COSCO SHIPPING Ports Limited
中遠海運港口有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

ANNUAL RESULTS ANNOUNCEMENT FOR 2016

RESULTS HIGHLIGHTS

- On 18 March 2016, the Company completed the acquisition of all the issued shares of China Shipping Ports Development Co., Limited ("CSPD"), which became a wholly-owned subsidiary of the Company. The adoption of merger accounting has resulted in changes in certain relevant comparative figures, which have been restated to conform with the current year's presentation.

- In 2016, the sluggish growth in the global economy and ports industry, as well as the decrease in China's foreign trade compared with last year, pressured the growth of the terminals business of the Group. The Group's revenue increased by 1.1% to US$556,377,000 (2015: US$550,217,000). However, gross profit margin decreased slightly by 0.4 percentage points to 35.8% (2015: 36.2%) due to the increase in cost of sales. Gross profit remained flat at US$199,083,000 (2015: US$199,089,000).

- Total share of profits less losses of joint ventures and associates dropped by 9.4% to US$200,242,000 (2015: US$221,139,000).

- Equity throughput increased by 5.0% to 29,473,573 TEU (2015: 28,065,774 TEU).

- Profit from the terminals business of the Company was US$242,898,000 (2015: US$286,584,000), a 15.2% decrease compared with last year, partly due to the provision for impairment loss recognised for Qinhuangdao Port Co., Ltd. ("Qinhuangdao Port") of US$19,800,000. Excluding the provision for impairment loss made for Qinhuangdao Port, profit from the terminals business for 2016 was US$262,698,000 (2015: US$286,584,000), an 8.3% decrease compared with last year.

- Profit attributable to equity holders of the Company dropped by 42.5% to US$247,031,000 (2015: US$429,313,000). Excluding discontinued operations, profit attributable to equity holders of the Company dropped by 32.3% to US$180,937,000 (2015: US$267,312,000)[Note 1].

- The proposed final dividend is HK7.8 cents per share (2015: HK22.9 cents), and the dividend will be payable in cash and with a scrip dividend alternative. The full-year interim and final dividends amounted to HK25.8 cents (2015: HK40.2 cents), representing a payout ratio of 40.0% (2015: not applicable)[Notes 2 and 3].

Note 1: On 24 March 2016, the Company completed the disposal of Florens Container Holdings Limited (now known as Florens International Limited) ("FCHL"), and recorded gain on disposal of US$59,021,000. For the three months ended 31 March 2016, profit of FCHL attributable to equity holders of the Company was US$7,073,000 (full year of 2015: US$82,849,000).

Note 2: According to 2015 annual report, the 2015 payout ratio was 40.0% (before restatement).

Note 3: In addition to interim and final dividends, the Company distributed a conditional special cash dividend of HK80.0 cents per share on 4 May 2016.

FINAL RESULTS

The board of directors (the "Board") of COSCO SHIPPING Ports Limited (the "Company" or "COSCO SHIPPING Ports") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016. The following financial information, including comparative figures, has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	**2016**	2015
		US$'000	*US$'000*
			(Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**2,367,602**	4,219,262
Investment properties		**8,135**	28,860
Land use rights		**201,804**	220,819
Intangible assets		**5,435**	7,245
Joint ventures		**1,409,044**	1,413,204
Loans to joint ventures		**60,239**	61,107
Associates		**1,405,835**	1,375,475
Loans to associates		**114,944**	27,409
Available-for-sale financial assets		**156,939**	171,787
Finance lease receivables		**-**	33,450
Deferred income tax assets		**11**	1,947
Other non-current assets	3	**60,960**	74,748
		5,790,948	7,635,313
Current assets			
Inventories		**9,951**	14,600
Trade and other receivables	4	**148,015**	280,002
Current income tax recoverable		**442**	6,539
Restricted bank deposits		**2,868**	1,020
Cash and cash equivalents		**834,232**	923,171
		995,508	1,225,332
Total assets		**6,786,456**	8,860,645

CONSOLIDATED BALANCE SHEET (Continued)
AS AT 31 DECEMBER 2016

	Note	**2016** **US$'000**	2015 *US$'000* *(Restated)*
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**38,728**	38,090
Reserves		**4,316,133**	5,810,991
		4,354,861	5,849,081
Non-controlling interests		**410,943**	417,995
Total equity		**4,765,804**	6,267,076
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**52,914**	46,733
Long term borrowings		**1,071,406**	1,799,265
Loan from a non-controlling shareholder of a subsidiary		**-**	50,000
Loans from a fellow subsidiary		**28,805**	-
Other long term liabilities		**31,584**	30,235
		1,184,709	1,926,233
Current liabilities			
Trade and other payables	5	**395,955**	365,549
Current income tax liabilities		**8,403**	14,048
Current portion of long term borrowings		**256,609**	68,723
Short term borrowings		**174,976**	219,016
		835,943	667,336
Total liabilities		**2,020,652**	2,593,569
Total equity and liabilities		**6,786,456**	8,860,645

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	**2016** *US$'000*	2015 *US$'000* *(Restated)*
Continuing operations:			
Revenues	2	**556,377**	550,217
Cost of sales		**(357,294)**	(351,128)
Gross profit		**199,083**	199,089
Administrative expenses		**(84,871)**	(66,215)
Other operating income	6	**16,704**	28,933
Other operating expenses		**(36,276)**	(17,365)
Operating profit	7	**94,640**	144,442
Finance income	8	**14,867**	22,211
Finance costs	8	**(52,142)**	(54,666)
Operating profit (after finance income and costs)		**57,365**	111,987
Share of profits less losses of			
- joint ventures		**112,081**	118,133
- associates		**88,161**	103,006
Profit before income tax from continuing operations		**257,607**	333,126
Income tax expenses	9	**(48,170)**	(42,439)
Profit for the year from continuing operations		**209,437**	290,687
Discontinued operations:			
Gain on disposal of a subsidiary	10	**59,021**	-
Profit for the year from discontinued operation	10	**7,526**	84,873
Write back of provision		**-**	79,152
		66,547	164,025
Profit for the year		**275,984**	454,712
Profit attributable to:			
Equity holders of the Company		**247,031**	429,313
Non-controlling interests		**28,953**	25,399
		275,984	454,712
Earnings per share for profit attributable to equity holders of the Company			
Basic			
- from continuing operations	11	**US6.08 cents**	US9.08 cents
- from discontinued operations	11	**US2.22 cents**	US5.50 cents
		US8.30 cents	US14.58 cents
Diluted			
- from continuing operations	11	**US6.08 cents**	US9.08 cents
- from discontinued operations	11	**US2.22 cents**	US5.50 cents
		US8.30 cents	US14.58 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 US$'000	2015 US$'000 (Restated)
Profit for the year	**275,984**	454,712
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Reversal of deferred tax upon transfer from investment properties to property, plant and equipment	**2,403**	-
Fair value adjustment upon transfer from property, plant and equipment to investment properties	**793**	-
Items that may be reclassified to profit or loss		
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates	**(209,919)**	(234,629)
Release of investment revaluation reserve upon impairment of an available-for-sale financial asset	**19,800**	-
Fair value (loss)/gain on available-for-sale financial assets	**(4,920)**	2,753
Release of reserves upon disposal of and dissolution of subsidiaries	**(598)**	-
Share of other comprehensive income of joint ventures and associates		
- exchange reserve	**(4,447)**	(7,357)
- other reserves	**2,368**	217
Other comprehensive loss for the year, net of tax	**(194,520)**	(239,016)
Total comprehensive income for the year	**81,464**	215,696
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**80,481**	221,126
Non-controlling interests	**983**	(5,430)
	81,464	215,696
Total comprehensive income attributable to equity holders of the Company arising from:		
Continuing operations	**14,985**	59,125
Discontinued operations	**65,496**	162,001
	80,481	221,126

NOTES

1. BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2016 have been prepared in accordance with HKFRS and the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for the Common Control Combinations" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA"). These accounting policies have been consistently applied to all the years presented unless otherwise mentioned.

The consolidated financial statements of the Company have been prepared in accordance with HKFRS issued by the HKICPA. The consolidated financial statements have been prepared under the historical cost convention except that, available-for-sale financial assets and investment properties are carried at fair value.

(a) Adoption of new standards, amendments and improvements to existing standards

In 2016, the Group has adopted the following new standards, amendments and improvements to existing standards issued by the HKICPA which are mandatory for the financial year ended 31 December 2016:

New standards and amendments	
HKAS 1 Amendment	Disclosure Initiative
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants
HKAS 27 Amendment	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment Entities: Applying the Consolidation Exception
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements 2012-2014 Cycle	
HKAS 19 Amendment	Employee Benefits
HKAS 34 Amendment	Interim Financial Reporting
HKFRS 5 Amendment	Non-current Assets Held for Sales and Discontinued Operations
HKFRS 7 Amendment	Financial Instruments: Disclosures

The Group has assessed the impact of the adoption of these new standards, amendments and improvements to existing standards and considered that there was no significant impact on the Group's results and financial position.

1. BASIS OF PREPARATION (Continued)

(b) Standards and HKFRS amendments that are not yet effective for the year ended 31 December 2016 and have not been early adopted by the Group

The HKICPA has issued the following new standards and HKFRS amendments which are not yet effective for the year ended 31 December 2016 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
New standards and amendments		
HKAS 7 Amendment	Statement of Cash Flows	1 January 2017
HKAS 12 Amendment	Income Taxes	1 January 2017
HKFRS 2 Amendments	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group will apply the above standards and HKFRS amendments as and when they become effective.

HKFRS 16 will primarily affect the accounting for the Group's operating leases. At 31 December 2016, the Group had operating lease commitments of US$4,601,840,000. Upon adoption of HKFRS 16, the majority of operating lease commitments will be recognised in the consolidated balance sheet as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost and the right-of-use asset will be depreciated on a straight-line basis during the lease term.

The Group has already commenced an assessment of the impact of other new standards and HKFRS amendments, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements. The Group is not yet in a position to ascertain their impact on its results of operations and financial position.

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 including terminal operations, container handling, transportation and storage 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 consolidated financial statements.

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 *US$’000*	Container leasing, management, sale and related businesses (note) *US$’000*	Segment total *US$’000*	Others *US$’000*	Elimination *US$’000*	Total *US$’000*
At 31 December 2016						
Segment assets	**5,971,235**	-	**5,971,235**	**1,384,015**	**(568,794)**	**6,786,456**
Segment assets include:						
Joint ventures	**1,409,044**	-	**1,409,044**	-	-	**1,409,044**
Associates	**1,405,835**	-	**1,405,835**	-	-	**1,405,835**
Available-for-sale financial assets	**156,939**	-	**156,939**	-	-	**156,939**
At 31 December 2015 *(Restated)*						
Segment assets	5,985,873	2,147,247	8,133,120	1,717,095	(989,570)	8,860,645
Segment assets include:						
Joint ventures	1,413,204	-	1,413,204	-	-	1,413,204
Associates	1,375,475	-	1,375,475	-	-	1,375,475
Available-for-sale financial assets	171,787	-	171,787	-	-	171,787

Note:

The container leasing, management, sale and related businesses segment was classified as discontinued operation in 2016 (note 10).

2. SEGMENT INFORMATION (Continued)

(a) Operating segments (Continued)

Segment revenues, results and other information

	Continuing operations				Discontinued operation
	Terminals and related businesses *US$'000*	**Others** *US$'000*	**Elimination** *US$'000*	**Total** *US$'000*	**Container leasing, management, sale and related businesses** *US$'000*
Year ended 31 December 2016					
Revenues - total sales	**556,377**	**-**	**-**	**556,377**	**73,073**
Segment profit/(loss) attributable to equity holders of the Company	**242,898**	**(61,961)**	**-**	**180,937**	**66,094**
Segment profit/(loss) attributable to equity holders of the Company includes:					
Finance income	**974**	**33,039**	**(19,146)**	**14,867**	**76**
Finance costs	**(46,245)**	**(25,075)**	**19,178**	**(52,142)**	**(4,820)**
Share of profits less losses of					
- joint ventures	**112,081**	**-**	**-**	**112,081**	**-**
- associates	**88,161**	**-**	**-**	**88,161**	**-**
Gain on disposal of a subsidiary	**-**	**-**	**-**	**-**	**59,021**
Income tax expenses	**(25,846)**	**(22,324)**	**-**	**(48,170)**	**(375)**
Depreciation and amortisation	**(97,530)**	**(943)**	**-**	**(98,473)**	**(34,810)**
Provision for impairment loss of an available-for-sale financial asset	**(19,800)**	**-**	**-**	**(19,800)**	**-**
Other non-cash expenses	**(706)**	**(112)**	**-**	**(818)**	**(141)**
Additions to non-current assets	**(167,064)**	**(266)**	**-**	**(167,330)**	**(319,992)**

2. SEGMENT INFORMATION (Continued)

(a) Operating segments (Continued)

Segment revenues, results and other information (Continued)

	Continuing operations *(Restated)*				Discontinued operations		
	Terminals and related businesses *US$'000*	Others *US$'000*	Elimination *US$'000*	Total *US$'000*	Container leasing, management, sale and related businesses *US$'000*	Container manufacturing and related businesses (note) *US$'000*	Total *US$'000*
Year ended 31 December 2015							
Revenues - total sales	550,217	-	-	550,217	315,675	-	315,675
Segment profit/(loss) attributable to equity holders of the Company	286,584	(19,272)	-	267,312	82,849	79,152	162,001
Segment profit/(loss) attributable to equity holders of the Company includes:							
Finance income	3,007	46,747	(27,543)	22,211	761	-	761
Finance costs	(62,953)	(19,043)	27,330	(54,666)	(20,452)	-	(20,452)
Share of profits less losses of							
- joint ventures	118,133	-	-	118,133	-	-	-
- associates	103,006	-	-	103,006	-	-	-
Gain on disposal of a joint venture	482	-	-	482	-	-	-
Gain on disposal of an available-for-sale financial asset	3,326	-	-	3,326	-	-	-
Write back of provision	-	-	-	-	-	79,152	79,152
Income tax expenses	(22,252)	(20,187)	-	(42,439)	(2,771)	-	(2,771)
Depreciation and amortisation	(96,274)	(1,749)	-	(98,023)	(124,803)	-	(124,803)
Provision for inventories	(88)	-	-	(88)	(1,116)	-	(1,116)
Other non-cash expenses	(200)	-	-	(200)	(1,229)	-	(1,229)
Additions to non-current assets	(101,589)	(191)	-	(101,780)	(204,783)	-	(204,783)

Note: Container manufacturing and related businesses represents the disposal of 21.8% equity interest in a then associate of the Group, China International Marine Containers (Group) Co., Ltd., in 2013.

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.

	2016	2015
	US$'000	*US$'000*
		(Restated)
Continuing operations		
Terminals and related businesses		
- Mainland China (excluding Hong Kong)	**377,692**	391,189
- Europe	**176,226**	156,126
- Others	**2,459**	2,902
	556,377	550,217
Discontinued operation		
Container leasing, management, sale and related businesses		
- unallocated	**73,073**	315,675

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.

The containers and generator sets (included in property, plant and equipment) are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is impractical to present the locations of the containers and generator sets by geographical areas and thus the containers and generator sets are presented as unallocated non-current assets.

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

Other than container leasing, management, sale and related businesses, 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, Taiwan and Turkey.

	2016	2015
	US$'000	*US$'000*
		(Restated)
Mainland China (excluding Hong Kong)	**4,004,652**	4,239,334
Europe	**546,603**	407,263
Others	**907,560**	914,844
Unallocated	**-**	1,778,172
	5,458,815	7,339,613

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

	2016	2015
	US$'000	*US$'000*
		(Restated)
Trade receivables		
- third parties	**36,646**	62,994
- fellow subsidiaries	**12,396**	35,119
- joint ventures	**3**	79
- non-controlling shareholders of subsidiaries	**4,486**	5,794
- related companies	**1,029**	590
	54,560	104,576
Bills receivables	**10,958**	15,507
	65,518	120,083
Less: provision for impairment	**(449)**	(4,090)
	65,069	115,993
Deposits and prepayments	**13,443**	66,100
Other receivables	**18,888**	37,291
Current portion of finance lease receivables	**-**	7,194
Loans to joint ventures	**19,180**	19,225
Amounts due from		
- fellow subsidiaries	**20,446**	23,239
- joint ventures	**243**	6,435
- associates	**9,923**	3,532
- non-controlling shareholders of subsidiaries	**823**	993
	148,015	280,002

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:

	2016	2015
	US$'000	*US$'000*
		(Restated)
Within 30 days	**41,584**	58,489
31 - 60 days	**11,014**	33,825
61 - 90 days	**3,968**	11,669
Over 90 days	**8,503**	12,010
	65,069	115,993

5. TRADE AND OTHER PAYABLES

	2016	2015
	US$'000	*US$'000*
		(Restated)
Trade payables		
- third parties	**23,602**	25,955
- fellow subsidiaries	**5,142**	175
- non-controlling shareholders of subsidiaries	**3,563**	3,124
- related companies	**568**	146
	32,875	29,400
Bills payables	**-**	4,001
	32,875	33,401
Accruals	**32,929**	36,220
Other payables	**97,139**	128,469
Current portion of other long term liabilities	**-**	219
Dividend payable	**9**	7
Loans from a fellow subsidiary	**9,256**	-
Loans from a joint venture	**40,147**	30,030
Loans from non-controlling shareholders of subsidiaries	**167,772**	104,275
Amounts due to		
- fellow subsidiaries	**3,104**	6,401
- non-controlling shareholders of subsidiaries	**12,413**	15,955
- joint ventures	**240**	10,256
- related companies	**71**	316
	395,955	365,549

The ageing analysis of the trade payables and bills payables based on invoice date and issuance date respectively is as follows:

	2016	2015
	US$'000	*US$'000*
		(Restated)
Within 30 days	**14,603**	14,653
31 - 60 days	**1,619**	4,140
61 - 90 days	**9,248**	4,040
Over 90 days	**7,405**	10,568
	32,875	33,401

6. OTHER OPERATING INCOME

	2016	2015
	US$'000	*US$'000*
		(Restated)
Management fee and other service income	**4,479**	5,189
Dividends income from listed and unlisted available-for-sale financial assets	**4,245**	7,071
Write back of provision for impairment of trade receivables	**-**	3
Revaluation surplus of investment properties	**-**	1,208
Rental income from		
- investment properties	**600**	1,026
- buildings, leasehold land and land use rights	**645**	736
Gain on disposal of property, plant and equipment	**125**	301
Gain on disposal of a joint venture	**-**	482
Gain on disposal of an available-for-sale financial asset	**-**	3,326
Government subsidies	**5,237**	5,900
Others	**1,373**	3,691
	16,704	28,933

7. OPERATING PROFIT

Operating profit is stated after charging the following:

	2016	2015
	US$'000	*US$'000*
		(Restated)
Charging:		
Amortisation of		
- land use rights	**5,020**	5,395
- intangible assets	**1,097**	967
- other non-current assets (note 3)	**1,573**	1,587
Depreciation of other owned property, plant and equipment	**90,783**	90,074
Exchange loss, net	**9,097**	13,179
Loss on disposal of property, plant and equipment and intangible assets	**452**	100
Provision for impairment of trade receivables	**304**	110
Provision for impairment loss of an available-for-sale financial asset	**19,800**	-
Provision for inventories	**-**	88
Rental expenses under operating leases of		
- land and buildings leased from third parties	**2,244**	2,286
- buildings leased from a fellow subsidiary	**1,724**	1,726
- buildings leased from a joint venture	**34**	33
- land use rights leased from non-controlling shareholders of subsidiaries	**2,673**	2,054
- plant and machinery leased from third parties	**53**	138
- concession (note 3)	**38,840**	40,411
Total staff costs (including directors' emoluments and retirement benefit costs)	**190,117**	182,621

8. FINANCE INCOME AND COSTS

	2016	2015
	US$'000	*US$'000*
		(Restated)
Finance income		
Interest income on		
- bank balances and deposits	**9,494**	14,946
- deposits with COSCO Finance Co., Ltd. ("COSCO Finance")	**540**	620
- deposits with China Shipping Finance Co., Ltd. ("CS Finance")	**4**	30
- loans to joint ventures and associates	**4,829**	6,615
	14,867	22,211
Finance costs		
Interest expenses on		
- bank loans	**(29,702)**	(28,637)
- notes not wholly repayable within five years	**(13,128)**	(13,128)
- loans from COSCO Finance	**(4,456)**	(1,637)
- loans from CS Finance	**(646)**	(856)
- loans from fellow subsidiaries	**(3,040)**	(6,381)
- loans from non-controlling shareholders of subsidiaries	**(2,792)**	(5,447)
- loan from a joint venture	**(872)**	(1,045)
Amortised amount of		
- discount on issue of notes	**(231)**	(253)
- transaction costs on bank loans and notes	**(313)**	(279)
	(55,180)	(57,663)
Less: amount capitalised in construction in progress	**6,038**	5,993
	(49,142)	(51,670)
Other incidental borrowing costs and charges	**(3,000)**	(2,996)
	(52,142)	(54,666)
Net finance costs	**(37,275)**	(32,455)

9. INCOME TAX EXPENSES

	2016	2015
	US$'000	*US$'000*
		(Restated)
Current income tax		
- Hong Kong profits tax	**(903)**	(1,224)
- Mainland China taxation	**(22,877)**	(21,378)
- Overseas taxation	**(11,879)**	(12,963)
- (Under)/over provision in prior years	**(2,567)**	663
	(38,226)	(34,902)
Deferred income tax charge	**(9,944)**	(7,537)
	(48,170)	(42,439)

The Group's shares of income tax expenses of joint ventures and associates of US$34,209,000 (2015: US$32,622,000) and US$24,644,000 (2015: US$21,299,000) are included in the Group's shares of profits less losses of joint ventures and associates respectively. The deferred income tax charge mainly represents the withholding income tax in respect of the undistributed profits for the year of the Group's subsidiaries, joint ventures and associates.

Hong Kong profits tax was provided at a rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

10. DISCONTINUED OPERATION

On 24 March 2016, the Company completed the disposal of all the issued shares in FCHL (representing the 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. 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 consolidated financial statements. 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 year.

	2016	2015 *(Restated)*
Profit from continuing operations attributable to equity holders of the Company	**US$180,937,000**	US$267,312,000
Profit from discontinued operations attributable to equity holders of the Company	**US$66,094,000**	US$162,001,000
	US$247,031,000	US$429,313,000
Weighted average number of ordinary shares in issue	**2,976,420,791**	2,945,443,161
Basic earnings per share		
- from continuing operations	**US6.08 cents**	US9.08 cents
- from discontinued operations	**US2.22 cents**	US5.50 cents
	US8.30 cents	US14.58 cents

(b) Diluted

The outstanding share options granted by the Company did not have any dilutive effect on the earnings per share for the year ended 31 December 2016 and 2015 (as restated), and the diluted earnings per share is equal to the basic earnings per share for the year ended 31 December 2016 and 2015 (as restated) respectively.

12. DIVIDENDS AND SPECIAL CASH DIVIDEND

	2016 ***US$'000***	2015 *US$'000*
Conditional special cash dividend, paid of US10.317 cents (2015: nil) per ordinary share	**306,059**	-
Interim dividend paid of US2.320 cents (2015: US2.236 cents) per ordinary share	**68,894**	65,748
Final dividend proposed of US1.000 cents (2015: US2.948 cents) per ordinary share	**30,160**	87,454
Additional dividends paid on shares issued due to issue of scrip dividends and exercise of share options before the closure of register of members:		
- 2015 interim	**-**	17
	405,113	153,219

Note:

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 cents) per ordinary share. The proposed dividend will be payable in cash and with a scrip dividend alternative. This proposed final dividend is not reflected as dividend payable in these consolidated financial statements until it has been approved at the annual general meeting, but will be reflected as an appropriation of retained profits for the year ending 31 December 2017.

13. EVENT AFTER BALANCE SHEET DATE

On 20 January 2017, Shanghai China Shipping Terminal Development Co., Ltd. ("SCSTD", a wholly-owned subsidiary of the Company) and Qingdao Port International Co., Ltd. ("QPI") entered into an agreement, pursuant to which SCSTD has conditionally agreed to subscribe for 1,015,520,000 non-circulating domestic shares in QPI at a total consideration of RMB5,798,619,200 (equivalent to approximately US$835,897,000, being RMB5.71 per share), of which RMB3,198,650,840 (equivalent to approximately US$461,100,000) will be settled by the transfer of a 20% equity interest in Qingdao Qianwan Container Terminal Co., Ltd. ("Qingdao Qianwan Terminal") to QPI and the remaining RMB2,599,968,360 (equivalent to approximately US$374,797,000) will be settled in cash. As at the date of this announcement, the subscription and disposal were not completed.

AUDITOR’S WORK ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2016 have been compared by the Company’s auditor, PricewaterhouseCoopers, to the corresponding figures set out in the Group’s draft consolidated financial statements for the year ended 31 December 2016 and found to be in agreement. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

FINAL DIVIDEND

The directors recommend the payment of a final divdend of HK7.8 cents (2015: HK22.9 cents) per share for the year ended 31 December 2016 with an option to receive new fully paid shares in lieu of cash (“Scrip Dividend Scheme”).

The proposed final dividend will be payable on 19 July 2017 to shareholders whose names appear on the register of members of the Company at the close of business on 29 May 2017. The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the final dividend by the shareholders of the Company at the Annual General Meeting to be held on 18 May 2017 (“2017 AGM”) and 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 19 July 2017.

Details of the Scrip Dividend Scheme and the election form will be sent to shareholders on or about 22 June 2017.

CLOSURES OF REGISTER OF MEMBERS

(a) For determining the entitlement to attend and vote at the 2017 AGM

The 2017 AGM of the Company is scheduled to be held on Thursday, 18 May 2017. For determining the entitlement to attend and vote at the 2017 AGM, the register of members of the Company will be closed from 15 May 2017 to 18 May 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2017 AGM, 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 Friday, 12 May 2017.

(b) For determining the entitlement to the proposed final dividend

The proposed final dividend for the year ended 31 December 2016 is subject to approval by the shareholders of the Company at the 2017 AGM. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 24 May 2017 to 29 May 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final 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, 23 May 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

On 18 March 2016, the Company completed its acquisition of all the issued shares in CSPD for a total consideration of US$1,164,077,000. CSPD therefore became a wholly-owned subsidiary of the Company after the completion of the acquisition. The Company's acquisition of CSPD is considered to be a business combination under common control as their respective ultimate holding companies are both under the common control of the State-owned Assets Supervision and Administration Commission of the State Council. As such, the consolidated financial statements for 2015 and the financial position as at 31 December 2015 disclosed in these consolidated financial statements have been restated as a result of adoption of merger accounting, as if the business combinations had been occurred from the beginning of the earliest financial years presented. The adoption of merger accounting has resulted in changes to the presentation of certain comparative figures which have been restated to conform to the current year's presentation.

On 24 March 2016, the Company completed the disposal of all the issued shares in FCHL (representing the container leasing, management and sale, and related businesses of the Group) to 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. The disposal gain and operation result of FCHL are disclosed as discontinued operation as container leasing, management and sale, and related businesses constitute a separate business of the Group. The gain on the disposal of FCHL during the year was US$59,021,000 (2015: not applicable). For the three months ended 31 March 2016, profit from FCHL attributable to equity holders of the Company was US$7,073,000 (full year of 2015: US$82,849,000).

Following the reorganisation, the Group has been transformed from the former businesses of managing and operating terminals, container leasing, management and sale to be a specialised terminal operator. Profit attributable to equity holders of the Company for 2016 was US$247,031,000 (2015: US$429,313,000), a 42.5% decrease compared with last year. Excluding the discontinued container leasing business and the write back of provision of US$79,152,000 recognised for the discontinued container manufacturing business in 2015, profit attributable to equity holders of the Company for 2016 was US$180,937,000 (2015: US$267,312,000), a 32.3% decrease compared with last year.

During the year, COSCO SHIPPING Ports' throughput of container terminals reached 95,071,922 TEU (2015: 90,485,975 TEU), and its throughput of bulk cargo was 80,821,924 tons (2015: 78,436,091 tons), 5.1% and 3.0% increases respectively, compared with last year. The equity throughput of containers was 29,473,573 TEU (2015: 28,065,774 TEU), a 5.0% increase compared with last year. The equity throughput of bulk cargo was 27,049,465 tons (2015: 26,968,358 tons), a 0.3% increase compared with last year. Profit from the terminals business for 2016 was US$242,898,000 (2015: US$286,584,000), a 15.2% decrease compared with last year. Of this, profit from terminal companies in which the Group has controlling stakes was US$59,048,000 (2015: US$55,136,000), a 7.1% increase compared with last year; profit from non-controlling terminals was US$183,851,000 (2015: US$231,448,000), a 20.6% decrease compared with last year. Profit from terminal companies for 2016 included the provision for impairment loss made for Qinhuangdao Port of US$19,800,000 (2015: Nil). Excluding the provision for impairment loss made for Qinhuangdao Port, profit from terminals business for 2016 was US$262,698,000 (2015: US$286,584,000), an 8.3% decrease compared with 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"). Driven by the increased throughput, Piraeus Terminal recorded a profit of US$31,357,000 for 2016 (2015: US$28,845,000), an 8.7% increase compared with last year. During the year, the throughput of

Guangzhou South China Oceangate Terminal grew by 6.6% compared with last year, with a rise in the proportion of loaded containers. For 2016, Guangzhou South China Oceangate Terminal recorded a profit of US$12,345,000 (2015: US$8,503,000), a 45.2% increase compared with last year. However, Yangzhou Yuanyang International Ports Co., Ltd. ("Yangzhou Yuanyang Terminal") incurred a loss of US$2,911,000 (2015: a profit of US$48,000) for 2016 as a result of a drop of 5.8% in its container throughput compared with last year and a drop of 16.2% in its throughput of bulk cargo compared with last year, partly offsetting the growth of controlling terminals.

In respect of non-controlling terminals, profit from non-controlling terminals for 2016 was US$183,851,000 (2015: US$231,448,000), a 20.6% decrease compared with last year. The decrease in profit was mainly attributable to the provision for impairment loss of US$19,800,000 made for Qinhuangdao Port during the year (2015: Nil). Excluding the provision for impairment loss made for Qinhuangdao Port, profit from non-controlling terminals for 2016 was US$203,651,000 (2015: US$231,448,000), a 12% decrease compared with last year. The decrease was mainly attributable to Suez Canal Container Terminal S.A.E. ("Suez Canal Terminal"), COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT Terminal"), Shanghai Mingdong Container Terminals Limited ("Shanghai Mingdong Terminal"), Ningbo Yuan Dong Terminals Limited ("Ningbo Yuan Dong Terminal") and Yantian International Container Terminals Co., Ltd. ("Yantian Terminal"). However, Qingdao Qianwan Terminal recorded better performance and its throughput and profit both increased compared with last year, partially offseting the decrease in profit from non-controlling terminals.

Financial Analysis

Revenues

Excluding the discontinued container leasing, management and sale businesses, revenues of the Group for 2016 amounted to US$556,377,000 (2015: US$550,217,000), a 1.1% increase compared with last year. Of this, Piraeus Terminal and Guangzhou South China Oceangate Terminal recorded significant growth in their revenues. However, the bulk cargo throughput of certain controlling terminals in 2016 decreased compared with last year, partially offsetting the increase. During the year, the throughput of Piraeus Terminal rose to 3,470,981 TEU (2015: 3,034,428 TEU), a 14.4% increase, generating a revenue of US$176,226,000 (2015: US$156,126,000), a 12.9% increase compared with last year. In 2016, the throughput of Guangzhou South China Oceangate Terminal was 4,781,665 TEU (2015: 4,486,627 TEU), a 6.6% increase compared with last year, with a rise in the proportion of loaded containers during the year. Guangzhou South China Oceangate Terminal recorded a revenue of US$151,629,000 (2015: US$144,796,000), a 4.7% increase compared with last year.

For other controlled terminals, Yangzhou Yuanyang Terminal recorded a decrease of 5.8% in container throughput and a drop of 16.2% in bulk cargo throughput in 2016 compared with last year, while its revenue decreased to US$24,327,000 (2015: US$32,942,000), a 26.2% decrease compared with last year. Quan Zhou Pacific Container Terminal Co., Ltd. recorded a bulk cargo throughput of 2,525,377 tons (2015: 2,762,499 tons), a decrease of 8.6% compared with last year, while its revenue decreased to US$45,089,000 (2015: US$50,626,000), a 10.9% decrease compared with last year. Lianyungang New Oriental International Terminals Co., Ltd. recorded decreases in both container throughput and bulk cargo throughput in 2016 compared with last year, and its revenue decreased to US$44,971,000 (2015: US$48,015,000), a 6.3% decrease compared with last year. The bulk cargo throughput of Jinjiang Pacific Ports Development Co., Ltd. for 2016 dropped to 2,034,441 tons (2015: 2,204,196 tons), a 7.7% decrease compared with last year. Its revenue decreased to US$17,013,000 (2015: US$19,736,000), a 13.8% decrease compared with 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 2016 was US$357,294,000 (2015: US$351,128,000), a 1.8% increase compared with last year. The increase was mainly attributable to a rise in the related cost of sales resulted from an increase in business volume of terminals business of Piraeus Terminal and Guangzhou South China Oceangate Terminal. In 2016, cost of sales of Piraeus Terminal was US$117,772,000 (2015: US$106,465,000), a 10.6% increase compared with last year. In 2016, cost of sales of Guangzhou South China Oceangate Terminal was US$85,802,000 (2015: US$78,657,000), a 9.1% increase compared with last year. On the other hand, however, the decrease in the throughput of bulk cargo of certain terminals also offset the increase in operating cost.

Administrative expenses

Administrative expenses in 2016 were US$84,871,000 (2015: US$66,215,000), a 28.2% increase compared with last year. The increase was mainly attributable to a rise in the professional services fee of projects during the year.

Other operating (expenses)/income, net

Net other operating expenses during the year were US$19,572,000 (2015: net other operating income of US$11,568,000), which included the provision for impairment loss made for an available-for-sale financial asset – Qinhuangdao Port of US$19,800,000 in 2016 (2015: Nil). In addition, the gain on disposal of the shares in Xiamen International Port Co., Ltd. of US$3,326,000 and the gain on disposal of the equity interests in Lianyungang New Dongrun Port Co., Ltd. of US$482,000 were included in 2015, while there were no such gains in 2016. Dividends income from available-for-sale financial assets reduced to US$4,245,000 in 2016 (2015: US$7,071,000).

Finance costs

The Group's finance costs in 2016 were US$52,142,000 (2015: US$54,666,000), a 4.6% decrease compared with last year. Excluding the discontinued operation, the average balance of bank loans increased to US$1,528,991,000 (2015: US$1,220,019,000) during the year, a 25.3% increase compared with 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 average balance of loan from a non-controlling shareholder of a subsidiary. Taking into account capitalised interest, the average cost of bank borrowings in 2016, including the amortisation of transaction costs over bank loans and notes, was 3.37% (2015: 3.92%).

Share of profits less losses of joint ventures and associates

The Group's share of profits less losses of joint ventures and associates for 2016 amounted to US$200,242,000 (2015: US$221,139,000), a 9.4% decrease compared with last year. The decrease in profit was primarily attributable to Suez Canal Terminal, COSCO-HIT Terminal, Shanghai Mingdong Terminal, Ningbo Yuan Dong Terminal and Yantian Terminal. Due to the sluggish shipping market and the policy adjustment by local ports, the throughput of Suez Canal Terminal in Egypt for 2016 decreased to 2,547,597 TEU (2015: 2,954,080 TEU), a 13.8% decrease compared with last year. In addition, one-off staff severance payment was also incurred during the year. As a result, the share of profit of Suez Canal Terminal for 2016 decreased significantly to US$1,873,000 (2015: US$8,743,000), a 78.6% decrease compared with last year. In 2016, the throughput of COSCO-HIT Terminal decreased by 14.7% compared with last year, and its depreciation increased during the year. The share of profit of COSCO-HIT Terminal for 2016 was US$9,888,000 (2015: US$16,376,000), a 39.6% decrease compared with last year. For Shanghai Mingdong Terminal, the tax incentive of "full exemption for five years and 50% exemption for five years" expired in 2015, and Shanghai Mingdong Terminal is required to pay tax in full beginning from 2016. The share of profit of Shanghai Mingdong Terminal for the year decreased to US$19,323,000 (2015: US$23,757,000), a 18.7% decrease compared with last year. For Ningbo Yuan Dong Terminal, since the number of its berths decreased to 3 from 5 last year, its throughput decreased by 16.6%, and the share of its profit recorded was US$7,459,000 (2015: US$10,094,000), a 26.1% decrease compared with last year. In 2016, the throughput of Yantian Terminal decreased by 3.9% compared with last year, and the share of profit of Yantian Terminal for 2016 was US$51,152,000 (2015:

US$53,667,000), a 4.7% decrease compared with last year. On the other hand, Qingdao Qianwan Terminal recorded strong performance, and its throughput increased by 3.0% compared with last year. The share of profit of Qingdao Qianwan Terminal for 2016 increased to US$48,089,000 (2015: US$42,898,000), a 12.1% increase compared with last year, partially offset the decrease in profit from non-controlling terminals.

Income tax expenses

During the year, income tax expenses amounted to US$48,170,000 (2015: US$42,439,000), a 13.5% increase compared with last year. This included a provision of approximately US$15,683,000 (2015: US$13,456,000) for withholding income tax in respect of the profit distribution made by certain investment of the Group in China, a 16.6% increase compared with last year. In addition, as a result of the increase in profit of Piraeus Terminal and Guangzhou South China Oceangate Terminal in 2016, the Group's income tax expenses for 2016 increased.

Financial Position

Cash flow

Cash inflow of the Group remained steady in 2016. During the year, net cash generated from operating activities amounted to US$300,759,000 (2015: US$447,194,000). The decrease was attributable to the fact that only cash inflow of FCHL from operating activities during the three months from January to March 2016 was included in 2016. In 2016, the Group withdrew bank loans of US$1,401,356,000 (2015: US$875,385,000) and repaid loans of US$1,147,394,000 (2015: US$666,703,000) during the year.

During the year, an amount of US$440,681,000 (2015: US$368,508,000) 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 (2015: US$263,031,000) was for the purchase of containers. In addition, the Company completed its acquisition of all the issued shares in CSPD and the consideration of US$1,161,963,000 was paid in 2016. Meanwhile, in 2016, the Company also completed the disposal of all the issued shares in FCHL and received a disposal consideration of US$1,508,725,000 during the year, including the consideration for the assignment of the FCHL shareholder's loans in the aggregate sum of US$285,000,000. Excluding the acquisition of the shares of CSPD and the disposal of FCHL, the Group had cash outflows from investing activities of US$147,349,000 in 2016, including investment in Euromax Terminal Rotterdam B.V. ("Euromax Terminal") in the Netherlands of US$46,194,000, shareholder's loan provided to Euromax Terminal of US$93,659,000 and investment in Qingdao Qianwan Intelligent Container Terminal Co., Ltd. ("Qingdao Qianwan Intelligent Terminal") of US$6,654,000. In 2015, the Group had cash outflows from investing activities of US$413,839,000, mainly comprising the investment in Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret A. Ş. ("Kumport Terminal") project in Turkey of US$376,056,000, the investment in Qinzhou International Container Terminal Co., Ltd. of US$24,130,000, and the investment in Qingdao Qianwan Intelligent Terminal of US$13,653,000.

Financing and credit facilities

As at 31 December 2016, the Group's total outstanding borrowings amounted to US$1,502,991,000 (31 December 2015: US$2,087,004,000) and cash balance amounted to US$837,100,000 (31 December 2015: US$924,191,000). Banking facilities available but unused amounted to US$266,874,000 (31 December 2015: US$927,288,000).

Assets and liabilities

As at 31 December 2016, the Group's total assets and total liabilities were US$6,786,456,000 (31 December 2015: US$8,860,645,000) and US$2,020,652,000 (31 December 2015: US$2,593,569,000) respectively. Net assets were US$4,765,804,000, a 24.0% decrease as compared with that of

US$6,267,076,000 as at 31 December of 2015. The decrease was mainly due to the decrease in overall net assets as a result of the recognition of differences between consideration of acquisition of CSPD and its net asset value of US$1,164,077,000 reflected as distribution during the year and the distribution of cash dividends (including conditional special cash dividend) during the year. Net current assets at 31 December 2016 amounted to US$159,565,000 (31 December 2015: US$557,996,000). As at 31 December 2016, the net asset value per share of the Company was US$1.58 (31 December 2015: US$2.11).

As at 31 December 2016, the net debt-to-total-equity ratio was 14.0% (31 December 2015: 18.6%). Excluding the discontinued operation, the interest coverage was 5.9 times in 2016 (2015: 7.1 times).

As at 31 December 2016, certain other property, plant and equipment of the Group with an aggregate net book value of US$103,928,000 (31 December 2015: US$115,071,000) and the Company's interest in a subsidiary were pledged as securities against bank borrowings and loans from the CS Finance with an aggregate amount of US$350,506,000 (31 December 2015: US$290,191,000).

Debt analysis

	As at 31 December 2016		As at 31 December 2015	
By repayment term	**US$**	**(%)**	US$	(%)
Within the first year	**431,585,000**	**28.7**	287,739,000	13.8
Within the second year	**37,565,000**	**2.5**	307,570,000	14.7
Within the third year	**46,272,000**	**3.1**	241,538,000	11.6
Within the fourth year	**220,309,000**	**14.7**	174,796,000	8.4
Within the fifth year and after	**767,260,000**	**51.0**	1,075,361,000	51.5
	1,502,991,000 *	**100.0**	2,087,004,000 *	100.0
By category				
Secured borrowings	**350,506,000**	**23.3**	290,191,000	13.9
Unsecured borrowings	**1,152,485,000**	**76.7**	1,796,813,000	86.1
	1,502,991,000 *	**100.0**	2,087,004,000 *	100.0
By denominated currency				
US dollar borrowings	**633,479,000**	**42.1**	1,388,455,000	66.5
RMB borrowings	**422,359,000**	**28.1**	448,783,000	21.5
Euro borrowings	**447,153,000**	**29.8**	249,766,000	12.0
	1,502,991,000 *	**100.0**	2,087,004,000 *	100.0

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

Financial guarantee contracts

As at 31 December 2016, China Shipping Terminal Development Co., Ltd., a wholly-owned subsidiary of the Group, provided guarantees on loan facilities granted to a joint venture of US$9,110,000 (31 December 2015: US$2,464,000).

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, revenue 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 31 December 2016, 27.2% (31 December 2015: 22.9%) 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 20 January 2017, SCSTD and QPI entered into an agreement, pursuant to which SCSTD has conditionally agreed to subscribe for 1,015,520,000 non-circulating domestic shares in QPI at a total consideration of RMB5,798,619,200 (equivalent to approximately US$835,897,000, being RMB5.71 per share), of which RMB3,198,650,840 (equivalent to approximately US$461,100,000) will be settled by the transfer of a 20% equity interest in Qingdao Qianwan Terminal to QPI and the remaining RMB2,599,968,360 (equivalent to approximately US$374,797,000) will be settled in cash. As at the date of this announcement, the subscription and disposal were not completed.

OPERATIONAL REVIEW

The global economy grew slowly in 2016, hindering the recovery of the global shipping and port industries. According to the forecast made by Drewry in December 2016, global container throughput growth was 1.3% in 2016, largely unchanged from 2015 and indicative of the sluggish recovery.

For China, figures published by the National Bureau of Statistics of China show that annual gross domestic product rose by 6.7% from last year. Despite an ongoing restructuring, China's economy remained on a steady, positive trend as it benefited from growth in the retail and real estate sectors in the second half of the year. China's foreign trade was affected by slow growth in overseas demand and competition from other exporting countries. In 2016, China's total import and export value fell by 6.8% year-on-year to US$3,684.9 billion, with exports and imports decreasing by 7.7% and 5.5% respectively.

As at 31 December 2016, there were 158 berths under the Group's operating container terminals and the total annual handling capacity was 97,250,000 TEU. There were 20 bulk berths in operation, with a total annual handling capacity of 49,950,000 tons.

During the period, total throughput of the Group's container terminals increased by 5.1% year-on-year to 95,071,922 TEU (2015: 90,485,975 TEU). Of this, 15,735,175 TEU (2015: 15,156,669 TEU) were handled by its subsidiaries, accounting for 16.6% (2015: 16.8%), while 79,336,747 TEU (2015: 75,329,306 TEU) were handled by its non-subsidiaries, accounting for 83.4% (2015: 83.2%).

Total equity throughput of the Group's container terminals increased by 5.0% year-on-year to 29,473,573 TEU (2015: 28,065,774 TEU). Of this, 10,027,597 TEU (2015: 9,521,834 TEU) were handled by its subsidiaries, accounting for 34.0% (2015: 33.9%), while 19,445,977 TEU (2015: 18,543,939 TEU) were handled by its non-subsidiaries, accounting for 66.0% (2015: 66.1%).

During the period, Kumport Terminal in Turkey, Busan Port Terminal Co., Ltd. ("BPT") in Korea and Euromax Terminal in Rotterdam began to contribute to the Group's throughput. These three terminals in total contributed throughput of 3,403,798 TEU and equity throughput of 751,157 TEU (2015: not applicable). Excluding the contribution by these three terminals, the Group's total container throughput increased by 1.3% and its equity throughput increased by 2.3% in 2016.

Operation Status by Region

The throughput of the Greater China region accounted for 85.7% of the Group's total throughput, increasing by 1.2% to 81,488,940 TEU (2015: 80,559,240 TEU). The throughput in Mainland China (excluding Hong Kong and Taiwan) accounted for 81.3% of the Group's total throughput, increasing by 1.5% to 77,327,268 TEU (2015: 76,205,208 TEU).

Bohai Rim

The Bohai Rim region accounted for 34.3% (2015: 34.5%) of the Group's total throughput, reaching 32,612,471 TEU (2015: 31,199,327 TEU), representing a 4.5% year-on-year increase. Within this, Qingdao Qianwan Terminal recorded steady growth, with a 3.0% increase in its throughput compared with last year to 17,499,703 TEU (2015: 16,995,934 TEU).

In addition, Dalian Port launched "Samsung Route" and "Liaoning-Mongolia-Europe" cross-border trains in 2016, through which a wide range of goods can be transported to Europe using sea-rail combined transportation. This, together with an active local market in the fourth quarter of the year, resulted in considerable growth in the throughput of local terminals. The total throughput of Dalian Port Container Terminal Co., Ltd., Dalian International Container Terminal Co., Ltd. and Dalian Dagang China Shipping Container Terminal Co., Ltd. was 5,887,341 TEU (2015: 5,337,917 TEU), up 10.3% year-on-year.

Yangtze River Delta

The Yangtze River Delta region accounted for 19.5% (2015: 21.1%) of the Group's total throughput, reaching 18,508,168 TEU (2015: 19,071,524 TEU), representing a 3.0% year-on-year decrease, mainly attributable to the performance of Ningbo Yuan Dong Terminal.

The contract term of two berths in Ningbo Yuan Dong Terminal expired in July 2015, since when the number of berths in operation at the terminal has decreased to three, resulting in its 2016 throughput decreasing by 16.6% year-on-year to 2,536,182 TEU (2015: 3,040,762 TEU). However, the remaining three berths recorded a strong performance, with the average throughput per berth in 2016 reaching 845,394 TEU (2015: 763,186 TEU), representing a 10.8% year-on-year increase.

Meanwhile, the throughput of Shanghai Mingdong Terminal and Shanghai Pudong International Container Terminals Limited ("Shanghai Pudong Terminal") grew steadily. In 2016, the throughput of Shanghai Mingdong Terminal was 5,900,056 TEU (2015: 5,668,946 TEU), representing a 4.1% year-on-year increase, and the throughput of Shanghai Pudong Terminal was 2,556,220 TEU (2015: 2,508,121 TEU), representing a 1.9% year-on-year increase.

Southeast Coast and Others

The Southeast Coast and other regions accounted for 4.8% (2015: 4.6%) of the Group's total throughput, reaching 4,533,026 TEU (2015: 4,129,030 TEU), representing a 9.8% year-on-year increase. Of this, the throughput of Kao Ming Container Terminal Corp. ("Kao Ming Terminal") increased by 13.3% year-on-year to 1,728,922 TEU (2015: 1,525,359 TEU), mainly attributable to the fact that its renewed automated equipment has boosted operational efficiency.

With a new shipping route to the US and Canada calling and a significant increase in the cargo transport volume on the shipping route to the eastern US, the throughput of Xiamen Ocean Gate Container Terminal Co., Ltd. ("Xiamen Ocean Gate Terminal") increased by 9.3% year-on-year to 1,131,197 TEU (2015: 1,034,753 TEU).

Pearl River Delta

The Pearl River Delta region accounted for 26.0% (2015: 27.9%) of the Group's total throughput, reaching 24,697,218 TEU (2015: 25,238,622 TEU), a 2.1% year-on-year decrease. Impacted by the relocation of China's manufacturing industry northward and less dependency globally on Chinese exports, the ports operations in the Pearl River Delta came under pressure as a result of fierce competition in the region.

In 2016, the throughput of COSCO-HIT Terminal decreased by 14.7% year-on-year to 1,343,859 TEU (2015: 1,575,858 TEU), while the throughput of Asia Container Terminals Limited ("Asia Container Terminal") decreased by 13.1% year-on-year to 1,088,891 TEU (2015: 1,252,815 TEU).

With a decline in the volume of transhipment handled by Yantian Terminal during the year, its throughput also decreased slightly by 3.9% to 11,696,492 TEU (2015: 12,165,687 TEU).

Southwest Coast

During the period, the Southwest Coast region accounted for 1.2% (2015: 1.0%) of the Group's total throughput, reaching 1,138,057 TEU (2015: 920,737 TEU), representing a 23.6% year-on-year increase, mainly attributable to the significant increase in cargo volume following the transfer of the container routes of Fangcheng Port and Beihai Port to Qinzhou Port as a result of the internal business restructuring of Beibu Gulf Port.

Overseas

In 2016, overseas business accounted for 14.3% (2015: 11.0%) of the Group's total throughput, reaching 13,582,982 TEU (2015: 9,926,735 TEU), representing a 36.8% year-on-year increase, mainly attributable to the fact that Kumport Terminal in Turkey, BPT in Korea and Euromax Terminal in Rotterdam began to contribute, with a combined throughput attributable to the Group of 3,403,798 TEU in 2016. Excluding the cargo volume of these three terminal companies, the overseas throughput of the Group increased by 2.5% to 10,179,184 TEU in 2016.

During the period, Piraeus Terminal posted satisfactory performance with its throughput increasing by 14.4% year-on-year to 3,470,981 TEU (2015: 3,034,428 TEU). The throughput of Suez Canal Terminal decreased by 13.8% year-on-year to 2,547,597 TEU (2015: 2,954,080 TEU), mainly due to the sluggish shipping market and policy adjustments made by the local port authority.

Throughput of Terminals

Terminal companies	2016 (TEU)	2015 (TEU)	Change (%)
Bohai Rim	**32,612,471**	**31,199,327**	**+4.5**
Qingdao Qianwan Container Terminal Co., Ltd. [Note 1]	17,499,703	16,995,934	+3.0
Dalian Port Container Terminal Co., Ltd.	2,683,879	2,495,053	+7.6
Dalian International Container Terminal Co., Ltd.	3,182,368	2,826,893	+12.6
Dalian Dagang China Shipping Container Terminal Co., Ltd.	21,094	15,971	+32.1
Tianjin Port Euroasia International Container Terminal Co., Ltd.	2,232,973	2,032,389	+9.9
Tianjin Five Continents International Container Terminal Co., Ltd.	2,571,772	2,570,233	+0.1
Yingkou Container Terminals Company Limited	1,586,108	1,560,138	+1.7
Yingkou New Century Container Terminal Co., Ltd.	1,870,076	1,850,064	+1.1
Jinzhou New Age Container Terminal Co., Ltd.	449,016	351,773	+27.6
Qinhuangdao Port New Harbour Container Terminal Co., Ltd.	515,482	500,879	+2.9
Yangtze River Delta	**18,508,168**	**19,071,524**	**-3.0**
Shanghai Pudong International Container Terminals Limited	2,556,220	2,508,121	+1.9
Shanghai Mingdong Container Terminals Limited	5,900,056	5,668,946	+4.1
Ningbo Yuan Dong Terminals Limited	2,536,182	3,040,762	-16.6
Lianyungang New Oriental International Terminals Co., Ltd.	3,100,243	3,525,770	-12.1
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	675,062	672,295	+0.4
Yangzhou Yuanyang International Ports Co., Ltd.	454,104	482,106	-5.8
Nanjing Port Longtan Container Co., Ltd.	2,773,005	2,633,753	+5.3
Taicang International Container Terminal Co., Ltd.	513,296	539,771	-4.9
Southeast Coast and others	**4,533,026**	**4,129,030**	**+9.8**
Xiamen Ocean Gate Container Terminal Co., Ltd.	1,131,197	1,034,753	+9.3
Quan Zhou Pacific Container Terminal Co., Ltd.	1,308,652	1,221,692	+7.1
Jinjiang Pacific Ports Development Co., Ltd.	364,255	347,226	+4.9
Kao Ming Container Terminal Corp.	1,728,922	1,525,359	+13.3
Pearl River Delta	**24,697,218**	**25,238,622**	**-2.1**
Yantian International Container Terminals Co., Ltd.	11,696,492	12,165,687	-3.9
Nansha Stevedoring Corporation Limited of Port of Guangzhou	5,786,311	5,757,635	+0.5
Guangzhou South China Oceangate Container Terminal Company Limited	4,781,665	4,486,627	+6.6
COSCO-HIT Terminals (Hong Kong) Limited	1,343,859	1,575,858	-14.7
Asia Container Terminals Limited	1,088,891	1,252,815	-13.1
Southwest Coast	**1,138,057**	**920,737**	**+23.6**
Qinzhou International Container Terminal Co., Ltd.	1,138,057	920,737	+23.6
Overseas	**13,582,982**	**9,926,735**	**+36.8**
Piraeus Container Terminal S.A.	3,470,981	3,034,428	+14.4
Suez Canal Container Terminal S.A.E.	2,547,597	2,954,080	-13.8
Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret A. Ş. [Note 2]	665,398	N/A	N/A
Antwerp Gateway NV	1,922,281	2,015,306	-4.6
APM Terminals Zeebrugge NV	277,363	268,261	+3.4
COSCO-PSA Terminal Private Limited	1,809,428	1,526,328	+18.5
Busan Port Terminal Co., Ltd. [Note 3]	2,084,592	N/A	N/A
SSA Terminals (Seattle), LLC	151,534	128,332	+18.1
Euromax Terminal Rotterdam B.V. [Note 4]	653,808	N/A	N/A
Total Throughput	**95,071,922**	**90,485,975**	**+5.1**

Note 1: Throughput of Qingdao Qianwan Terminal includes the throughput of Qingdao Qianwan United Container Terminal Co., Ltd. and Qingdao Qianwan United Advance Container Terminal Co., Ltd., and these two terminals are joint ventures of Qingdao Qianwan Terminal. The throughput of the two terminals in 2016 was 5,233,708 TEU (2015: 5,123,715 TEU) and 1,365,568 TEU (2015: 1,539,128 TEU) respectively.

Note 2: The throughput of Kumport Terminal was included in the Group's accounts from 1 January 2016.

Note 3: The throughput of BPT was included from 1 January 2016. BPT 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% of its equity interest.

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

Accelerating the Expansion of Our Global Footprint to Achieve Sustainable Growth

It is one of the key strategies of the Group to accelerate the expansion of its global terminals footprint. With the formal creation of new networks following the establishment of strategic alliances among shipping companies, these shipping alliances now conduct business on a very large scale. To meet the business needs of the large shipping alliances and accommodate the development of their shipping routes, terminal operators therefore need more comprehensive global terminal networks with extensive coverage, if they are to maximise their market share. In this regard, during the year, the Group successively announced three overseas acquisitions, entered into agreements with PSA Corporation Limited ("PSA") in Singapore in respect of collaboration of large-scale container berths and also entered into a formal collaboration with Hutchison Port Holdings Trust for the efficient co-management and operation of berths at container terminals at Kwai Tsing in Hong Kong. These strategic moves have enhanced the competitiveness of the Group's terminals network and paved the way for the pursuit of its strategic objective of globalisation and long-term co-operation with the shipping alliances.

On 28 March 2016, the Group entered into agreements through its joint venture, COSCO-PSA Terminal Private Limited ("COSCO-PSA Terminal"), with PSA in relation to a joint investment in a major container terminal in Singapore, to enhance the co-operation between the Group and PSA. Under the agreements, COSCO-PSA Terminal will exchange two older berths which it has operated at the port of Pasir Panjiang in Singapore for three or four new berths in Phases 3 and 4 of the port. The first two new berths will commence operation in 2017. Given their quay length and equipment, the new berths will be able to cater to the trend towards mega-vessels. The operational efficiency of the berths will be raised so as to enhance their service level and competiveness.

On 11 May 2016, the Group announced the acquisition of a 35% equity interest in Euromax Terminal in Rotterdam, the Netherlands, for an aggregate consideration of Euro125,430,000. Completion of the transaction took place on 30 September 2016. The Port of Rotterdam is the largest port in Europe and one of the major hub ports in the world. It has long been one of the base ports of China COSCO Shipping Corporation Limited ("COSCO SHIPPING"), the parent company of the Company, in Northwestern Europe for container business. In the future, the container shipping fleet of the COSCO SHIPPING group will continue to supply European routes with mega container vessels and the Port of Rotterdam will continue to be the main hub port in the region.

On 28 September 2016, the Group entered into a concession agreement with Abu Dhabi Ports Company PJSC in relation to Khalifa Port Container Terminal 2 in Abu Dhabi. The Group will be entitled to a 90% equity interest in Khalifa Port Container Terminal 2. The total consideration payable (including expected capital expenditure to be incurred) during the entire term of the concession agreement is estimated to have a present value of approximately US$738,000,000. Khalifa Port Container Terminal 2 is the second overseas terminal in which COSCO SHIPPING Ports holds a controlling interest. The Group is committed to develop it as a terminal to be called upon by international container shipping lines so that it becomes a hub for the upper Persian Gulf region, thereby enabling Abu Dhabi Port to become a maritime trade gateway for the world's fastest growing economies.

On 12 October 2016, the Group entered into a share sale and purchase agreement with APM Terminals B.V. to acquire 40% of the issued share capital of APM Terminals Vado Holding B.V. ("Vado Holding") for an aggregate consideration of approximately Euro53,000,000. Completion of the transaction took place on 8 March 2017. Vado Holding is the holding company of Reefer Terminal S.p.A., which operates the reefer terminal at the port of Vado Ligure in Italy ("Vado Port"), one of the largest refrigerated terminals in the Mediterranean region.

In addition, Vado Holding is currently expected to complete a purchase of the entire issued share capital of APM Terminals Vado Ligure S.p.A. in 2018, which has been granted the right to construct, manage and operate a container terminal at the Vado Port ("Vado Container Terminal"). Vado Container Terminal is under construction and is scheduled to become operational in 2018. It will be a semi-automated container terminal, with the unique ability among Northern Italian ports to accommodate ultra-large container ships without any physical restrictions. Vado Container Terminal is part of the master plan of the Savona Port Authority to create new and improved supply chain capabilities for markets in Northern Italy, Switzerland and Southern Germany. Benefitting from the support of the container shipping fleets of the COSCO SHIPPING group and A.P. Møller-Maersk Group, Vado Container Terminal has a solid foundation for sources of cargo.

On 19 December 2016, the Group, Hongkong International Terminals Limited (a subsidiary of Hutchison Port Holdings Trust), COSCO-HIT Terminal and Asia Container Terminal entered into a formal collaboration for the efficient co-management and operation of berths across Terminals 4, 6, 7, 8 and 9 at Kwai Tsing, the New Territories, Hong Kong (the "Combined Terminals"). By agreement, collaboration on the Combined Terminals will allow for the most effective use of facilities and manpower resources. Efficiency will also be enhanced under the new set-up, as one management team will be responsible for all the terminals' day-to-day operations. This new strategic arrangement will create additional capacity by increasing flexibility in berth and yard planning among all three terminals. This timely improvement will allow the Combined Terminals to accommodate the need of shipping alliances for enhanced service better. This forward-looking move will help sustain Hong Kong's position as a leading transhipment hub in the region.

In 2017, COSCO SHIPPING Ports took a big step forward to integrate its domestic terminal operations and consolidate further its leading position in the Greater China region. On 20 January 2017, the Group announced that it entered into a transaction agreement and a strategic co-operation agreement with QPI. The Group will acquire 1,015,520,000 non-circulating domestic shares in QPI, representing approximately 16.82% of the issued share capital of QPI as enlarged by the issuance of the subscription shares and the relevant H shares, and will hold approximately 18.41% of the share capital of QPI upon completion of the transaction. The transaction was approved by shareholders at the special general meeting held on 10 March 2017 and the Group is in the course of preparation for completion. The increased investment in QPI is in line with the Company's strategy of enhancing control over terminal assets and transitioning from investing in single container terminals to investing in entire ports. It will enable the Group fully to tap into the growth potential of Qingdao Port and achieve sustainable growth. The Group's influence in Qingdao Port will also be enhanced and it will be able to participate in the management of the entire port district.

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 year ended 31 December 2016.

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 consolidated financial statements for the year ended 31 December 2016.

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 of 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 year ended 31 December 2016.

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 2016.

OVERALL MANAGEMENT AND AWARDS

COSCO SHIPPING Ports' efforts in the fields of corporate governance and investor relations have been widely acclaimed externally and in 2016, our high level of corporate transparency and good corporate governance continued to earn market recognition.

- "Gold Award in Corporate Governance, Environmental Responsibility and Investor Relations" from The Asset magazine;
- "Outstanding China Enterprise Award" from Capital magazine for the fifth consecutive year;
- "Best Investor Relations Company" from Corporate Governance Asia magazine for the fifth consecutive year;
- "Shipping In-House Team of the Year" from Asian Legal Business, a well-recognised professional magazine, for the fourth consecutive year;
- Named amongst the top 10 in-house legal teams of the "Most Innovative In-House Legal Team" Ranking by Financial Times, a well-recognised business newspaper; and
- The 2015 Annual Report was awarded "Excellence Award for H Share & Red Chip Entries" by Hong Kong Management Association and recognised with "Chairman's Letter Silver Award" and "Written Text Honors" in the Marine Transportation category at the 2016 ARC Awards.

INVESTOR RELATIONS

COSCO SHIPPING Ports pays high attention to its investor relations. Management of the Company introduces the Group's operation, management, development strategy and prospect to its corporate stakeholders through activities such as press conferences, road shows and individual meetings. During the year, the Company met with a total of 214 investors and related personnel, 66% of which were fund managers, 17% of which were analysts, 2% of which were investment bankers and 15% were media representatives. Besides, the Company conducted three road shows and attended three investor forums as well as organised one visit to its terminals for investors.

CORPORATE SUSTAINABLE DEVELOPMENT

In 2016, the Company set out its five-year strategic planning goals and defined its vision of "The Ports For ALL". The aim is to accelerate the growth of the terminals business while providing excellent services to customers, and to build sustainable relationships with all corporate stakeholders and communities. Furthermore, management strongly believes in the importance of insisting on the principles of responsible investments to protect the interests of stakeholders and communities. The Company will therefore dedicate its efforts to achieving its strategic goals while at the same time ensuring it continues to act as a good corporate citizen.

Corporate Responsibility

With the support of the large shipping fleet of the COSCO SHIPPING group, the Group is seizing the development opportunities brought about by China's "One Belt, One Road" policy, and implementing a "Going Global" strategy to expand its container terminals network internationally. The existing terminal portfolio, with a total annual operating capacity of 97,250,000 TEU, provides high quality value-added services to customers. On this basis, the Group makes every effort to forge mutually beneficial relationships with its business partners across the supply chain, and to explore development opportunities in the ports and terminals industry. The Group is also committed to joining with all stakeholders in the supply chain, including shareholders, business partners, customers, financial institutions, investors, employees, suppliers and the community as a whole, to develop opportunities and create value for the sustainable development of the community. In the area of sustainable development, the Group prioritises three areas, namely the environment, talent and the community.

Protecting the Environment

The Group is committed to protecting the environment through optimising its port operations and management. Through developing and implementing advanced environmentally friendly technologies, the Group strives to improve energy efficiency and reduce the carbon footprint of its terminals. The adoption of energy efficiency policies and measures is encouraged across our businesses. The Group has also undertaken extensive measures to revamp its terminal operations by promoting the electrification of existing infrastructure to reduce greenhouse gas emissions.

Caring for Our People

The Group's success would not have been possible without the diligence and commitments of its people. The Group regards its employees as its greatest asset and its corporate values are deeply rooted in a people-oriented culture. At the end of 2016, the Group had 3,372 employees worldwide. The Group attracts and secures highly skilled talent through the provision of competitive remuneration. The Group also encourages and supports the continuous learning and development of its employees. In the process of advancing the global terminal strategy, the Group strives to foster an inclusive work environment to encourage communication and mutual understanding to cultivate a harmonious corporate culture.

The Group regards occupational health and safety as primary tasks. It is also committed to enhance safety management and practices across its operations. Our safety management mechanisms help to identify and mitigate health and safety risks and monitor performance. Our employees are given safety training to raise awareness and equipped with knowledge concerning safety precautions and reaction measures.

Supporting the Community

The Group takes pride in contributing to the community in the locations where it operates, leveraging its core competencies to contribute through various channels, including staff support, sponsorships and donations. Our community outreach programmes aim to deepen our ties with local communities and create long-term impacts.

Improving the Level of Sustainability Disclosure

The Group will publish its 2016 Sustainability Report in June 2017. Apart from fulfilling the disclosure requirement of regulators in Hong Kong and of Global Reporting Initiative, the Group also strives to meet the strong expectation of sustainability disclosure from international institutional investors and corporate stakeholders, in order to build a mutually trusting relationship with them. The Group will engage with more stakeholders to gather their views and address their concerns through stakeholder engagement and sustainability reporting. The Group is committed to providing transparency to stakeholders via consistent monitoring, measuring and disclosing its sustainability performance over time. COSCO SHIPPING Ports believes that the trust created through its commitment to social responsibility is a valuable asset, which can enhance the Company's performance, strengthen management and create value for shareholders.

PROSPECTS

In 2017, the global economy and the shipping industry are expected to grow faster, but caution regarding policy risk is essential. According to the IMF forecast, the global economy will grow by 3.4% year-on-year in 2017, 0.3 percentage points higher than the growth rate in 2016. Of particular note, economic activity will accelerate in both emerging markets and developing economies. Stronger global economic growth is expected to stimulate global trade and the container shipping industry. The IMF forecast that global trade in 2017 will grow by 3.8% year-on-year, more than double the growth rate of 1.9% in 2016. Furthermore, in its report dated October 2016, Drewry forecast that global container throughput in 2017 would grow by 2.4% year-on-year, 1.1 percentage points higher than the 1.3% recorded in 2016. However, there is significant uncertainty about the policy trends of the new US government. The political situation indicates that the consensus on cross-border economic integration is weakening, which, together with a return to championing local manufacturing and the rise of protectionism, may pressure the development of global trade.

Within this context, the business environment for the global shipping industry is constantly changing. The new landscape of strategic alliances among shipping companies is gradually taking shape, and the influence of shipping companies in the global shipping industry is steadily increasing. It has therefore particularly important for terminal operators to maintain a long-term relationships with shipping alliances based on mutual trust and benefit.

COSCO SHIPPING Ports has unique advantages arising from the support of the world's fourth largest container shipping fleet of its parent and the OCEAN Alliance, which delivers extensive business support and marked competitiveness in identifying and bidding for investment projects, and is a strong support for the Group's strategy of establishing global terminal footprint.

Last year, COSCO SHIPPING Ports completed its reorganisation, facilitating the integration of assets, corporate culture and personnel, and enhancing its internal execution capability. The reorganisation also gave the Company an opportunity to re-examine its own internal and external position, to deepen its understanding of the external environment and the Company's own strengths and weaknesses. This enabled the Company to formulate a new strategic plan for its long-term development and objectives over the next five years.

In accordance with the new strategic plan, the Company will strive comprehensively to improve its competitiveness in the following three areas: 1. expansion of the global terminals footprint; 2. generation of synergies between the Company and its parent's container shipping fleet and the OCEAN Alliance; 3. improvement in the management of and control over ports and terminals.

In line with its strategic objective of globalisation, the Company successively announced three overseas acquisitions in 2016. Among these acquisitions, Euromax Terminal in Rotterdam began to contribute throughput and profit in October 2016, while Khalifa Port Container Terminal 2 in Abu Dhabi and the reefer terminal and Vado Container Terminal in Italy were also key investments. This has laid a solid foundation for the Company to seize global market share and strengthen its competitive advantages.

Regarding the management of and control over ports and terminals, the Company recently completed its strategic investment in QPI. This has enabled us to expand our involvement from operation of the terminal to management of the whole port and our increased participation enables us fully to tap into the growth potential of the Qingdao Port. This new model of investment in an entire port indicates the strategic direction for our future business in mainland China.

The Company believes effective implementation of its strategies will improve the quality of its terminal assets and management, which will support sustainable business development and improve overall profitability of the Company. Based on 2016, the Group strives for its five-year goals to achieve 50% growth in total assets, 60% growth on equity throughput and to double its net profit from continuing operations by 2021, consequently create long-term values for shareholders.

MEMBERS OF THE BOARD

As at the date of this announcement, the board of directors of the Company comprises Mr. HUANG Xiaowen[2] (Chairman), Mr. ZHANG Wei (張為)[1] (Vice Chairman & Managing Director), Mr. FANG Meng[1], Mr. DENG Huangjun[1], Mr. FENG Boming[2], Mr. ZHANG Wei (張煒)[2], Mr. CHEN Dong[2], Mr. XU Zunwu[2], Mr. WANG Haimin[2], Dr. WONG Tin Yau, Kelvin[1], Dr. FAN HSU Lai Tai, Rita[3], Mr. Adrian David LI Man Kiu[3], Mr. FAN Ergang[3], Mr. LAM Yiu Kin[3] and Prof. CHAN Ka Lok[3].

[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, 28 March 2017