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COSCO SHIPPING Ports Limited

中遠海運港口有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

2017 INTERIM RESULTS ANNOUNCEMENT

RESULTS HIGHLIGHTS

Results of the Group for the six months ended 30 June 2017 are highlighted as follows:

- Revenue increased 0.3% to US\$275,776,000 (1H2016: US\$274,983,000).
- Gross profit dropped by 8.2% to US\$98,528,000 (1H2016: US\$107,357,000). Gross profit margin dropped by 3.3 percentage points to 35.7% (1H2016: 39.0%).
- During the period, the Group completed the subscription of non-circulating domestic shares in Qingdao Port International Co., Ltd. (“QPI”) and the disposal of equity interests in Qingdao Qianwan Container Terminal Co., Ltd. (“Qingdao Qianwan Terminal”), recording a total profit after tax from one-off exceptional items^{Note 1} of US\$285,392,000. Profit attributable to equity holders of the Company amounted to US\$384,712,000 (1H2016: US\$171,948,000), an increase of 123.7% compared with the corresponding period last year.
- Excluding profit after tax from one-off exceptional items in 2017 and profit in relation to discontinued container leasing, management and sale businesses in 2016, profit attributable to equity holders amounted to US\$99,320,000 (1H2016: US\$105,854,000), a 6.2% decrease compared with the corresponding period last year.
- Total throughput increased by 11.8% to 41,780,867 TEU (1H2016: 37,358,210 TEU)^{Note 2}; total equity throughput increased by 8.5% to 14,133,596 TEU (1H2016: 13,022,747 TEU)^{Note 2}.
- Basic earnings per share for profit attributable to equity holders amounted to US12.76 cents (1H2016: US5.80 cents). Excluding discontinued operation, basic earnings per share for profit attributable to equity holders was US12.76 cents (1H2016: US3.57 cents).
- An interim dividend of HK10.3 cents per share (1H2016: HK18.0 cents) has been declared. The dividend will be payable in cash and with a scrip dividend alternative. Excluding one-off exceptional items, payout ratio is 40.0%.

Note 1: Exceptional items represent completions of the subscription of non-circulating domestic shares in QPI and the disposal of equity interests in Qingdao Qianwan Terminal, which recorded (1) a gain after tax of US\$244,596,000 from the disposal of Qingdao Qianwan Terminal; (2) reversal of dividend withholding income tax provision in the amount of US\$11,970,000 made in prior years in respect of the profit retained by Qingdao Qianwan Terminal; and (3) a gain after tax of US\$28,826,000 on remeasurement of previously held interests of QPI at fair value upon further acquisition of equity interests to become an associate.

Note 2: The total throughput and total equity throughput excluded QPI’s throughput of May and June 2017 and Qingdao Qianwan Terminal’s throughput in 1H2016.

RESULTS

The board of directors (the “Board”) of COSCO SHIPPING Ports Limited (the “Company” or “COSCO SHIPPING Ports”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2017.

The following financial information, including comparative figures, has been prepared in accordance with Hong Kong Financial Reporting Standards. The Group’s unaudited condensed consolidated balance sheet, unaudited condensed consolidated income statement, unaudited condensed consolidated statement of comprehensive income and explanatory notes 1 to 13 as presented below are extracted from the Group’s unaudited condensed consolidated interim financial information for the six months ended 30 June 2017 (the “Unaudited Condensed Consolidated Interim Financial Information”) which has been reviewed by the Company’s independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2017

	<i>Note</i>	As at 30 June 2017 US\$'000	As at 31 December 2016 US\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		2,456,771	2,367,602
Investment properties		8,242	8,135
Land use rights		204,195	201,804
Intangible assets		6,460	5,435
Joint ventures		1,219,825	1,409,044
Loans to joint ventures		60,055	60,239
Associates		2,392,826	1,405,835
Loans to associates		153,141	114,944
Available-for-sale financial assets		359,218	156,939
Deferred income tax assets		432	11
Other non-current assets	3	64,185	60,960
		6,925,350	5,790,948
Current assets			
Inventories		8,951	9,951
Trade and other receivables	4	189,468	148,015
Current income tax recoverable		1,586	442
Restricted bank deposits		96	2,868
Cash and cash equivalents		332,800	834,232
		532,901	995,508
Total assets		7,458,251	6,786,456

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET (Continued)
AS AT 30 JUNE 2017

	<i>Note</i>	As at 30 June 2017 US\$'000	As at 31 December 2016 US\$'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		38,728	38,728
Reserves		<u>4,939,838</u>	<u>4,316,133</u>
		4,978,566	4,354,861
Non-controlling interests		<u>435,534</u>	<u>410,943</u>
Total equity		<u>5,414,100</u>	<u>4,765,804</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		119,291	52,914
Long term borrowings		1,201,973	1,071,406
Loans from a fellow subsidiary		24,584	28,805
Other long term liabilities		<u>32,243</u>	<u>31,584</u>
		<u>1,378,091</u>	<u>1,184,709</u>
Current liabilities			
Trade and other payables	5	434,061	395,955
Current income tax liabilities		14,465	8,403
Current portion of long term borrowings		93,714	256,609
Short term borrowings		<u>123,820</u>	<u>174,976</u>
		<u>666,060</u>	<u>835,943</u>
Total liabilities		<u>2,044,151</u>	<u>2,020,652</u>
Total equity and liabilities		<u>7,458,251</u>	<u>6,786,456</u>

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

	<i>Note</i>	Six months ended 30 June	2017	2016
		<i>US\$'000</i>	<i>US\$'000</i>	
Continuing operations:				
Revenues		275,776		274,983
Cost of sales		(177,248)		(167,626)
Gross profit		98,528		107,357
Administrative expenses		(38,342)		(41,357)
Other operating income		5,017		8,647
Other operating expenses		(2,036)		(4,760)
Gain on remeasurement of previously held interest of an available-for-sale financial asset at fair value upon further acquisition to become an associate	6	38,434		-
Gain on disposal of a joint venture	6	283,961		-
Operating profit	7	385,562		69,887
Finance income	8	6,184		7,434
Finance costs	8	(23,767)		(26,050)
Operating profit (after finance income and costs)		367,979		51,271
Share of profits less losses of				
- joint ventures		40,095		55,848
- associates		57,450		42,247
Profit before income tax from continuing operations		465,524		149,366
Income tax expenses	9	(62,361)		(27,836)
Profit for the period from continuing operations		403,163		121,530
Discontinued operation:				
Gain on disposal of a subsidiary	10	-		59,021
Profit for the period from discontinued operation		-		7,526
		-		66,547
Profit for the period		403,163		188,077
Profit attributable to:				
Equity holders of the Company		384,712		171,948
Non-controlling interests		18,451		16,129
		403,163		188,077
Earnings per share for profit attributable to equity holders of the Company				
- Basic				
- from continuing operations	11	US12.76 cents		US3.57 cents
- from discontinued operation	11	-		US2.23 cents
		US12.76 cents		US5.80 cents
- Diluted				
- from continuing operations	11	US12.76 cents		US3.57 cents
- from discontinued operation	11	-		US2.23 cents
		US12.76 cents		US5.80 cents

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

	Six months ended 30 June	
	2017	2016
	US\$'000	US\$'000
Profit for the period	403,163	188,077
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates	108,515	(59,552)
Fair value gain/(loss) on available-for-sale financial assets, net of tax	216,871	(4,161)
Release of reserves upon disposal or dissolution of subsidiaries	-	(598)
Release of investment revaluation reserve of an available-for-sale financial asset at fair value upon further acquisition to become an associate	(38,434)	-
Release of reserve upon disposal of a joint venture	(11,495)	-
Share of other comprehensive income of joint ventures and associates		
- Exchange reserve	5,935	261
- Other reserves	839	2,564
Other comprehensive income/(loss) for the period, net of tax	282,231	(61,486)
Total comprehensive income for the period	685,394	126,591
Total comprehensive income attributable to:		
Equity holders of the Company	654,063	118,531
Non-controlling interests	31,331	8,060
	685,394	126,591
Total comprehensive income attributable to equity holders of the Company arising from:		
Continuing operations	654,063	53,035
Discontinued operation	-	65,496
	654,063	118,531

NOTES

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Unaudited Condensed Consolidated Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA.

The Unaudited Condensed Consolidated Interim Financial Information should be read in conjunction with the Group’s annual audited consolidated financial statements for the year ended 31 December 2016 (the “2016 Annual Financial Statements”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA.

As at 30 June 2017, the Group had net current liabilities of US\$133,159,000. Taking into account the available unutilised loan facilities and expected cash flows from operations, the Group will have adequate resources to meet its liabilities and commitments as and when they fall due and to continue in operational existence for the next twelve months. Accordingly, the Group has continued to adopt the going concern basis in preparing the Unaudited Condensed Consolidated Interim Financial Information.

Adoption of new HKFRSs

The accounting policies and methods of computation used in the preparation of the Unaudited Condensed Consolidated Interim Financial Information are consistent with those used in the 2016 Annual Financial Statements, except that the Group has adopted the following amendments and improvements to existing standards (collectively the “new HKFRSs”) issued by the HKICPA which are mandatory for the financial year beginning 1 January 2017:

Amendments and improvements

HKAS 7 Amendment	Statement of Cash Flows
HKAS 12 Amendment	Income Taxes

Annual Improvements 2014-2016 Cycle

HKFRS 12 Amendment	Disclosure of Interest in Other Entities
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The adoption of the above new HKFRSs in the current period did not have any significant effect on the Unaudited Condensed Consolidated Interim Financial Information or result in any substantial changes in the Group’s significant accounting policies.

The HKICPA has issued certain new standards, interpretation and amendments or improvements to existing standards which are not yet effective for the year ending 31 December 2017 and have not been early adopted by the Group. The Group will apply these standards, interpretation and amendments or improvements to existing standards as and when they become effective. The Group has already commenced an assessment of the related impact to the Group and it is not yet in a position to state whether any substantial changes to the Group’s significant accounting policies and presentation of the financial information will be resulted, except for the below new standards:

HKFRS 9 “Financial Instruments” addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reasons:

- A fair value through other comprehensive income election is available for the equity instruments which are currently classified as available-for-sale.

- Debt instruments currently classified as held-to-maturity and measured at amortised cost appear to meet the conditions for classification at amortised cost under HKFRS 9.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. This would impact on the Group's loss allowance for trade receivables.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 15 "Revenue from Contracts with Customers" is a new standard issued by the HKICPA for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

The Group does not expect the new guidance to have a significant impact to the current revenue recognition of the Group.

HKFRS 16 "Leases" was issued in May 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the date of this announcement, the Group has non-cancellable operating lease commitments of US\$4,810,231,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

2. SEGMENT INFORMATION

(a) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The operating segments were determined based on the reports reviewed by management. Terminals and related businesses were identified as the operating segments in accordance with the Group's continuing operations.

The performance of the operating segments was assessed based on their segment profit/loss attributable to equity holders of the Company and segment assets, which is measured in a manner consistent with that in the Unaudited Condensed Consolidated Interim Financial Information.

The segment of "Others" primarily includes corporate level activities. Assets under the segment of "Others" comprise property, plant and equipment, investment properties, intangible assets, inter-segment loans, other receivables and prepayments and cash and cash equivalents.

Additions to non-current assets comprise additions to property, plant and equipment, land use rights and intangible assets.

Segment assets

	Terminals and related businesses <i>US\$'000</i>	Others <i>US\$'000</i>	Elimination <i>US\$'000</i>	Total <i>US\$'000</i>
At 30 June 2017				
Segment assets	<u>7,102,628</u>	<u>949,655</u>	<u>(594,032)</u>	<u>7,458,251</u>
Segment assets include:				
Joint ventures	1,219,825	-	-	1,219,825
Associates	2,392,826	-	-	2,392,826
Available-for-sale financial assets	<u>359,218</u>	<u>-</u>	<u>-</u>	<u>359,218</u>
At 31 December 2016				
Segment assets	<u>5,971,235</u>	<u>1,384,015</u>	<u>(568,794)</u>	<u>6,786,456</u>
Segment assets include:				
Joint ventures	1,409,044	-	-	1,409,044
Associates	1,405,835	-	-	1,405,835
Available-for-sale financial assets	<u>156,939</u>	<u>-</u>	<u>-</u>	<u>156,939</u>

2. SEGMENT INFORMATION (Continued)

(a) Operating segments (Continued)

Segment revenues, results and other information

	Continuing operations			Total US\$'000
	Terminals and related businesses US\$'000	Others US\$'000	Elimination US\$'000	
Six months ended 30 June 2017				
Revenues - total sales	<u>275,776</u>	<u>-</u>	<u>-</u>	<u>275,776</u>
Segment profit/(loss) attributable to equity holders of the Company	<u>399,961</u>	<u>(15,249)</u>	<u>-</u>	<u>384,712</u>
Segment profit/(loss) attributable to equity holders of the Company includes:				
Finance income	460	14,220	(8,496)	6,184
Finance costs	(21,321)	(10,992)	8,546	(23,767)
Share of profits less losses of				
- joint ventures	40,095	-	-	40,095
- associates	57,450	-	-	57,450
Gain on disposal of a joint venture	283,961	-	-	283,961
Gain on remeasurement of previously held interest of an available-for-sale financial asset at fair value upon further acquisition to become an associate	38,434	-	-	38,434
Income tax expenses	(61,747)	(614)	-	(62,361)
Depreciation and amortisation	(49,586)	(701)	-	(50,287)
Other non-cash expenses	<u>(442)</u>	<u>(1)</u>	<u>-</u>	<u>(443)</u>
Additions to non-current assets	<u>(50,617)</u>	<u>(1,579)</u>	<u>-</u>	<u>(52,196)</u>

2. SEGMENT INFORMATION (Continued)

(a) Operating segments (Continued)

Segment revenues, results and other information (Continued)

	Continuing operations			Total US\$ '000	Discontinued operation
	Terminals and related businesses US\$ '000	Others US\$ '000	Elimination US\$ '000		Container leasing, management, sale and related businesses US\$ '000
Six months ended 30 June 2016					
Revenues - total sales	<u>274,983</u>	<u>-</u>	<u>-</u>	<u>274,983</u>	<u>73,073</u>
Segment profit/(loss) attributable to equity holders of the Company	<u>132,455</u>	<u>(26,601)</u>	<u>-</u>	<u>105,854</u>	<u>66,094</u>
Segment profit/(loss) attributable to equity holders of the Company includes:					
Finance income	432	17,193	(10,191)	7,434	76
Finance costs	(23,919)	(12,322)	10,191	(26,050)	(4,820)
Share of profits less losses of					
- joint ventures	55,848	-	-	55,848	-
- associates	42,247	-	-	42,247	-
Gain on disposal of a subsidiary	-	-	-	-	59,021
Income tax expenses	(14,588)	(13,248)	-	(27,836)	(375)
Depreciation and amortisation	(46,535)	(465)	-	(47,000)	(34,810)
Other non-cash expenses	<u>(273)</u>	<u>-</u>	<u>-</u>	<u>(273)</u>	<u>(141)</u>
Additions to non-current assets	<u>(77,675)</u>	<u>(170)</u>	<u>-</u>	<u>(77,845)</u>	<u>(319,992)</u>

2. SEGMENT INFORMATION (Continued)

(b) Geographical information

(i) Revenues

In respect of terminals and related businesses, revenues are based on the geographical areas in which the business operations are located.

In respect of the discontinued operation from container leasing, management, sale and related businesses, the movements of containers and generator sets of the Group are known through report from the lessees but the Group is not able to control the movements of containers and generator sets except to the degree that the movements are restricted by the terms of the leases or where safety of the containers and generator sets is concerned. It is therefore impracticable to present financial information by geographical areas and thus the revenues of which are presented as unallocated revenues.

	Six months ended 30 June	
	2017	2016
	US\$'000	US\$'000
Continuing operations		
Terminals and related businesses		
- Mainland China (excluding Hong Kong)	190,669	184,696
- Europe	85,107	88,742
- Others	-	1,545
	<u>275,776</u>	<u>274,983</u>
Discontinued operation		
Container leasing, management, sale and related businesses		
- unallocated	-	73,073
	<u>-</u>	<u>73,073</u>

2. SEGMENT INFORMATION (Continued)

(b) Geographical information (Continued)

(ii) Non-current assets

The Group's non-current assets, other than financial instruments and deferred income tax assets ("Geographical Non-Current Assets"), consist of property, plant and equipment, investment properties, land use rights, intangible assets, joint ventures, associates and other non-current assets.

In respect of the Geographical Non-Current Assets, they are presented based on the geographical areas in which the business operations/assets are located.

The activities of terminals and related businesses of the Group, its joint ventures and associates are predominantly carried out in Hong Kong, Mainland China, Singapore, Belgium, Egypt, Greece, the Netherlands, Italy, Taiwan and Turkey.

	As at 30 June 2017 US\$'000	As at 31 December 2016 US\$'000
Mainland China (excluding Hong Kong)	4,826,692	4,004,652
Europe	615,862	546,603
Others	909,950	907,560
	<u>6,352,504</u>	<u>5,458,815</u>

3. OTHER NON-CURRENT ASSETS

Other non-current assets of the Group mainly represent prepaid operating lease payments, which include the unamortised upfront concession fee incurred in respect of the concession agreement with Piraeus Port Authority S.A. for the concession of Piers 2 and 3 of the Piraeus Port in Greece for a term of 35 years (the "Concession"). The Concession commenced on 1 October 2009.

4. TRADE AND OTHER RECEIVABLES

	As at 30 June 2017 <i>US\$'000</i>	As at 31 December 2016 <i>US\$'000</i>
Trade receivables		
- third parties	48,824	36,646
- fellow subsidiaries	20,505	12,396
- a joint venture	5	3
- non-controlling shareholders of subsidiaries	4,708	4,486
- related companies	3,254	1,029
	<hr/>	<hr/>
	77,296	54,560
Bills receivables	9,243	10,958
	<hr/>	<hr/>
	86,539	65,518
Less: provision for impairment	(575)	(449)
	<hr/>	<hr/>
	85,964	65,069
Deposits and prepayments	11,973	13,443
Other receivables	14,335	18,888
Loans to joint ventures	20,134	19,180
Amounts due from		
- fellow subsidiaries	3,453	20,446
- joint ventures	10,879	243
- associates	41,361	9,923
- non-controlling shareholders of subsidiaries	1,369	823
	<hr/>	<hr/>
	189,468	148,015
	<hr/>	<hr/>

The Group grants credit periods of 30 to 90 days to its customers. The ageing analysis of the trade receivables and bills receivables (net of provision) based on invoice date and issuance date respectively is as follows:

	As at 30 June 2017 <i>US\$'000</i>	As at 31 December 2016 <i>US\$'000</i>
Within 30 days	55,670	41,584
31 - 60 days	17,820	11,014
61 - 90 days	5,333	3,968
Over 90 days	7,141	8,503
	<hr/>	<hr/>
	85,964	65,069
	<hr/>	<hr/>

5. TRADE AND OTHER PAYABLES

	As at 30 June 2017 <i>US\$'000</i>	As at 31 December 2016 <i>US\$'000</i>
Trade payables		
- third parties	22,551	23,602
- fellow subsidiaries	464	5,142
- a joint venture	275	-
- non-controlling shareholders of subsidiaries	3,472	3,563
- related companies	477	568
	<u>27,239</u>	<u>32,875</u>
Accruals	33,634	32,929
Other payables	97,320	97,139
Dividend payable	30,169	9
Loans from a fellow subsidiary	9,987	9,256
Loan from a joint venture	41,111	40,147
Loans from non-controlling shareholders of subsidiaries	172,539	167,772
Amounts due to		
- fellow subsidiaries	1,738	3,104
- joint ventures	42	240
- an associate	33	-
- non-controlling shareholders of subsidiaries	19,907	12,413
- related companies	342	71
	<u>434,061</u>	<u>395,955</u>

The ageing analysis of the trade payables based on invoice date is as follows:

	As at 30 June 2017 <i>US\$'000</i>	As at 31 December 2016 <i>US\$'000</i>
Within 30 days	6,806	14,603
31 - 60 days	1,523	1,619
61 - 90 days	2,434	9,248
Over 90 days	16,476	7,405
	<u>27,239</u>	<u>32,875</u>

6. DISPOSAL OF A JOINT VENTURE AND FURTHER ACQUISITION ON AN AVAILABLE-FOR-SALE FINANCIAL ASSET TO BECOME AN ASSOCIATE

On 20 January 2017, Shanghai China Shipping Terminal Development Co., Ltd. (“SCSTD”, a wholly-owned subsidiary of the Company) and QPI entered into an agreement under which, SCSTD subscribed for 1,015,520,000 non-circulating domestic shares in QPI at a total consideration of RMB5,798,619,200 (equivalent to US\$843,858,000, being RMB5.71 per share), of which RMB3,198,650,840 (equivalent to US\$465,491,000) was settled by the transfer of a 20% equity interest in Qingdao Qianwan Terminal to QPI and the remaining RMB2,599,968,360 (equivalent to US\$378,367,000) was settled in cash. The disposal was completed on 19 May 2017 and resulted in a gain of US\$283,961,000 recognised in the unaudited condensed consolidated income statement for the six months ended 30 June 2017. The subscription was completed on 22 May 2017 and recognised a gain of US\$38,434,000 as a result of remeasuring its 1.59% equity interest in QPI held and accounted for as an available-for-sale financial asset before the subscription in the unaudited condensed consolidated income statement for the six months ended 30 June 2017.

7. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Six months ended 30 June	
	2017	2016
	US\$'000	US\$'000
Crediting		
Dividends income from listed and unlisted available-for-sale financial assets	871	4,094
Gain on disposal of property, plant and equipment	14	16
Rental income from investment properties	217	355
	<hr/> 217	<hr/> 355
Charging		
Depreciation and amortisation	50,287	47,000
Loss on disposal of property, plant and equipment	34	121
Rental expenses under operating leases of		
- buildings leased from a fellow subsidiary	911	864
- buildings leased from a joint venture	19	16
- land use rights leased from non-controlling shareholders of subsidiaries	1,073	1,056
- Concession (note 3)	21,737	22,470
	<hr/> 21,737	<hr/> 22,470

8. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2017	2016
	US\$'000	US\$'000
Finance income		
Interest income on		
- bank balances and deposits	2,278	5,187
- deposits with COSCO Finance Co., Ltd. (“COSCO Finance”)	391	179
- deposits with China Shipping Finance Co., Ltd. (“CS Finance”)	1	3
- loans to joint ventures and associates	3,514	2,065
	<u>6,184</u>	<u>7,434</u>
Finance costs		
Interest expenses on		
- bank loans	(12,441)	(15,037)
- notes not wholly repayable within five years	(6,564)	(6,564)
- loans from COSCO Finance	(1,580)	(2,190)
- loans from CS Finance	(269)	(362)
- loans from and amount due to fellow subsidiaries	(843)	(1,820)
- loans from non-controlling shareholders of subsidiaries	(2,221)	(1,024)
- loan from a joint venture	(462)	(453)
Amortised amount of		
- discount on issue of notes	(107)	(117)
- transaction costs on bank loans and notes	(269)	(129)
	<u>(24,756)</u>	<u>(27,696)</u>
Less: amount capitalised in construction in progress	2,652	3,067
	<u>(22,104)</u>	<u>(24,629)</u>
Other incidental borrowing costs and charges	(1,663)	(1,421)
	<u>(23,767)</u>	<u>(26,050)</u>
Net finance costs	<u>(17,583)</u>	<u>(18,616)</u>

9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2017	2016
	US\$'000	US\$'000
Current income tax		
- Hong Kong profits tax	50	5
- Mainland China taxation	51,515	12,990
- Overseas taxation	5,150	7,540
- (Over)/under provision in prior years	(83)	1,856
	56,632	22,391
Deferred income tax charge	5,729	5,445
	62,361	27,836

The Group's shares of income tax expenses of joint ventures and associates of US\$11,270,000 (1H2016: US\$16,744,000) and US\$14,245,000 (1H2016: US\$12,900,000) are included in the Group's shares of profits less losses of joint ventures and associates respectively.

Hong Kong profits tax was provided at a rate of 16.5% (1H2016: 16.5%) on the estimated assessable profit for the period.

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

Deferred income tax is calculated in full on temporary differences under the liability method using tax rates substantively enacted by the balance sheet date.

10. DISCONTINUED OPERATION

On 24 March 2016, the Company completed the disposal of all the issued shares in Florens Container Holdings Limited (now known as Florens International Limited) ("FCHL") (representing the discontinued operation from container leasing, management and sale, and related businesses of the Group) to China Shipping Container Lines (Hong Kong) Co., Limited (now known as COSCO SHIPPING Development (Hong Kong) Co., Limited) ("CSCLHK") for a total consideration of US\$1,241,032,000. The FCHL's shareholder's loans in the aggregate sum of US\$285,000,000 were transferred on the same day to CSCLHK at the consideration of US\$285,000,000. Upon completion of the disposal, FCHL ceased to be a subsidiary of the Company. Given that FCHL represented a separate major line of business with separately identifiable operations and cash flows before the disposal, it is classified as discontinued operation in the Unaudited Condensed Consolidated Interim Financial Information. The disposal resulted in a gain of US\$59,021,000, while the profit after tax of FCHL for the three months ended 31 March 2016 was US\$7,526,000.

11. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2017	2016
Profit from continuing operations attributable to equity holders of the Company	US\$384,712,000	US\$105,854,000
Profit from discontinued operation attributable to equity holders of the Company	-	US\$66,094,000
	<u>US\$384,712,000</u>	<u>US\$171,948,000</u>
Weighted average number of ordinary shares in issue	<u>3,016,018,628</u>	<u>2,966,559,439</u>
Basic earnings per share		
- from continuing operations	US12.76 cents	US3.57 cents
- from discontinued operation	-	US2.23 cents
	<u>US12.76 cents</u>	<u>US5.80 cents</u>

(b) Diluted

The outstanding share options granted by the Company did not have any dilutive effect on the earnings per share for the six months ended 30 June 2017 and 2016, and the diluted earnings per share is equal to the basic earnings per share for the six months ended 30 June 2017 and 2016 respectively.

12. INTERIM AND SPECIAL CASH DIVIDEND

	Six months ended 30 June	
	2017	2016
	US\$'000	US\$'000
2016 conditional special cash dividend, paid of US10.317 cents per ordinary share	-	306,059
Interim dividend, declared of US1.316 cents (2016: US2.320 cents) per ordinary share	39,888	68,894
	<u>39,888</u>	<u>374,953</u>

Notes:

- (a) At a meeting held on 23 December 2015, the directors declared a conditional special cash dividend (“Conditional Special Cash Dividend”) of HK80.0 cents (equivalent to US10.317 cents) per share. The payment of Conditional Special Cash Dividend was subject to the independent shareholders’ approval of the transactions including the acquisition of all the issued shares of China Shipping Ports Development Co., Limited (“CSPD”) and the disposal of all the issued shares in FCHL. The transactions could be fulfilled only when it was completed in accordance with the terms of two sale and purchase agreements. On 18 March 2016, the Company completed its acquisition of all the issued shares in CSPD. On 24 March 2016, the Company completed the disposal of all the issued shares in FCHL. The Conditional Special Cash Dividend was paid on 4 May 2016.
- (b) At a meeting held on 28 March 2017, the directors recommended the payment of a final dividend of HK7.8 cents (equivalent to US1.000 cent) per ordinary share with a scrip dividend alternative for the year ended 31 December 2016. The final dividend, which was approved at the annual general meeting of the Company held on 18 May 2017, was paid on 19 July 2017.
- (c) At a meeting held on 29 August 2017, the directors declared an interim dividend of HK10.3 cents (equivalent to US1.316 cents) per ordinary share. The dividend will be payable in cash and with a scrip dividend alternative. The interim dividend declared is not reflected as dividend payable in the Unaudited Condensed Consolidated Interim Financial Information, but will be reflected as an appropriation of retained profits for the year ending 31 December 2017.

13. EVENT AFTER BALANCE SHEET DATE

On 4 August 2017, COSCO Ports (Dalian) Limited (“CP Dalian”), CSPD and China Shipping Terminal Development Co., Ltd. (“CSTD”), all being wholly-owned subsidiaries of the Company, entered into a merger agreement with Dalian Port Container Development Co., Ltd. (“DPCD”), Singapore Dalian Port Investment Pte Ltd. (“Singapore Dalian Port”), PSA China Pte Ltd. (“PSA China”), Nippon Yusen Kabushiki Kaisha (“Nippon Yusen”), Dalian Container Terminal Co., Ltd. (“DCT”), Dalian Port Container Terminal Co., Ltd. (“DPCT”) and Dalian International Container Terminal Co., Ltd. (“DICT”) in relation to the merger of DCT, DPCT and DICT (the “Merger”). Upon completion of the Merger, DCT as the surviving entity would assume all assets, businesses, credits and debts of DPCT and DICT, and DPCT and DICT would be deregistered. The Group would hold 19% equity interests in DCT as an associate after completion of the Merger.

INTERIM DIVIDEND

The directors have declared an interim dividend of HK10.3 cents (1H2016: HK18.0 cents) per share with an option to receive new fully paid shares in lieu of cash (“Scrip Dividend Scheme”).

The interim dividend will be payable on 27 October 2017 to shareholders whose names appear on the register of members of the Company at the close of business on 18 September 2017. The Scrip Dividend Scheme is conditional upon the granting of the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme by the Listing Committee of The Stock Exchange of Hong Kong Limited. Dividend warrants and share certificates for new shares to be issued under the Scrip Dividend Scheme will be despatched by ordinary mail on 27 October 2017.

Details of the Scrip Dividend Scheme and the election form will be sent to shareholders on or about 3 October 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13 September 2017 to 18 September 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company’s Hong Kong Registrar and Transfer Office, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 12 September 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Following its reorganisation last year, COSCO SHIPPING Ports has been focusing on the development of terminals business. For the first half of 2017, the Group saw steady development in its terminals business. The Group completed the subscription of non-circulating domestic shares in QPI at a total consideration of RMB5,798,619,200, of which RMB3,198,650,840 was settled by the transfer of a 20% equity interest in Qingdao Qianwan Terminal to QPI and the remaining RMB2,599,968,360 was settled in cash. Accordingly, (1) a gain after tax of US\$244,596,000 from the disposal of Qingdao Qianwan Terminal; (2) reversal of dividend withholding income tax provision in the amount of US\$11,970,000 made in prior years in respect of the profit retained by Qingdao Qianwan Terminal; and (3) a gain after tax of US\$28,826,000 on remeasurement of previously held interests of QPI at fair value upon further acquisition of equity interests to become an associate (collectively the “Exceptional Items”) were recorded during the period. For the first half of 2017, the Group recorded a total profit after tax from one-off Exceptional Items of US\$285,392,000. During the period, profit attributable to equity holders of the Company amounted to US\$384,712,000 (1H2016: US\$171,948,000), representing an increase of 123.7% compared with the corresponding period last year. Excluding profit after tax from one-off Exceptional Items in 2017 and profit in relation to discontinued container leasing, management and sale businesses in 2016, the Company recorded profit attributable to equity holders in the amount of US\$99,320,000 for the first half of 2017 (1H2016: US\$105,854,000), a 6.2% decrease compared with the corresponding period last year.

During the period, the Group recorded a throughput of container terminals of 41,780,867 TEU (1H2016: 37,358,210 TEU) and a throughput of bulk cargo of 41,595,654 tons (1H2016: 41,423,079 tons), increasing 11.8% and 0.4%, respectively, when compared with the corresponding period last year. The equity throughput of containers was 14,133,596 TEU (1H2016: 13,022,747 TEU), increasing 8.5% compared with the corresponding period last year. The equity throughput of bulk cargo amounted to 14,408,553 tons (1H2016: 13,637,156 tons), increasing 5.7% compared with the corresponding period last year. Excluding Exceptional Items, the Group recorded a profit from the terminals business of US\$126,539,000 during the first half of 2017 (1H2016: US\$132,455,000), a 4.5% decrease compared with the corresponding period last year. Of this, profit from terminal companies in which the Group has controlling stakes was US\$28,428,000 (1H2016: US\$30,609,000), a 7.1% decrease compared with the corresponding period last year; profit from non-controlling terminals was US\$98,111,000 (1H2016: US\$101,846,000), a 3.7% decrease compared with the corresponding period last year.

Profit from terminal companies in which the Group has controlling stakes was mainly attributable to Piraeus Container Terminal S.A. (“Piraeus Terminal”) in Greece and Guangzhou South China Oceangate Container Terminal Company Limited (“Guangzhou South China Oceangate Terminal”). Piraeus Terminal recorded a profit of US\$10,845,000 in the first half of 2017 (1H2016: US\$17,903,000), a 39.4% decrease compared with the corresponding period last year. The decrease in profit was mainly attributable to completion of construction of the eastern part of Pier 3 of Piraeus Terminal at the end of September 2016, as well as commencement of operation of the phase I of western part of Pier 3 of Piraeus Terminal in August last year, which led to higher depreciation and interest expenses over the corresponding period last year, moreover, the fee for the use of land and shoreline of the eastern part of Pier 3 was increased during the period. During the period, the throughput of Guangzhou South China Oceangate Terminal grew by 6.7% compared with the corresponding period last year. However, due to higher dredging costs and the impact of change in RMB exchange rate during the period, Guangzhou South China Oceangate Terminal recorded a profit of US\$7,729,000 during the first half of 2017 (1H2016: US\$8,065,000), a 4.2% decrease compared with the corresponding period last year. On the other hand, benefited from the routes called by the OCEAN Alliance, Xiamen Ocean Gate Container Terminal Co., Ltd. (“Xiamen Ocean Gate Terminal”) recorded a profit of US\$1,028,000 (1H2016: US\$142,000) during the first half of 2017. Yangzhou Yuanyang International Ports Co., Ltd. (“Yangzhou Yuanyang Terminal”) recorded a 5.6% growth in its container throughput in the first half of 2017 compared with the corresponding period last year, with throughput of bulk cargo also growing 21.3% compared with the corresponding period last year. Yangzhou Yuanyang Terminal reduced its loss to US\$428,000 during the first half of 2017 (1H2016: a loss of US\$3,417,000). Jinzhou New Age Container Terminal Co., Ltd. (“Jinzhou New Age Terminal”) recorded a strong performance and achieved a turnaround from loss to profit, whose throughput in the first half of 2017 delivered a significant increase of 68.2% compared with the corresponding period last year, recording a profit of US\$1,145,000 (1H2016: a loss of US\$151,000).

In respect of non-controlling terminals, profit from non-controlling terminals for the first half of 2017 was US\$98,111,000 (1H2016: US\$101,846,000), a 3.7% decrease compared with the corresponding period last year. In May 2017, COSCO SHIPPING Ports completed the subscription of shares in QPI, and started to account for its share of profit of QPI using the equity method from the same month, which amounted to US\$13,341,000 during the period. A profit of Qingdao Qianwan Terminal in the amount of US\$25,412,000 was included into the corresponding period last year. Since Qingdao Qianwan Terminal had been classified as an asset held for sale in January 2017, no share of profit of Qingdao Qianwan Terminal was included into the first half of 2017. Excluding the share of profit of QPI during the period and the share of profit of Qingdao Qianwan Terminal for the corresponding period last year, profit from non-controlling terminals for the first half of 2017 was US\$84,770,000 (1H2016: US\$76,434,000), a 10.9% increase compared with the corresponding period last year.

Financial Analysis

Revenues

Excluding the discontinued container leasing, management and sale businesses for the corresponding period last year, revenues of the Group for the first half of 2017 amounted to US\$275,776,000 (1H2016: US\$274,983,000), a 0.3% increase compared with the corresponding period last year. During the period, while the throughput of Piraeus Terminal increased 3.8% to 1,753,692 TEU (1H2016: 1,688,892 TEU), its revenue, however, decreased by 4.1% to US\$85,107,000 compared with the corresponding period last year (1H2016: US\$88,742,000), due to a decrease in the handling volume of local import and export loaded containers with higher charges compared with the corresponding period last year. Guangzhou South China Oceangate Terminal recorded a throughput of 2,475,334 TEU for the first half of 2017 (1H2016: 2,318,848 TEU), increasing 6.7% compared with the corresponding period last year, however, under impact arising from the depreciation of RMB exchange rate, Guangzhou South China Oceangate Terminal recorded a revenue of US\$75,298,000 (1H2016: US\$76,966,000), decreasing 2.2% compared with the corresponding period last year. On the other hand, Xiamen Ocean Gate Terminal and Jinzhou New Age Terminal both recorded strong performance during the period. The OCEAN Alliance called at Xiamen Ocean Gate Terminal in April this year,

which drove its container throughput to grow 20.6% compared with the corresponding period last year. At the same time, the bulk cargo throughput of Xiamen Ocean Gate Terminal increased by 54.6% compared with the corresponding period last year; with its revenue delivering an increase of 14.7% to US\$25,887,000 (1H2016: US\$22,565,000) compared with the corresponding period last year. Benefited from the allocation policy on national grain reserves, Jinzhou New Age Terminal also reported a significant growth of 68.2% in its container throughput, while its revenue increased to US\$8,940,000 (1H2016: US\$6,051,000), a 47.7% increase compared with the corresponding period last year.

Cost of sales

Cost of sales mainly comprised operating expenses of the terminal companies in which the Group has controlling stakes. Cost of sales for the first half of 2017 was US\$177,248,000 (1H2016: US\$167,626,000), a 5.7% increase compared with the corresponding period last year. The increase was mainly attributable to Piraeus Terminal and Xiamen Ocean Gate Terminal. Due to higher depreciation, amortisation and outsourced stevedoring expenses compared with the corresponding period last year, and the payment of fee for the use of land and shoreline of the eastern part of Pier 3 during the first half of 2017, the cost of sales of Piraeus Terminal increased to US\$63,305,000 during the period (1H2016: US\$58,022,000), a 9.1% increase compared with the corresponding period last year. Growths in container and bulk cargo throughputs also drove an increase of 19.7% in the cost of sales of Xiamen Ocean Gate Terminal compared with the corresponding period last year, which was US\$18,098,000 (1H2016: US\$15,122,000).

Administrative expenses

Administrative expenses in the first half of 2017 were US\$38,342,000 (1H2016: US\$41,357,000), a 7.3% decrease compared with the corresponding period last year. The decrease was mainly attributable to declines in the professional services fee of projects and other provisions during the period as compared with the corresponding period last year.

Other operating income/(expenses), net

Net other operating income during the period was US\$2,981,000 (1H2016: US\$3,887,000), which included dividend income of US\$871,000 (1H2016: US\$4,094,000), government subsidies of US\$790,000 (1H2016: US\$1,265,000), provision for goodwill impairment of US\$304,000 (1H2016: nil) in respect of Xiamen Haitou Tongda Terminal Co., Ltd. arising from its disposal, and exchange loss of US\$92,000 (1H2016: US\$3,071,000).

Finance costs

The Group's finance costs in the first half of 2017 were US\$23,767,000 (1H2016: US\$26,050,000), an 8.8% decrease compared with the corresponding period last year. The average balance of bank loans decreased to US\$1,412,264,000 during the period (1H2016: US\$1,494,025,000), a 5.5% decrease compared with the corresponding period last year. The decrease in finance costs was mainly attributable to a decrease in the average cost of bank borrowings, as well as a decrease in interest expenses resulted from the reduced interest rate of loan from a non-controlling shareholder of a subsidiary. Taking into account capitalised interest, the average cost of bank borrowings in the first half of 2017, including the amortisation of transaction costs over bank loans and notes, was 3.24% (1H2016: 3.46%).

Share of profits less losses of joint ventures and associates

The Group's share of profits less losses of joint ventures and associates for the first half of 2017 amounted to US\$97,545,000 (1H2016: US\$98,095,000), a 0.6% decrease compared with the corresponding period last year. This included the share of profit of QPI for May and June 2017, which amounted to US\$13,341,000 during the period, while the profit of Qingdao Qianwan Terminal for the period from January to June 2016, which amounted to US\$25,412,000, was included into the corresponding period last year. Excluding the share of profit of QPI during the period and the profit of Qingdao Qianwan Terminal for the corresponding period last year, the Group's share of profits less losses of joint ventures and associates for the first half of 2017 amounted to US\$84,204,000 (1H2016: US\$72,683,000), a 15.9% increase compared with the corresponding period last year.

Profit of Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret A. Ş. ("Kumport Terminal") in Turkey for the first half of 2017 increased to US\$4,285,000 (1H2016: US\$547,000) from the corresponding period last year. During the year, THE Alliance and the OCEAN Alliance became new customers of Kumport Terminal and started to call since the second quarter of the year, which led to an increase in the throughput of Kumport Terminal. This, coupled with the decrease in operating costs resulted from depreciation of the Turkish Lira, drove the growth in profit. The throughput of COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT Terminal") and Asia Container Terminals Limited ("Asia Container Terminal") for the first half of 2017 increased to 1,694,130 TEU in total (1H2016: 1,186,343 TEU) subsequent to their co-management and operation, which took effect from 1 January 2017, a significant increase of 42.8% when compared with the corresponding period last year. Share of profit of COSCO-HIT Terminal and Asia Container Terminal increased to US\$7,827,000 in total (1H2016: US\$7,028,000), an 11.4% increase compared with the corresponding period last year. Profit of DPCT for the first half of 2017 amounted to US\$1,466,000 (1H2016: US\$377,000), a significant increase of US\$1,089,000 compared with the corresponding period last year, it was mainly attributable to an increase in throughput of 21.4% to 1,486,425 TEU (1H2016: 1,224,560 TEU) when compared with the corresponding period last year, and the additional rental income of DPCT from #15 berth in the first half of 2017. DICT, another terminal located in Dalian, delivered satisfactory profit in the first half of 2017, recording a profit of US\$1,569,000 during the period (1H2016: US\$422,000), an increase of US\$1,147,000 compared with the corresponding period last year. During the period, the throughput of Shanghai Pudong International Container Terminals Limited ("Shanghai Pudong Terminal") delivered a growth of 10.0% when compared with the corresponding period last year, the Group's share of profit of Shanghai Pudong Terminal increased to US\$11,265,000 (1H2016: US\$10,245,000), a 10.0% increase compared with the corresponding period last year. However, as the 50% tax exemption for phase III and phase I of West Port of Yantian Terminal expired in 2016, income tax rate has been increased to 25% (1H2016: 12.5%) beginning from 2017. As a result, the Group's share of profit of Yantian Terminal decreased to US\$20,995,000 (1H2016: US\$22,173,000), a 5.3% decrease compared with the corresponding period last year.

Income tax expenses

During the period, income tax expenses amounted to US\$62,361,000 (1H2016: US\$27,836,000), a 124.0% increase compared with the corresponding period last year. This included taxation related to Exceptional Items, including capital gain tax of US\$39,365,000 in respect of the disposal of Qingdao Qianwan Terminal, deferred income tax of US\$9,608,000 arising from the remeasurement gain of previously held interests of QPI at fair value upon further acquisition of equity interests to become an associate, as well as the reversal of dividend withholding income tax provision in the amount of US\$11,970,000 made in prior years in respect of the profit retained by Qingdao Qianwan Terminal. Net taxation related to Exceptional Items totalled US\$37,003,000. Excluding taxation related to Exceptional Items, income tax expenses for the first half of 2017 amounted to US\$25,358,000 (1H2016: US\$27,836,000), an 8.9% decrease compared with the corresponding period last year. The decrease was mainly attributable to the reduction in income tax resulted from the drop in profit recorded by Piraeus Terminal.

Financial Position

Cash flow

The Group's net cash generated from operating activities amounted to US\$70,129,000 (1H2016: US\$167,844,000) in the first half of 2017, of which included capital gain tax of US\$39,365,000 in respect of the disposal of Qingdao Qianwan Terminal. In the first half of 2017, the Group borrowed bank loans of US\$146,154,000 (1H2016: US\$1,129,325,000) and repaid loans of US\$276,705,000 (1H2016: US\$938,937,000) during the period.

During the period, an amount of US\$48,079,000 (1H2016: US\$350,774,000) was paid in cash by the Group for the expansion of berths and the purchase of property, plant and equipment, of which US\$277,447,000 in the corresponding period in 2016 was for the purchase of containers by the discontinued container leasing business, while no container was purchased in the first half of 2017. In addition, the subscription of 1,015,520,000 non-circulating domestic shares in QPI at a total consideration of RMB5,798,619,200 (equivalent to US\$843,858,000, being RMB5.71 per share) was completed during the period, of which RMB3,198,650,840 (equivalent to US\$465,491,000) was settled by the transfer of a 20% equity interest in Qingdao Qianwan Terminal to QPI, and the remaining RMB2,599,968,360 (equivalent to US\$378,367,000) was settled in cash. Furthermore, the acquisition of 40% equity interest in APM Terminals Vado Holding B.V. ("Vado Holding") was completed in the first half of 2017, in connection with which an amount of US\$7,465,000 was invested, and an additional shareholders' loan of US\$26,191,000 was provided to Vado Holding.

The Company completed its acquisition of all the issued shares in CSPD and the consideration of US\$1,161,963,000 was paid in the corresponding period last year. Meanwhile, the Company also completed the disposal of all the issued shares in FCHL in the first half of 2016, for which it received a disposal consideration of US\$1,508,725,000 during the period, including the consideration for the assignment of the FCHL shareholder's loans in the aggregate sum of US\$285,000,000.

Financing and credit facilities

As at 30 June 2017, the Group's total outstanding borrowings amounted to US\$1,419,507,000 (31 December 2016: US\$1,502,991,000) and cash balance amounted to US\$332,896,000 (31 December 2016: US\$837,100,000). Banking facilities available but unused amounted to US\$594,986,000 (31 December 2016: US\$266,874,000).

Assets and liabilities

As at 30 June 2017, the Group's total assets and total liabilities were US\$7,458,251,000 (31 December 2016: US\$6,786,456,000) and US\$2,044,151,000 (31 December 2016: US\$2,020,652,000) respectively. Net assets were US\$5,414,100,000, representing a 13.6% increase as compared with that of US\$4,765,804,000 as at 31 December 2016. Net current liabilities as at 30 June 2017 amounted to US\$133,159,000 (31 December 2016: net current assets of US\$159,565,000). As at 30 June 2017, the net asset value per share of the Company was US\$1.80 (31 December 2016: US\$1.58).

As at 30 June 2017, the net debt-to-total-equity ratio was 20.1% (31 December 2016: 14.0%). Excluding the discontinued operation for the corresponding period last year, the interest coverage as at 30 June 2017 was 20.6 times (1H2016: 6.7 times).

As at 30 June 2017, certain other property, plant and equipment of the Group with an aggregate net book value of US\$106,423,000 (31 December 2016: US\$103,928,000) and the Company's interest in a subsidiary were pledged as securities against bank loans and a loan from the CS Finance with an aggregate amount of US\$374,217,000 (31 December 2016: US\$350,506,000).

Debt analysis

By repayment term	As at 30 June 2017		As at 31 December 2016	
	US\$	(%)	US\$	(%)
Within the first year	217,534,000	15.3	431,585,000	28.7
Within the second year	28,771,000	2.0	37,565,000	2.5
Within the third year	30,490,000	2.1	46,272,000	3.1
Within the fourth year	205,126,000	14.5	220,309,000	14.7
Within the fifth year and after	937,586,000	66.1	767,260,000	51.0
	1,419,507,000 *	100.0	1,502,991,000 *	100.0

By category	As at 30 June 2017		As at 31 December 2016	
Secured borrowings	374,217,000	26.4	350,506,000	23.3
Unsecured borrowings	1,045,290,000	73.6	1,152,485,000	76.7
	1,419,507,000 *	100.0	1,502,991,000 *	100.0

By denominated currency	As at 30 June 2017		As at 31 December 2016	
US dollar borrowings	562,536,000	39.6	633,479,000	42.1
RMB borrowings	372,344,000	26.3	422,359,000	28.1
Euro borrowings	484,627,000	34.1	447,153,000	29.8
	1,419,507,000 *	100.0	1,502,991,000 *	100.0

* Net of unamortised discount on notes and transaction costs on borrowings and notes.

Financial guarantee contracts

As at 30 June 2017, CSTD, a wholly-owned subsidiary of the Company, provided guarantees on loan facilities granted to a joint venture of US\$11,733,000 (31 December 2016: US\$9,110,000).

Treasury policy

The Group manages its foreign exchange risk by matching the currencies of its loans with the Group's functional currency of major cash receipts and underlying assets as far as possible. The functional currency of the terminals business is either the Euro or Renminbi, which are the same currencies as its borrowings, revenues and expenses, so as to provide a natural hedge against the foreign exchange volatility.

The financing activities of joint ventures and associates were denominated in their respective functional currencies so as to minimise foreign exchange exposure in investments.

As at 30 June 2017, 27.4% (31 December 2016: 27.2%) of the Group's total borrowings were at fixed rates. In light of market conditions, the Group continues to monitor and regulate its fixed and floating rate debt portfolio from time to time, with a view to minimising its potential interest rate exposure.

Event after balance sheet date

On 4 August 2017, CP Dalian, CSPD and CSTD, all being wholly-owned subsidiaries of the Company, entered into a merger agreement with DPCD, Singapore Dalian Port, PSA China, Nippon Yusen, DCT, DPCT and DICT in relation to the merger of DCT, DPCT and DICT. Upon completion of the Merger, DCT as the surviving entity would assume all assets, businesses, credits and debts of DPCT and DICT, and DPCT and DICT would be deregistered. The Group would hold 19% equity interests in DCT as an associate after completion of the Merger.

Operations Review

The global economy remained stable in the first half of 2017 with a noticeable recovery in the shipping and port industry. According to the International Monetary Fund, global trade volume in 2017 is estimated to grow at 4.0%, an increase of 1.7 percentage points compared with 2016. Buoyed by increasing international trade, China's foreign trade also continued to improve in the first half of the year. According to China Customs, the country's total imports and exports (in RMB) in the first half of 2017 recorded a growth of 19.6% compared with last year, with imports and exports increasing 25.7% and 15.0% respectively. According to the statistics released by China Container Industry Association, as of June 2017, the throughput of container terminals in China increased 8.8% to approximately 115,000,000 TEU, which was 6.3 percentage points higher than the 2.5% recorded in the same period in 2016.

The rise in international trade, the official operation of the OCEAN Alliance and THE Alliance in April 2017, as well as the launch of mega-vessels, all increased calls at hub ports, and enabled the Group to achieve encouraging results in container terminals business.

Total throughput of the Group's container terminals increased by 11.8% to 41,780,867 TEU for the six months ended 30 June 2017 (1H2016: 37,358,210 TEU); of which about 19.3% (1H2016: 21.1%) or 8,046,468 TEU (1H2016: 7,880,362 TEU) were handled by the Group's subsidiaries; and the remaining 80.7% (1H2016: 78.9%) or 33,734,399 TEU (1H2016: 29,477,848 TEU) were handled by the Group's non-controlling terminals.

Total equity throughput rose by 8.5% to 14,133,596 TEU (1H2016: 13,022,747 TEU) in the first half of 2017; of which 36.2% (1H2016: 38.3%) or 5,122,437 TEU (1H2016: 4,986,632 TEU) were handled by the Group's subsidiaries, and the remaining 63.8% (1H2016: 61.7%) or 9,011,159 TEU (1H2016: 8,036,115 TEU) were handled by the Group's non-controlling terminals.

Greater China

The throughput of the Greater China region accounted for 78.7% (1H2016: 83.0%) of the Group's total throughput in the first half of 2017, an increase of 6.1% to 32,899,925 TEU compared 31,006,607 TEU in the same period of last year. The throughput in Mainland China (excluding Hong Kong and Taiwan) increased by 4.8% to 30,379,599 TEU (1H2016: 28,986,121 TEU) and accounted for 72.7% of the Group's total throughput.

Aiming at enhancing its overall competitiveness, the Group has adopted three core strategies (1) developing a global terminal portfolio – Globalisation; (2) fully exploiting the synergies with the container fleet of parent company i.e. China COSCO Shipping Corporation Limited (“COSCO SHIPPING”) and the OCEAN Alliance – Synergies; and (3) strengthening control and management of the ports and terminals business – Control. To further optimise the value of its terminal portfolio in the Greater China region and enhance its management and operational efficiencies, in May 2017, the Group completed the subscription of 1,015,520,000 non-circulating domestic shares in QPI and transferred 20% equity interests in Qingdao Qianwan Terminal; as such the Group's total throughput included that of QPI since then. Upon completion of the transaction, the Group holds 18.41% equity interests in QPI, and enjoys the development potential of the whole port.

Investing in the entire port area is a major strategic deployment of the Group in the Greater China region; it not only enables the Group to enhance operating efficiency by concentrating its resources in domestic ports but also conforms to the government's reform and restructure trend to promote healthy competitions among ports and enhance synergies, so as to unlock hidden values.

Bohai Rim

The throughput of the Bohai Rim region, excluding QPI and Qingdao Qianwan Terminal, reached 7,629,840 TEU for the six months ended 30 June 2017 (1H2016: 7,431,916 TEU), an increase of 2.7% and accounted for 18.2% (1H2016: 19.9%) of the Group's total. The throughput of QPI in May and June 2017 totalled at 3,050,000 TEU. With the launch of "Samsung Route" and "Liaoning-Mongolia-Europe" cross-border trains in 2016, Dalian Port continued to achieve promising growth in throughput. The total throughput of DPCT, DICT and Dalian Dagang China Shipping Container Terminal Co., Ltd. increased by 8.8% to 3,149,059 TEU (1H2016: 2,893,642 TEU), which was mainly driven by the adding of shipping routes in DPCT and the increased frequency of ship calls during the first half. Impacted by the adjustment of shipping routes in the Port of Yingkou, total throughput of Yingkou Container Terminals Company Limited and Yingkou New Century Container Terminal Co., Ltd. dropped by 15.0% to 1,490,051 TEU (1H2016: 1,752,103 TEU).

Yangtze River Delta

The throughput of the Yangtze River Delta region accounted for 23.3% (1H2016: 24.9%) of the Group's total and amounted to 9,759,389 TEU (1H2016: 9,306,485 TEU) for the first half of 2017, an increase of 4.9% from last year. Benefited from the adding of shipping routes and the increased frequency of ship calls during the first half, the throughput of Shanghai Pudong Terminal and Shanghai Mingdong Container Terminals Limited increased by 10.0% and 12.8% respectively from last year. The calls by the new alliance enabled Ningbo Yuan Dong Terminals Limited to lift its throughput by 21.1% to 1,514,177 TEU (1H2016: 1,249,861 TEU).

Southeast Coast

The throughput of the Southeast Coast region increased by 10.1% to 2,328,929 TEU for the six months (1H2016: 2,114,601 TEU) and accounted for 5.6% (1H2016: 5.7%) of the Group's total. With the increased calls by the OCEAN Alliance, the throughput of Xiamen Ocean Gate Terminal grew by 20.6% to 635,396 TEU (1H2016: 526,717 TEU). Jinjiang Pacific Ports Development Co. Ltd. recorded a growth of 56.1% in throughput to 224,314 TEU for the period (1H2016: 143,732 TEU).

Pearl River Delta

The throughput of the Pearl River Delta region was 12,570,422 TEU (1H2016: 11,622,980 TEU) and made up 30.1% (1H2016: 31.1%) of the Group's total, an increase of 8.2%. The recovery of international trade and the increase in calls by shipping alliances enabled Yantian Terminal to achieve a satisfactory performance for the six months. The co-management of COSCO-HIT Terminal and Asia Container Terminal which was effective from 1 January 2017 served as an additional growth momentum to the terminals leading to a surge in the throughput of the two terminals by 42.8% to 1,694,130 TEU for the period (1H2016: 1,186,343 TEU).

Southwest Coast

The throughput of the Southwest Coast region increased by 15.2% to 611,345 TEU (1H2016: 530,625 TEU) and made up 1.5% (1H2016: 1.4%) of the Group's total for the six months. Benefitted from the continuous growth of local demand, throughput growth of Qinzhou International Container Terminal Co., Ltd. in local trades accelerated.

Overseas

The overseas terminals increased total throughput by 39.8% to 8,880,942 TEU for the six months ended 30 June 2017 (1H2016: 6,351,603 TEU) and accounted for 21.3% (1H2016: 17.0%) of the Group's total. The growth was mainly attributed to the inclusion of the throughput of Euromax Terminal Rotterdam B.V. ("Euromax Terminal") in Rotterdam to the Group since 1 October 2016, which totalled at 1,349,893 TEU for the six months. Excluding the throughput of Reefer Terminal S.p.A. ("Vado Reefer Terminal") which the Group started to include since 1 April 2017 and Euromax Terminal, total throughput from the Group's overseas terminals grew by 18.4% to 7,517,289 TEU for the period.

Development of Piraeus Terminal in Greece remained stable in the first half of 2017 and achieved a 3.8% growth in throughput to 1,753,692 TEU (1H2016: 1,688,892 TEU). With the kick off of the OCEAN Alliance and THE Alliance in April 2017, a number of Asia-Mediterranean and Europe-Asian routes started to call at Piraeus Terminal since May, it is expected that the throughput of the terminal in the second half of 2017 would better reflect the benefits from the calls of alliances.

The phase I of western part of Pier 3 of Piraeus Terminal has commenced operations in August 2016, which added an annual handling capacity of 1,200,000 TEU and reaches 5,500,000 TEU per year, the operation scale and the competitiveness of the terminal were thus further enhanced. However, it also increased the depreciation and other operating costs of the terminal as a result. The Group will reinforce cost control policies at the terminal and augment the synergies with the container fleet of its parent company COSCO SHIPPING and the OCEAN Alliance, so as to strengthen the profitability of the Group.

The Group is progressing towards its five-year plan by following the three strategies adopted. The Group has signed a sale and purchase agreement in relation to the acquisition of 51% stake in Noatum Port Holdings, S.L.U. in Spain, which is expected to be completed in the second half of the year, adheres to the Group's three core strategies of "Globalisation", "Synergies" and "Control". The acquisition will help further extend the Group's overseas reach, broaden the Group's terminal network in the Mediterranean and Europe, enable the Group to establish a global strategic focal point and to build a better and well-rounded terminal network to serve shipping alliances with better and extended services, and hub ports with sufficient servicing capability for mega-vessels. Most importantly, it is a project in which the Group has a controlling stake after its investment in the Khalifa Port in Abu Dhabi in September 2016; the Group will bring the successful controlling experience at Piraeus Terminal in Greece to Noatum, and unleash the development potentials of the two projects. It is expected that the two projects are poised to have full supports from the container fleet of COSCO SHIPPING and the OCEAN Alliance, which conforms to the Group's strategies adopted.

Throughput of the Group for the six months ended 30 June 2017, was set out below:

Throughput

	1H2017 (TEU)	1H2016 (TEU)	Change (%)
Bohai Rim ^{Note 1}	7,629,840	7,431,916	+2.7
Dalian Port Container Terminal Co., Ltd.	1,486,425	1,224,560	+21.4
Dalian International Container Terminal Co., Ltd.	1,651,222	1,660,940	-0.6
Dalian Dagang China Shipping Container Terminal Co., Ltd.	11,412	8,142	+40.2
Tianjin Port Euroasia International Container Terminal Co., Ltd.	1,200,277	1,126,353	+6.6
Tianjin Five Continents International Container Terminal Co., Ltd.	1,242,989	1,259,996	-1.3
Yingkou Container Terminals Company Limited	686,023	813,066	-15.6
Yingkou New Century Container Terminal Co., Ltd.	804,028	939,037	-14.4
Jinzhou New Age Container Terminal Co., Ltd.	272,322	161,893	+68.2
Qinhuangdao Port New Harbour Container Terminal Co., Ltd.	275,142	237,929	+15.6
Qingdao Qianwan Container Terminal Co., Ltd.	N/A	8,669,195	N/A
Qingdao Port International Co., Ltd. ^{Note 2}	3,050,000	N/A	N/A
Yangtze River Delta	9,759,389	9,306,485	+4.9
Shanghai Pudong International Container Terminals Limited	1,307,446	1,188,349	+10.0
Shanghai Mingdong Container Terminals Limited	3,227,794	2,861,909	+12.8
Ningbo Yuan Dong Terminals Limited	1,514,177	1,249,861	+21.1
Lianyungang New Oriental International Terminals Co., Ltd.	1,450,990	1,871,864	-22.5
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	350,309	330,082	+6.1
Yangzhou Yuanyang International Ports Co., Ltd.	241,087	228,325	+5.6
Nanjing Port Longtan Container Co., Ltd.	1,423,791	1,339,896	+6.3
Taicang International Container Terminal Co., Ltd.	243,795	236,199	+3.2
Southeast Coast and others	2,328,929	2,114,601	+10.1
Xiamen Ocean Gate Container Terminal Co., Ltd.	635,396	526,717	+20.6
Quan Zhou Pacific Container Terminal Co., Ltd.	643,023	610,009	+5.4
Jinjiang Pacific Ports Development Co., Ltd.	224,314	143,732	+56.1
Kao Ming Container Terminal Corp.	826,196	834,143	-1.0

Note 1: Excluded throughput of Qingdao Qianwan Terminal and QPI.

Note 2: The throughput of QPI was included since 1 May 2017.

Pearl River Delta	12,570,422	11,622,980	+8.2
Yantian International Container Terminals Co., Ltd.	5,707,990	5,466,102	+4.4
Nansha Stevedoring Corporation Limited of Port of Guangzhou	2,692,968	2,651,687	+1.6
Guangzhou South China Oceangate Container Terminal Company Limited	2,475,334	2,318,848	+6.7
COSCO-HIT Terminals (Hong Kong) Limited	932,599	673,000	+38.6
Asia Container Terminals Limited	761,531	513,343	+48.3
Southwest Coast	611,345	530,625	+15.2
Qinzhou International Container Terminal Co., Ltd.	611,345	530,625	+15.2
Overseas	8,880,942	6,351,603	+39.8
Piraeus Container Terminal S.A.	1,753,692	1,688,892	+3.8
Suez Canal Container Terminal S.A.E.	1,357,298	1,245,296	+9.0
Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret A. Ş.	413,288	366,992	+12.6
Antwerp Gateway NV	1,034,915	1,019,054	+1.6
APM Terminals Zeebrugge NV	149,401	177,016	-15.6
COSCO-PSA Terminal Private Limited	975,675	870,926	+12.0
Busan Port Terminal Co., Ltd. ^{Note 3}	1,744,847	930,080	+87.6
SSA Terminals (Seattle), LLC	88,173	53,347	+65.3
Euromax Terminal Rotterdam B.V. ^{Note 4}	1,349,893	N/A	N/A
Reefer Terminal S.p.A. ^{Note 5}	13,760	N/A	N/A
Total ^{Note 6}	41,780,867	37,358,210	+11.8

Note 3: Busan Port Terminal Co., Ltd. (“Busan Terminal”) is a new joint venture established as a result of the merger of CJ Korea Express Busan Container Terminal Corp. and Busan International Terminal Co., Ltd. in November 2016. The Group holds 5.5% equity interest in Busan Terminal.

Note 4: The throughput of Euromax Terminal was included since 1 October 2016.

Note 5: The throughput of Vado Reefer Terminal was included since 1 April 2017.

Note 6: Total throughput for 1H2017 would be 44,830,867 TEU if the throughput of QPI in May and June 2017 were added and total throughput for 1H2016 would be 46,027,405 TEU if the throughput of Qingdao Qianwan Terminal were added.

Note 7: The total throughput of bulk cargo for the six months ended 30 June 2017 was 41,595,654 tons (1H2016: 41,423,079 tons), an increase of 0.4%. The throughput of Dalian Automobile Terminal Co., Ltd. was 310,615 vehicles (1H2016: 228,688 vehicles), an increase of 35.8%. The throughput of bulk cargo of QPI in May and June 2017 was 45,760,000 tons.

CORPORATE GOVERNANCE

The Company continues to maintain high standards of corporate governance so as to promote transparency and ensure better protection of shareholders' interest as a whole. The Company has fully complied with the code provisions of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2017.

BOARD COMMITTEES

Audit Committee

The Audit Committee of the Company comprises three independent non-executive directors of the Company. The Audit Committee has reviewed, in the presence of the internal and external auditors, the Group's principal accounting policies and the unaudited condensed consolidated interim financial information for the six months ended 30 June 2017.

Remuneration Committee

The Remuneration Committee of the Company comprises five members, a majority of whom are independent non-executive directors. The Committee formulates the remuneration policy of directors and senior management of the Group, reviews their remuneration packages and makes recommendations to the Board regarding the directors' fee and annual salary of executive directors and senior management.

Nomination Committee

The Nomination Committee of the Company comprises three members, a majority of whom are independent non-executive directors. The Committee reviews the structure, size and composition of the Board and the policy regarding Board diversity, and identifies individuals suitably qualified to become Board members and make recommendations to the Board and assessing the independence of all independent non-executive directors.

Other Board Committees

In addition to the above committees, the Board has also established various committees which include the Executive Committee, the Investment and Strategic Planning Committee, the Corporate Governance Committee and the Risk Management Committee. Each committee has its defined scope of duties and terms of reference. The terms of reference of the above committees have been posted on the Company's website at <http://ports.coscoshipping.com>.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the Company's code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares during the six months ended 30 June 2017.

INVESTOR RELATIONS

The Company has always regarded investor relations as an important aspect of corporate governance and has been seeking to heighten the level of corporate information disclosure continuously to make available to the market the development strategies and the latest business conditions of the Company. During the period, the Company participated in investor conferences organised by investment banks and conducted roadshows. The Company met with a total of 96 investors, analysts and media representatives through press conferences, analyst seminars and one-on-one and group meetings.

In the first half of 2017, with its high level of corporate governance, the Company has won the “Outstanding China Enterprise Award” from Capital magazine for the sixth consecutive year and the “Best Investor Relations Company” from Corporate Governance Asia magazine for the sixth consecutive year. In the beginning of 2017, the Hong Kong Institute of Directors published in its report on the HKIoD Corporate Governance Score-card 2016, COSCO SHIPPING Ports, as a constituent of the Hang Seng China-Affiliated Corporations Index and with its outstanding level of corporate governance, was honored as one of the ten companies with the highest CGI scores, of which the Company was the only listed company in shipping and port sector.

CORPORATE SUSTAINABLE DEVELOPMENT

Environmental Protection

The Group supports measures and policies which protect and improve the environment. While carrying out its business activities, it does its best to minimise the impacts that business activities might bring on the environment.

With reference to its actual operational needs, COSCO SHIPPING Ports has been focusing on reducing nitrogen oxides emission in carbon dioxide, organising thematic activities to promote low-carbon transportation, as well as strictly complying with laws and regulations in relation to energy saving and environmental protection, the aim of which is to build green ports through enhanced efforts in energy saving and emission reduction. Striving to fulfil the social responsibilities, COSCO SHIPPING Ports has been continuously reducing its unit comprehensive energy consumption through a wide range of measures to save energy and reduce emission. These measures include, among others, substituting fuel-powered equipment with electricity-powered equipment, promoting the use of LED lighting to save energy and reduce consumption, promoting electrification of equipment at terminals and ports, studying the construction of intelligent automated container terminals, as well as introducing pilot intelligent lighting control system for gantry cranes and the new-type air hybrid power drop deck semi-trailer.

Further still, guided by the principle of safeguarding comprehensive benefits for the enterprise and the society, and with a focus on utilising the synergies among strategic partners, COSCO SHIPPING Ports proactively implements strategies to achieve sustainable development, with a view to establishing a world leading supply chain ecosystem that promotes sustainability. In connection of which, taking social factors into consideration, the Group is committed to extensively selecting qualified suppliers through a global perspective and upholding procurement policies that facilitate corporate and social development; taking environmental, health and safety factors into consideration, not only does the Group expect certain levels of environmental, health and safety commitments from its suppliers, it also actively promotes related procurement procedures to help save energy and reduce emission; and taking factors related to equality criteria into consideration, the Group adopts a procurement principle centred on equality, mutual benefit and collaboration when engaging suppliers that meet its procurement demands, setting out to form partnerships within the supply chain.

Caring for the Community

As a responsible corporate citizen, COSCO SHIPPING Ports continuously organises charity events at the community level. In mid-2017, the Group joined the COSCO SHIPPING Charity Foundation to organise poverty-relief activities, with a view to contributing to a variety of local projects, including road construction, educational support and ecological environment protection. As the first large container terminal company wholly-owned by a Chinese enterprise in Europe, Piraeus Terminal, in Greece, actively shares joys and responsibilities with the local community. Piraeus Terminal continues to create stable and long-term employment opportunities in Greece, which demonstrates its commitment to sustainable development and making itself a green terminal.

Employee-oriented Philosophy

As of 30 June 2017, the Group had a total of 3,314 employees.

The employee-oriented philosophy has long been an integral part of the Group's corporate values. Employees are regarded as the Group's most valuable asset and its vision is to build a team of dedicated staff who pursue excellence. The expansion of the Group's businesses has provided valuable and sustainable career development opportunities for its employees. The Group has arranged a wide range of training programmes to enhance the management skills and professionalism of its staff. The Group also focuses on improving its incentive mechanism, optimising the employee performance appraisal system and implementing an internal job rotation system, with the aim of strengthening talent nurture and further exerting the potential of employees.

The Group highly values the principle of "safe production and steady development" and spares no effort in fulfilling responsibilities, improving the management system and refining workflows. Meanwhile, by ensuring the effective use of funding for safe production, the orderly implementation of each safety training and emergency drill, and the effective execution of identification and control of potential safety hazards, the Group has carried out all safety tasks effectively and ensured safe production consistently, laying a solid foundation for the safe production and sustainable development of the Group.

As the Group accelerates the implementation of its global development strategies, so has it assiduously enhanced the development of a matching globalised corporate culture. Setting "The Ports For ALL" as its core philosophy, the Group promotes cultural integration and the creation of shared values, so as to develop an open, inclusive corporate culture that inspires the pursuit of excellence, with a view to achieving the integration of corporate culture and corporate development strategy, as well as enhancing the quality of development and increasing the value of its brand.

The Group makes great efforts to establish unified values, system, visual identity and code of conduct. Meanwhile, it also explores the feasibility of enhancing its brand awareness to match its globalised positioning and strategies through the application of a number of self-operated communication platforms, including website of the Company with a global vision, and WeChat Official Accounts. During the first half of the year, the Group promoted the "One Belt, One Road" initiative at ports along its routes in collaboration with the media. Furthermore, the Group also actively promoted the benchmarking against outstanding external enterprises and organised exchange activities, encouraging its subsidiaries at home and abroad to follow the Company's example in expanding their global perspectives. The Group encourages its subsidiaries at home and abroad to engage in charities actively, so as to demonstrate the image of a highly responsible corporate brand.

PROSPECTS

The global financial market performed well in the first half of 2017, coupled with the momentum of recovery in the manufacturing and trading industries, the International Monetary Fund expected that the global economy would record a year-on-year growth of 3.5% in 2017, up 0.4 percentage points from 2016's 3.1%.

The OCEAN Alliance, of which the container fleet of COSCO SHIPPING is a member, officially commenced its operation this April and has been gradually introducing more shipping routes to the container terminals of the Group ever since. The OCEAN Alliance jointly operates 41 shipping routes spanning across the eastward and westward routes, the Middle East and the Red Sea, with the deployment of approximately 350 container vessels in total and an overall shipping capacity of 3,500,000 TEU. It is believed that as the OCEAN Alliance enters into its full operation, it will continue to drive the Group's business growth. COSCO SHIPPING Ports will fully leverage the advantages arising from its synergies with the container fleet of COSCO SHIPPING and the OCEAN Alliance, further complete the Group's global network of container hub ports, and enhance its capability to serve shipping alliances.

The Group is working towards building a platform with mutual complementarity to maximise values for various parties, and providing shipping alliances and clients with high quality and comprehensive services.

COSCO SHIPPING Ports will continue to implement the three strategies adopted to strengthen its leading position in the Greater China region, extend its global footprint and market share, optimise its terminal portfolio and operational efficiency, and enhance its overall profitability, progressing towards its five-year plan and creating long-term values for its shareholders.

MEMBERS OF THE BOARD

As at the date of this announcement, the board of directors of the Company comprises Mr. HUANG Xiaowen² (Chairman), Mr. ZHANG Wei (張為)¹ (Vice Chairman & Managing Director), Mr. FANG Meng¹, Mr. DENG Huangjun¹, Mr. FENG Boming², Mr. ZHANG Wei (張煒)², Mr. CHEN Dong², Mr. XU Zunwu², Mr. WANG Haimin², Dr. WONG Tin Yau, Kelvin¹, Dr. FAN HSU Lai Tai, Rita³, Mr. Adrian David LI Man Kiu³, Mr. FAN Ergang³, Mr. LAM Yiu Kin³ and Prof. CHAN Ka Lok³.

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director

By Order of the Board
COSCO SHIPPING Ports Limited
ZHANG Wei (張為)
Vice Chairman & Managing Director

Hong Kong, 29 August 2017