	
Amount due from a fellow subsidiary	6,815	
Portfolio investments at fair value through profit or loss	752	
Cash and bank balances	58,884	
Lease liabilities	(838,515)	
Other non-current liabilities	(600)	
Creditors and accruals	(27,898)	
Amounts due to fellow subsidiaries	(204)	
		487,198
Gain on disposal after taxation		1,153,634
Taxation on disposal gain		127,300
Cash consideration, net		1,768,132
Net cash inflow arising on disposal:		
Cash consideration, net		1,768,132
Less: Cash and bank balances disposed		(58,884)
Net cash inflow		1,709,248

(e) Major non-cash transactions

During the year, major non-cash transactions included the inception of leases of US\$56.2 million (2019: US\$60.2 million).

(f) Analysis of cash and cash equivalents

	US\$'000	2020	2019
Bank balances and deposits maturing within three months from the date of placement		1,398,109	2,272,570

(g) Cash outflow for leases

In addition to the cash flows arising from lease liabilities as stated in note 41(b) above, the total cash outflow for short-term and low-value leases and interest expense on lease liabilities for the year ended 31st December 2020 was US\$378.2 million (2019: US\$350.2 million).

42. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

COSCO SHIPPING itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. Government-related entities and their subsidiaries directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include COSCO SHIPPING and its subsidiaries (other than the Group) (collectively referred to as "COSCO SHIPPING Group") and related entities of COSCO SHIPPING (including joint ventures and associated companies), other government-related entities and their subsidiaries, entities in which the Company is able to exercise joint control or significant influence, and key management personnel of the Company and COSCO SHIPPING as well as their close family members.

For the purpose of related party transaction disclosures, the Directors believe that it is meaningful to disclose the related party transactions with COSCO SHIPPING Group companies and related entities of COSCO SHIPPING (including joint ventures and associated companies) for the interests of financial statements users, although certain of those transactions which are individually or collectively not significant are exempted from disclosure. The Directors believe that the information of related party transactions has been adequately disclosed in the consolidated financial statements.

In addition to the related party information and transactions disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions conducted in the ordinary course of business between the Group and its related parties during the year.

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

US\$'000	2020	2019
Income		
Container transport income (note ii)	126,517	88,179
Freight forwarding income	5,108	2,186
Terminal handling and storage income	3,997	39,633
Rental income		
Vessels	35,991	7,426
Containers	7,932	8,157
IT service income	36,548	9,177
Interest income	91	26
Expenses		
Cargo transportation costs	100,543	111,885
Freight forwarding expenses	19,347	8,640
Terminal charges (note iii)	133,034	107,097
Expenses relating to short-term leases and leases with low-value assets		
Vessels	90,835	48,676
Containers	10,091	4,496
Land and buildings	409	–
Slot hire expenses	104,981	89,590
Purchase of bunker (note iv)	113,661	230,280
Crew expenses	1,296	1,147
Vessel insurance expenses	7,907	–
Management service fee	300	–
Others		
Purchase of containers	96,868	57,666
Instalments of vessels under construction (note v)	188,228	–

Notes to the Consolidated Financial Statements

42. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with joint ventures of the Group

US\$'000	2020	2019
Income		
Container transport income	473	752
Expenses		
Cargo transportation costs	7,382	7,980

(c) Transactions with other related parties

US\$'000	2020	2019
Income		
Container transport income	6,216	7,856
Expenses		
Cargo transportation costs	19,824	17,356
Freight forwarding expenses	2	85
Terminal charges	37,378	37,598
Expenses relating to short-term leases and leases with low-value assets		
Vessels	–	1,134
Containers	17	–
Slot hire expenses	–	391
Purchase of bunker	–	465
Others		
Purchase of containers	–	6,699

Notes:

- (i) These transactions were conducted either (i) based on terms as governed by the master agreements and subsisting agreements entered into between the Group and COSCO SHIPPING Group or (ii) based on terms as set out in the underlying agreements, statutory rates or market prices or actual costs incurred, or as mutually agreed between the Group and the parties in concern.
- (ii) Container transport income of US\$23.7 million (2019: US\$13.8 million) and US\$35.8 million (2019: US\$24.8 million) were transacted with the associated companies and joint ventures of COSCO SHIPPING respectively during the year ended 31st December 2020.
- (iii) Terminal charges of US\$90.9 million (2019: US\$72.2 million) were transacted with the associated companies of COSCO SHIPPING during the year ended 31st December 2020.
- (iv) Bunker of US\$97.3 million (2019: US\$225.1 million) was purchased from a joint venture of COSCO SHIPPING during the year ended 31st December 2020.
- (v) The Group entered into shipbuilding contracts for twelve vessels with a subsidiary and an associated company of COSCO SHIPPING respectively for an aggregate consideration of US\$1,882.3 million (2019: nil) during the year ended 31st December 2020. The remaining capital commitment is disclosed in note 40(a).

43. COMPANY BALANCE SHEET

As at 31st December 2020

US\$'000	2020	2019
ASSETS		
Non-current asset		
Investments in subsidiaries	176,914	172,138
Current assets		
Prepayments	71	53
Amounts due from subsidiaries	2,334,894	3,354,523
Restricted bank balances	483	349
Cash and bank balances	1,653	1,634
	2,337,101	3,356,559
Total assets	2,514,015	3,528,697
EQUITY		
Equity holders		
Share capital	62,579	62,579
Reserves (note)	1,215,723	1,060,506
Total equity	1,278,302	1,123,085
LIABILITIES		
Current liabilities		
Creditors and accruals	2,134	1,968
Amounts due to subsidiaries	1,233,579	1,402,375
Dividend payable	–	1,001,269
	1,235,713	2,405,612
Total equity and liabilities	2,514,015	3,528,697

Notes to the Consolidated Financial Statements

43. COMPANY BALANCE SHEET (CONTINUED)

Note:

Movements of reserves

US\$'000	Share premium	Employee share-based compensation reserve	Contributed surplus	Capital redemption reserve	Retained profit	Total
At 1st January 2019	172,457	–	88,547	4,696	730,930	996,630
Total comprehensive income for the year	–	–	–	–	1,152,353	1,152,353
Transactions with owners						
Employee share-based compensation	–	2,651	–	–	–	2,651
2018 final dividend	–	–	–	–	(48,181)	(48,181)
2019 interim dividend	–	–	–	–	(41,678)	(41,678)
2019 first special dividend	–	–	–	–	(1,001,269)	(1,001,269)
At 31st December 2019	172,457	2,651	88,547	4,696	792,155	1,060,506
Total comprehensive income for the year	–	–	–	–	348,066	348,066
Transactions with owners						
Employee share-based compensation	–	4,776	–	–	–	4,776
2019 final dividend	–	–	–	–	(16,834)	(16,834)
2019 second special dividend	–	–	–	–	(150,190)	(150,190)
2020 interim dividend	–	–	–	–	(30,601)	(30,601)
At 31st December 2020	172,457	7,427	88,547	4,696	942,596	1,215,723

Under the Companies Act of Bermuda and the Bye-laws of the Company, the contributed surplus is also distributable. Accordingly, total distributable reserves of the Company amount to US\$1,031.1 million as at 31st December 2020 (2019: US\$880.7 million).

44. EVENT SUBSEQUENT TO YEAR END

On 22nd January 2021, the Company entered into a share placing and subscription agreement for the allotment and issue of 11,400,000 shares at a subscription price of HK\$81.8 per share. The share subscription was completed on 29th January 2021.

45. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 26th March 2021.

Principal Subsidiaries, Associated Companies and Joint Ventures

as at 31st December 2020

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries					
Cargo System Warehouse and Transport Ltd.	100	3,000 ordinary shares HK\$300,000	Investment holding and container transport	Hong Kong, China	Hong Kong, China
Consolidated Leasing & Terminals, Inc.	100	1 common stock US\$100	Investment holding, equipment owning and leasing	USA	USA
Containers No. 1 Inc.	100	10,000 ordinary shares US\$100,000	Equipment owning and leasing	Marshall Islands	Worldwide
Containers No. 2 Inc.	100	10,000 ordinary shares US\$100,000	Equipment owning and leasing	Marshall Islands	Worldwide
Containers No. 3 Inc.	100	10,000 ordinary shares US\$100,000	Equipment leasing	Marshall Islands	Worldwide
Containers No. 5 Inc.	100	5,000 ordinary shares US\$5,000	Equipment leasing	Marshall Islands	Worldwide
Dongguan Orient Container Co. Ltd.	100	Registered capital HK\$29,000,000	Container depot and warehousing	China *	China
Far Gain Investment Ltd.	100	10,000 ordinary shares HK\$10,000	Investment holding	Hong Kong, China	Hong Kong, China
Glory Top Investment Ltd.	100	10,000 ordinary shares HK\$10,000	Portfolio investment	Hong Kong, China	Hong Kong, China
Hai Dong Transportation Co. Ltd.	100	100,000 ordinary shares HK\$100,000	Freight forwarding	Hong Kong, China	Hong Kong, China
IQAX Limited	100	4,010,000 class A ordinary shares US\$4,010,000	AI and blockchain digital data on network applications and platform design	Hong Kong, China	Hong Kong, China
Kenwake Limited	100	1,600,000 ordinary shares 520,000 5% cumulative preference shares £ 2,120,000	Investment holding	United Kingdom	United Kingdom
Laronda Company Ltd.	100	5,000 ordinary shares US\$5,000	Portfolio investment	British Virgin Islands	Worldwide
Maritime Delivery Services Inc.	100	1,000 common stock US\$10,000	Trucking service	USA	USA

Principal Subsidiaries, Associated Companies and Joint Ventures

as at 31st December 2020

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries (Continued)					
Newcontainer 1370A Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1371A Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1420 Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1421 Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1484 Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1564A Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1565A Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1584A Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1585A Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1667A Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 1668A Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2002 Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2004 Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2005 Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2007 Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2009 Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide

Principal Subsidiaries, Associated Companies and Joint Ventures

as at 31st December 2020

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries (Continued)					
Newcontainer 2010 Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2011 Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2172 Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 2173 Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer 4090 Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 5 Shipping Inc.	100	500 ordinary shares US\$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No. 6 Shipping Inc.	100	500 ordinary shares US\$5,000	Ship owning	Liberia †	Worldwide
Newcontainer No. 9 (Marshall Islands) Shipping Inc.	100	500 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 10 (Marshall Islands) Shipping Inc.	100	500 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 15 (Marshall Islands) Shipping Inc.	100	500 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 51 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 52 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 67 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 69 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 73 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 75 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide

Principal Subsidiaries, Associated Companies and Joint Ventures

as at 31st December 2020

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries (Continued)					
Newcontainer No. 81 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 82 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 83 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 85 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 86 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 87 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 88 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 89 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 90 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 93 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 95 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 96 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 97 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 98 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 99 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 100 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide

Principal Subsidiaries, Associated Companies and Joint Ventures

as at 31st December 2020

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries (Continued)					
Newcontainer No. 101 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 102 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 103 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 107 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 108 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 109 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 110 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 111 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 112 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 113 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 115 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 116 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 117 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 118 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 119 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 120 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide

Principal Subsidiaries, Associated Companies and Joint Ventures

as at 31st December 2020

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries (Continued)					
Newcontainer No. 121 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 122 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 123 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 125 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 126 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
Newcontainer No. 127 (Marshall Islands) Shipping Inc.	100	5,000 ordinary shares US\$5,000	Ship owning	Marshall Islands	Worldwide
OLL Logistics (Malaysia) Sdn Bhd	100	10,000 ordinary shares RM10,000	Logistics, cargo consolidation and forwarding	Malaysia	Malaysia
O M Depot Company Limited	51	80,000 ordinary shares THB8,000,000	Container Depot	Thailand	Thailand
OOCL (Agencies) Holdings Inc.	100	5,000 ordinary shares US\$5,000	Investment holding	Marshall Islands	Worldwide
OOCL (Assets) Holdings Inc.	100	500 ordinary shares US\$5,000	Investment holding	Liberia †	Worldwide
OOCL (Assets USA) Holdings Inc.	100	50,000 ordinary shares US\$50,000	Investment holding	Liberia †	USA
OOCL (Australia) Pty Ltd.	100	200,000 ordinary shares A\$200,000	Liner agency	Australia	Australia
OOCL BENELUX	100	226,271 ordinary shares €609,799	Liner agency	Belgium	Belgium
OOCL (Cambodia) Ltd.	100	50,000 ordinary shares Riel200,000,000	Liner agency	Cambodia	Cambodia

Principal Subsidiaries, Associated Companies and Joint Ventures

as at 31st December 2020

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries (Continued)					
OOCL (Canada) Inc.	100	10,000 common stock C\$91,000	Liner agency	Canada	Canada
OOCL (China) Investment Ltd.	100	2 ordinary shares HK\$2	Investment holding	Hong Kong, China	China
OOCL (Corporate Services) Limited	100	2 ordinary shares HK\$2	Provision of corporate services	Hong Kong, China	Hong Kong, China
OOCL (Denmark) A/S	100	1,000 ordinary shares DKK500,000	Liner agency	Denmark	Northern Europe
OOCL (Europe) Limited	100	5,000,000 ordinary shares £5,000,000	Container transport, investment holding and liner territorial office	United Kingdom	Worldwide
OOCL (Finland) Ltd. Oy	100	150 ordinary shares €2,522.82	Liner agency	Finland	Finland
OOCL (India) Private Limited	100	1,000 equity shares Rupees100,000	Liner agency	India	India
OOCL (Infotech) Holdings Ltd.	100	2 ordinary shares US\$2	Investment holding	British Virgin Islands	Worldwide
OOCL (Italy) S.r.l.	100	1 quota €10,000	Liner agency	Italy	Italy
OOCL (Korea) Ltd.	100	16,000 common stock Won160,000,000	Liner agency	Korea	Korea
OOCL (Liners) Holdings Ltd.	100	2 ordinary shares HK\$2	Investment holding	Hong Kong, China	Hong Kong, China
OOCL (Logistics) Holdings Ltd.	100	10,000 ordinary shares US\$10,000	Investment holding	British Virgin Islands	Worldwide
OOCL (Mexico), S.A. de C.V.	100	600,000 ordinary shares Peso600,000	Liner agency	Mexico	Mexico
OOCL (New Zealand) Ltd.	100	100 ordinary shares NZD1,000	Liner agency	New Zealand	New Zealand
OOCL Pakistan (Private) Ltd.	100	1,350,000 ordinary shares PKR13,500,000	Liner agency	Pakistan	Pakistan
OOCL (Philippines) Inc.	100	55,000 common stock Peso5,500,000	Liner agency	Philippines	Philippines

Principal Subsidiaries, Associated Companies and Joint Ventures

as at 31st December 2020

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries (Continued)					
OOCL (Poland) Ltd sp. z o.o.	100	1,000 ordinary shares PLN50,000	Liner agency	Poland	Poland
OOCL (Portugal), Lda	100	2 quotas €25,000	Liner agency	Portugal	Portugal
OOCL (Russia) Ltd.	100	1 ordinary share Rub10,000	Liner agency	Russia	Russia
OOCL (Singapore) Pte Ltd.	100	100,000 ordinary shares S\$100,000	Liner agency	Singapore	Singapore
OOCL (Sweden) AB	100	100,000 ordinary shares SEK100,000	Liner agency	Sweden	Sweden
OOCL (Terminals) Investment Ltd.	100	500 ordinary shares US\$500	Investment holding	British Virgin Islands	Worldwide
OOCL (USA) Inc.	100	1,030 common stock US\$1,030	Liner agency	USA	USA
OOCL (Vietnam) Co. Ltd.	100	Legal capital US\$500,000	Liner agency	Vietnam	Vietnam
OOCL China Domestics Ltd.	100	Registered capital RMB21,250,000	Transportation and freight agency	China ±	China
OOCL GEMİ ACENTELİĞİ HİZMETLERİ VE TİCARET ANONİM ŞİRKETİ	100	100,000 shares TL.100,000	Liner agency	Turkey	Turkey
OOCL LLC	100	Capital of US\$500,000	Investment holding and equipment owning	USA	USA
OOCL Logistics Limited	100	10,000 ordinary shares US\$10,000	Investment holding	British Virgin Islands	Hong Kong, China
OOCL Logistics (Asia Pacific) Ltd.	100	200 ordinary shares US\$20,000	Investment holding, management of international transportation and logistics	Bermuda	Worldwide
OOCL Logistics (Australia) Pty. Limited	100	200,000 ordinary shares A\$200,000	Logistics, cargo consolidation and forwarding	Australia	Australia
OOCL Logistics (Cambodia) Ltd.	100	1,250 ordinary shares Riel5,000,000	Logistics, cargo consolidation and forwarding	Cambodia	Cambodia
OOCL Logistics (Canada) Ltd.	100	1,000 common stock C\$1,000	Logistics, cargo consolidation and forwarding	Canada	Canada

Principal Subsidiaries, Associated Companies and Joint Ventures

as at 31st December 2020

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries (Continued)					
OOCL Logistics (China) Ltd.	100	Registered capital US\$4,840,000	Logistics, cargo consolidation and forwarding	China *	China
OOCL Logistics (Europe) Ltd.	100	2 ordinary shares £ 2	Logistics, cargo consolidation and forwarding territorial office	United Kingdom	Europe
OOCL Logistics (Hong Kong) Ltd.	100	50,000 ordinary shares HK\$500,000	Logistics, cargo consolidation and forwarding	Hong Kong, China	Hong Kong, China
OOCL Logistics (India) Private Limited	100	35,000 equity shares Rupee3,500,000	Logistics, cargo consolidation and forwarding	India	India
OOCL Logistics (Japan) Ltd.	100	6,200 ordinary shares Yen10,000,000	Logistics, cargo consolidation and forwarding	Japan	Japan
OOCL Logistics (Korea) Ltd.	100	280,000 common stock Won2,800,000,000	Logistics, cargo consolidation and forwarding	Korea	Korea
OOCL Logistics Mexico, S.A. de C.V.	100	500,000 ordinary shares Peso500,000	Logistics, cargo consolidation and forwarding	Mexico	Mexico
OOCL Logistics Pakistan (Pvt) Limited	100	1,300,000 ordinary shares PKR13,000,000	Logistics, cargo consolidation and forwarding	Pakistan	Pakistan
OOCL Logistics (Russia) Limited	100	1 ordinary share Rub10,000	Logistics, cargo consolidation and forwarding	Russia	Russia
OOCL Logistics (Singapore) Pte Ltd.	100	2 ordinary shares S\$2	Logistics, cargo consolidation and forwarding	Singapore	Singapore
OOCL Logistics (USA) Inc.	100	100 common stock US\$200	Logistics, cargo consolidation, forwarding and investment holding	USA	Worldwide
OOCL Logistics Line Limited	100	2 ordinary shares HK\$2	Transportation and freight forwarding	Hong Kong, China	Worldwide
OOCL Logistics Warehousing and Transportation (Shanghai) Co. Ltd.	100	Registered capital US\$1,000,000	Warehousing and logistics services	China *	China
OOCL Logistics Warehousing and Transportation (Tianjin) Co. Ltd.	100	Registered capital US\$4,700,000	Warehousing, transportation and logistics services	China *	China
OOCL Transport & Logistics Holdings Ltd. #	100	169,477,152 ordinary shares US\$169,477,152	Investment holding	Bermuda	Worldwide
OOCL Warehousing (Shanghai) Limited	100	Registered capital US\$10,000,000	Warehousing and depot services	China *	China

Principal Subsidiaries, Associated Companies and Joint Ventures

as at 31st December 2020

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/contributed cash capital	Principal activities	Place of incorporation	Area of operations
Subsidiaries (Continued)					
OOIL (Investments) Inc. #	100	500 ordinary shares US\$5,000	Investment holding	Liberia †	Worldwide
Orient Overseas Associates	100	Limited partnership	Property owning	USA	USA
Orient Overseas Building Corp.	100	10 common stock US\$150,000	Property owning	USA	USA
Orient Overseas Container Line (China) Co. Ltd.	100	Registered capital US\$3,400,000	Liner agency	China *	China
Orient Overseas Container Line (Europe) Ltd.	100	66,000,000 ordinary shares £ 66,000,000	Investment holding	United Kingdom	United Kingdom
Orient Overseas Container Line (Malaysia) Sdn Bhd	100	500,000 ordinary shares RM500,000	Liner agency	Malaysia	Malaysia
Orient Overseas Container Line (Spain), S.L.	100	3,100 ordinary shares €3,100	Liner agency	Spain	Spain
Orient Overseas Container Line (UK) Ltd.	100	5,000 ordinary shares US\$5,000	Ship management and vessel operator	Cayman Islands	Worldwide
Orient Overseas Container Line Inc.	100	500 ordinary shares US\$25,000,000	Investment holding	Liberia †	Worldwide
Orient Overseas Container Line Ltd.	100	10,000 ordinary shares HK\$1,000,000	Container transport	Hong Kong, China	Worldwide
The Speed Limited	100	5,000 ordinary shares US\$5,000	Provision of financing to Group	Marshall Islands	Worldwide
Union Faith (H.K.) Limited	100	1 ordinary share HK\$1	Ship owning	Hong Kong, China	Worldwide
Wall Street Plaza, Inc.	100	40 class A common stock	Investment holding	USA	USA
	100	160 class B common stock			
	100	20,000 series A non-cumulative non-voting preferred stock			
	100	18,000 series B non-cumulative non-voting preferred stock			
	100	19,500 series C non-cumulative non-voting preferred stock			
	100	19,000 series D non-cumulative non-voting preferred stock US\$76,500,200			
Wealth Capital Corporation	100	500 ordinary shares US\$5,000	Investment holding	Liberia †	Worldwide

Principal Subsidiaries, Associated Companies and Joint Ventures

as at 31st December 2020

Name of Company	Effective percentage held by Group	Issued and fully paid up capital/registered capital/contributed cash capital	Principal activities	Place of incorporation	Area of operations
Associated companies					
Ningbo Yuan Dong Terminal Ltd.	20	Registered capital RMB2,500,000,000	Terminal operating	China §	China
Tianjin Port Alliance International Container Terminal Co. Ltd.	20	Registered capital US\$160,000,000	Terminal operating	China §	China
Zhongjing Supply Chain Technology Co., Ltd.	25.9	Registered capital RMB76,500,000	Supply chain management, technology and consulting	China §	China
Eshipping Global Supply Chain Management (Shenzhen) Co., Ltd.	42.35	Registered capital RMB40,000,000	Supply chain management	China §	China
Joint ventures					
OOCL (UAE) LLC	49	300 ordinary shares AED300,000	Liner agency	Dubai	Dubai
Tan Cang – COSCO – OOCL Logistics Company Limited	30	Legal capital US\$1,000,000	Container depot	Vietnam	Vietnam
Qingdao Orient International Container Storage & Transportation Co. Ltd.	55	Registered capital RMB69,900,000	Container depot	China §	China

Direct subsidiaries of the Company.

† Companies incorporated in Liberia but redomiciled to the Marshall Islands.

* Wholly foreign-owned enterprise.

§ Sino-foreign equity joint venture enterprise.

± Domestic joint venture enterprise.

Fleet and Container Information

Fleet

The following table sets out the Group's vessels as at 31st December 2020.

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	FLAG
OOCL America	5,344	Owned	Intra-Asia	1995	Hong Kong, China
OOCL Asia	8,063	Owned	Trans-Pacific	2006	Hong Kong, China
OOCL Atlanta	8,063	Owned	Trans-Atlantic	2005	Hong Kong, China
OOCL Australia	4,583	Owned	Intra-Asia	2006	Hong Kong, China
OOCL Bangkok	13,208	Owned	Intra-Asia	2013	Hong Kong, China
OOCL Beijing	8,888	Owned	N/A	2011	Hong Kong, China
OOCL Belgium	2,992	Owned	Intra-Asia	1998	Hong Kong, China
OOCL Busan	4,578	Owned	Asia-Australia	2008	Hong Kong, China
OOCL California	5,344	Owned	Intra-Asia	1995	Hong Kong, China
OOCL Canada	8,888	Owned	N/A	2011	Hong Kong, China
OOCL Charleston	4,578	Owned	Intra-Asia	2010	Hong Kong, China
OOCL Chicago	5,714	Owned	Trans-Pacific	2000	Hong Kong, China
OOCL Chongqing	13,208	Owned	Trans-Pacific	2013	Hong Kong, China
OOCL Dalian	4,578	Owned	Intra-Asia	2009	Hong Kong, China
OOCL Europe	8,063	Owned	Trans-Atlantic	2006	Hong Kong, China
OOCL Guangzhou	4,578	Owned	Intra-Asia	2010	Hong Kong, China
OOCL Hamburg	8,063	Owned	Intra-Asia	2004	Hong Kong, China
OOCL Houston	4,578	Owned	Asia-Australia	2007	Hong Kong, China
OOCL Jakarta	4,578	Owned	Intra-Asia	2010	Hong Kong, China
OOCL Kobe	4,578	Owned	Intra-Europe	2007	Hong Kong, China
OOCL Le Havre	4,578	Owned	Intra-Asia	2010	Hong Kong, China
OOCL London	8,063	Owned	Trans-Pacific	2010	Hong Kong, China
OOCL Luxembourg	8,063	Owned	Trans-Pacific	2010	Hong Kong, China
OOCL Montreal	4,402	Owned	Trans-Atlantic	2003	Hong Kong, China
OOCL Nagoya	4,578	Owned	Intra-Asia	2009	Hong Kong, China
OOCL New York	5,770	Owned	Trans-Pacific	1999	Hong Kong, China
OOCL Norfolk	4,578	Owned	Asia-Australia	2009	Hong Kong, China
OOCL Panama	4,578	Owned	Asia-Australia	2008	Hong Kong, China
OOCL Rotterdam	8,063	Owned	Asia-Australia	2004	Hong Kong, China
OOCL San Francisco	5,714	Owned	Intra-Asia	2000	Hong Kong, China
OOCL Savannah	4,578	Owned	Intra-Asia	2010	Hong Kong, China
OOCL Scandinavia	21,413	Owned	Asia-Europe	2017	Hong Kong, China
OOCL Seoul	8,063	Owned	Intra-Asia	2010	Hong Kong, China
OOCL Shanghai	5,770	Owned	Asia-Australia	1999	Hong Kong, China
OOCL Southampton	8,063	Owned	Trans-Pacific	2007	Hong Kong, China
OOCL Texas	4,578	Owned	Asia-Australia	2008	Hong Kong, China
OOCL Tokyo	8,063	Owned	Trans-Pacific	2007	Hong Kong, China
OOCL United Kingdom	21,413	Owned	Asia-Europe	2017	Hong Kong, China
OOCL Washington	8,063	Owned	Intra-Asia	2010	Hong Kong, China
OOCL Yokohama	4,578	Owned	Asia-Australia	2007	Hong Kong, China
OOCL Zhoushan	4,583	Owned	Intra-Asia	2006	Hong Kong, China

Fleet and Container Information

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE	FLAG
Buxmelody	2,702	Long Term lease	Intra-Asia	2008	Liberia
OOCL Antwerp	5,888	Long Term lease	Trans-Pacific	2006	Panama
OOCL Berlin	13,208	Long Term lease	Trans-Pacific	2013	Hong Kong, China
OOCL Brisbane	4,578	Long Term lease	Asia-Australia	2009	Hong Kong, China
OOCL Brussels	13,208	Long Term lease	Trans-Pacific	2013	Hong Kong, China
OOCL Dubai	5,888	Long Term lease	Asia-Australia	2006	Singapore
OOCL Egypt	13,208	Long Term lease	Intra-Asia	2013	Hong Kong, China
OOCL France	13,208	Long Term lease	Asia-Europe	2013	Hong Kong, China
OOCL Genoa	8,888	Long Term lease	N/A	2015	Hong Kong, China
OOCL Germany	21,413	Long Term lease	Asia-Europe	2017	Hong Kong, China
OOCL Ho Chi Minh City	8,888	Long Term lease	N/A	2015	Hong Kong, China
OOCL Hong Kong	21,413	Long Term lease	Asia-Europe	2017	Hong Kong, China
OOCL Indonesia	21,413	Long Term lease	Asia-Europe	2018	Hong Kong, China
OOCL Italy	5,888	Long Term lease	Asia-Australia	2007	Singapore
OOCL Japan	21,413	Long Term lease	Asia-Europe	2017	Hong Kong, China
OOCL Kaohsiung	5,888	Long Term lease	Trans-Pacific	2006	Singapore
OOCL Korea	13,208	Long Term lease	Trans-Pacific	2014	Hong Kong, China
OOCL Kuala Lumpur	5,888	Long Term lease	Asia-Australia	2007	Singapore
OOCL Malaysia	13,208	Long Term lease	Trans-Pacific	2013	Hong Kong, China
OOCL Memphis	8,888	Long Term lease	N/A	2013	Hong Kong, China
OOCL Miami	8,888	Long Term lease	N/A	2013	Hong Kong, China
OOCL New Zealand	4,578	Long Term lease	Intra-Asia	2009	Hong Kong, China
OOCL Oakland	5,888	Long Term lease	Trans-Pacific	2007	Panama
OOCL Poland	13,208	Long Term lease	Trans-Pacific	2013	Hong Kong, China
OOCL Singapore	13,208	Long Term lease	Trans-Pacific	2014	Hong Kong, China
OOCL St. Lawrence	5,047	Long Term lease	Trans-Atlantic	2005	Malta
OOCL Taipei	8,888	Long Term lease	Trans-Pacific	2015	Hong Kong, China
OOCL Utah	8,888	Long Term lease	Trans-Pacific	2015	Hong Kong, China
OOCL Vancouver	5,888	Long Term lease	Trans-Pacific	2006	Panama
Spectrum N	2,546	Long Term lease	Intra-Asia	2009	Liberia
Amalia C	2,452	Short Term lease	Intra-Asia	1998	Malta
Anina	1,008	Short Term lease	Intra-Europe	2006	Portugal
AS Camellia	2,824	Short Term lease	Trans-Pacific	2006	Portugal
AS Sara	1,713	Short Term lease	Intra-Asia	2010	Portugal
Baleares	2,546	Short Term lease	Intra-Asia	2014	Marshall Island
Bomar Milione	4,363	Short Term lease	Intra-Asia	2008	Liberia
Brussels	5,806	Short Term lease	Trans-Atlantic	2000	Portugal
Buxcliff	6,892	Short Term lease	Trans-Atlantic	2001	Portugal
Cape Fortius	2,210	Short Term lease	Intra-Asia	2017	Cyprus
Chesapeake Bay	4,253	Short Term lease	Intra-Asia	2003	Liberia
Cornelia I	5,089	Short Term lease	Trans-Pacific	2010	Liberia
COSCO England	13,386	Short Term lease	Trans-Pacific	2013	Hong Kong, China
COSCO Italy	13,386	Short Term lease	Trans-Pacific	2014	Hong Kong, China
COSCO Netherlands	13,386	Short Term lease	Trans-Pacific	2013	Hong Kong, China
COSCO Philippines	8,501	Short Term lease	Trans-Atlantic	2010	Hong Kong, China
COSCO Portugal	13,386	Short Term lease	Trans-Pacific	2014	Hong Kong, China

Fleet and Container Information

VESSEL NAME	TEU CAPACITY	OWNERSHIP	SERVICE IN WHICH USED	DATE PLACED IN SERVICE		FLAG
				DATE PLACED IN SERVICE	FLAG	
COSCO Shipping Aquarius	19,273	Short Term lease	Intra-Asia	2019	Hong Kong, China	
COSCO Shipping Planet	21,237	Short Term lease	Intra-Asia	2019	Hong Kong, China	
COSCO Vietnam	8,501	Short Term lease	Trans-Atlantic	2011	Hong Kong, China	
E.R. Los Angeles	5,992	Short Term lease	Asia-Europe	2001	Liberia	
Ela	1,740	Short Term lease	Intra-Asia	2012	Liberia	
Hansa Drakenburg	1,738	Short Term lease	Asia-Australia	2007	Liberia	
Keta (Ex. GSL Keta)	2,207	Short Term lease	Intra-Asia	2003	Liberia	
Ludwig Schulte	1,740	Short Term lease	Intra-Asia	2008	Singapore	
Lydia	2,702	Short Term lease	Intra-Asia	2009	Portugal	
Maine Trader	4,992	Short Term lease	Asia-Australia	2004	Malta	
Miami	5,089	Short Term lease	Trans-Pacific	2007	Liberia	
Mount Gough	1,756	Short Term lease	Intra-Asia	2016	Hong Kong, China	
Navi Baltic	1,421	Short Term lease	Intra-Europe	2009	Portugal	
Nordtiger	1,756	Short Term lease	Intra-Asia	2014	Cyprus	
OOCL Rauma	1,421	Short Term lease	Intra-Europe	2009	Netherlands	
Orea	2,194	Short Term lease	Asia-Australia	2015	Malta	
Rhl Aqua	1,732	Short Term lease	Intra-Asia	2007	Liberia	
Rio Grande	4,253	Short Term lease	Trans-Pacific	2008	Malta	
San Lorenzo	1,708	Short Term lease	Intra-Asia	2014	Cyprus	
Santa Loukia	1,704	Short Term lease	Intra-Asia	2014	Malta	
Seamaster	1,756	Short Term lease	Intra-Asia	2013	Malta	
Seamax Stratford	8,533	Short Term lease	Asia-Australia	2006	Marshall Island	
Seamelody	4,892	Short Term lease	Trans-Atlantic	2009	Malta	
Spil Kartini	4,218	Short Term lease	Intra-Asia	2008	Panama	
ST Green	2,535	Short Term lease	Intra-Asia	2011	Liberia	
Tamina	5,527	Short Term lease	Intra-Asia	2004	Liberia	
Teng Yun He	1,702	Short Term lease	Intra-Asia	2000	China	
Tzini	1,756	Short Term lease	Intra-Asia	2013	Malta	
Vela	4,258	Short Term lease	Trans-Pacific	2009	Liberia	
Vulpecula	4,258	Short Term lease	Trans-Pacific	2010	Liberia	
William	1,732	Short Term lease	Intra-Asia	2009	Portugal	
YM Vancouver	4,253	Short Term lease	Intra-Asia	2007	Cyprus	
TOTAL 119 VESSELS	835,107					

Container Information

The Group owned and leased 1,126,871 units (1,944,824 TEU) as of 31st December 2020.

10-Year Financial Summary

US\$'000	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Consolidated Profit and Loss Data										
Revenue	6,011,836	6,459,059	6,231,583	6,521,589	5,953,444	5,297,693	5,981,676	6,572,655	6,878,740	8,191,304
Operating profit/(loss)	174,598	327,904	90,314	329,147	353,068	(138,227)	238,155	262,935	361,281	992,187
Finance costs	(26,179)	(32,877)	(41,019)	(54,000)	(63,642)	(79,393)	(97,418)	(143,191)	(151,599)	(91,312)
Profit/(loss) before taxation	162,457	310,134	66,999	294,583	307,208	(199,667)	159,871	134,068	223,826	913,674
Profit/(loss) for the year from continuing operations	139,354	296,317	47,133	270,438	283,851	(219,221)	147,438	75,448	153,987	903,018
Profit/(loss) for the year from discontinued operations	43,000	-	-	-	-	-	(9,782)	32,718	1,194,806	-
Profit/(loss) for the year	182,354	296,317	47,133	270,438	283,851	(219,221)	137,656	108,166	1,348,793	903,018
Profit/(loss) attributable to ordinary shareholders	181,645	295,387	47,036	270,538	283,851	(219,221)	137,656	108,166	1,348,793	902,723
Per Ordinary Share										
Earnings/(loss) (US cents)										
from continuing operations	22.1	47.2	7.5	43.2	45.4	(35.0)	23.6	12.1	24.6	144.3
from discontinued operations	6.9	-	-	-	-	-	(1.6)	5.2	190.9	-
Dividends (US cents)	7.00	11.84	1.88	10.90	11.45	-	2.14	7.70	193.35	141.75
Weighted average number of ordinary shares in issue ('000)	625,793	625,793	625,793	625,793	625,793	625,793	625,793	625,793	625,793	625,793
Consolidated Balance Sheet Data										
Property, plant and equipment	4,205,194	4,664,773	5,320,251	5,608,929	6,020,744	6,076,673	6,251,457	5,880,057	3,162,424	3,744,666
Right-of-use assets	-	-	-	-	-	-	-	-	2,830,674	2,303,265
Liquid assets	2,413,132	2,339,531	2,411,085	2,689,754	2,548,976	2,186,946	2,534,463	2,246,803	2,858,824	3,323,013
Assets held for sale	-	-	-	53,047	-	-	-	472,732	-	-
Liabilities directly associated with assets classified as held for sale	-	-	-	-	-	-	-	(141,048)	-	-
Other net current liabilities	(543,133)	(654,625)	(473,105)	(628,393)	(622,964)	(738,046)	(671,309)	(596,779)	(979,118)	(1,221,034)
Total assets	7,711,478	8,231,039	8,990,218	9,633,455	9,731,574	9,404,590	10,069,296	10,053,860	11,201,865	10,644,553
Long-term debt	2,233,095	2,325,777	3,265,555	3,595,625	3,663,100	3,489,272	3,930,025	3,695,834	3,342,224	2,489,488
Total long and short-term debt	2,672,206	2,881,530	3,533,865	3,984,502	4,101,719	4,090,737	4,554,183	4,197,756	3,991,089	3,069,843
Net (cash)/debt	259,074	541,999	1,122,780	1,294,748	1,552,743	1,903,791	2,019,720	1,950,953	1,132,265	(253,170)
Ordinary shareholders' equity	4,233,468	4,481,815	4,470,807	4,634,752	4,797,510	4,519,286	4,682,513	4,735,130	4,927,407	5,642,114
Other Financial Information										
Depreciation	242,534	235,346	302,884	323,482	315,426	400,351	428,482	385,622	409,255	430,689
Capital expenditure	744,603	784,562	999,451	848,769	796,720	478,637	618,690	412,901	387,192	501,926
Consolidated Financial Ratios/Percentages										
Debt to equity ratio	0.63	0.64	0.79	0.86	0.85	0.91	0.97	0.89	0.81	0.54
Net (cash)/debt to equity ratio	0.06	0.12	0.25	0.28	0.32	0.42	0.43	0.41	0.23	(0.04)
Return on average ordinary shareholders' equity (%)	3.7	6.8	1.1	5.9	6.0	(4.7)	3.0	2.3	27.9	17.1
Accounts payable as a % of revenue	11.8	12.1	14.5	14.5	12.6	13.1	12.4	12.8	15.6	16.9
Accounts receivable as a % of revenue	7.8	8.4	8.9	8.8	8.4	9.0	9.9	9.7	9.7	8.3
Net asset value per ordinary share (US\$)	6.76	7.16	7.14	7.41	7.67	7.22	7.48	7.57	7.87	9.02

Note:

- (1) The accounting policy on HKAS 19 (Amendment) "Employee Benefits" was changed in 2013 and the figures prior to 2011 have not been restated to reflect this change.
- (2) The results of discontinued operation prior to 2017 have not been restated or reclassified.
- (3) The accounting policy on HKFRS 16 "Leases" was changed in 2019 and in accordance with the transitional provision in HKFRS 16, comparative figures have not been restated.

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(*Chief Executive Officer*)

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Mr. Feng Boming

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Ms. Wang Dan

Mr. Ip Sing Chi

Ms. Cui Hongqin

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Design and Production by: A.Plus Financial Press Limited

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Acid Free Lignin Free Dioxin Free Biodegradable ISO9001 ISO14001

