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

The Ports For ALL

Connecting the World

Annual Report 2017

Cover Story

The triangular ends of the PRISMA are the three core strategies of the Group – Globalization, Synergy and Control, the light dispersing from the PRISMA is every success we have achieved by adhering firmly to the strategies, the light is guiding us towards our Five-Year Target.

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Company Profile

COSCO SHIPPING Ports Limited (Stock Code: 1199), is a leading ports operator in the world, its terminals portfolio covers the five main port regions in Mainland China, Southeast Asia, Middle East, Europe and the Mediterranean. As at 31 December 2017, COSCO SHIPPING Ports operated and managed 269 berths at 35 ports worldwide, of which 179 were for containers, with a total annual handling capacity of approximately 103 million TEU.

COSCO SHIPPING Ports has adopted "The Ports For ALL" as its mission and is working towards building a global terminal network with controlling stake that offers linkage effects on costs, services and synergies, a synergistic platform that offers mutual benefits to all in the shipping industry, connecting global routes and becoming truly "the ports for all people".

COSCO SHIPPING Ports' controlling shareholder is COSCO SHIPPING Holdings Co., Ltd. (Stock Code: 1919), whose parent company, China COSCO Shipping Corporation Limited, is the largest integrated shipping enterprises in the world.


Terminals

Three Core Strategies

Following the reorganisation in 2016, COSCO SHIPPING Ports has established the "The Ports For ALL" development concept, which presents three strategic directions for terminal business development, namely to develop a global terminal network; to achieve synergies between its parent company, COSCO SHIPPING, and the OCEAN Alliance; and to strengthen the control and management of its ports and terminal business.

GLOBAL-IZATION

Building a global terminal network with controlling stake that offers linkage effects on costs, services and synergies

SYNERGY

Leveraging the synergies with COSCO SHIPPING and the OCEAN Alliance, strengthen its service capability to serve shipping alliances to seize the business opportunities

Establishing close partnerships and good relationships with port groups, terminal operators and international liner companies to maximize synergies and value

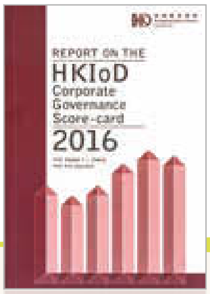
CONTROL

Strengthening control and management of the ports and terminals business – further integrating our existing terminals portfolio and increasing the value of these investments through building controlling stakes; increasing our influence in entire ports through equity investments in port groups; and adopting a unified management and operating system to integrate terminal operations

Globalization

Building a global terminal network with controlling stake that offers linkage effects on costs, services and synergies

Major Events



FEB

Ranked one of the ten companies with highest CGI scores in "2016 HKIoD Corporate Governance Score-Card" by HKIoD

January

The Company and Qingdao Port International Co., Ltd ("QPI") announced to enter into a transaction agreement, under which COSCO SHIPPING Ports would make a strategic investment and acquire approximately 16.82% stake in QPI. In addition, COSCO SHIPPING Ports would sell its 20% equity interest in (Qingdao Qianwan Terminal to QPI. Upon completion of the transaction in May, COSCO SHIPPING Ports holds approximately 18.41% interest in QPI

February

The Hong Kong Institute of Directors ("HKIoD") announced the results of the "2016 HKIoD Corporate Governance Score-card". COSCO SHIPPING Ports was honored as one of the ten companies with the highest CGI scores

May

Completed subscription of non-circulating domestic shares in QPI and disposal of equity interests in Qingdao Qianwan Terminal

June

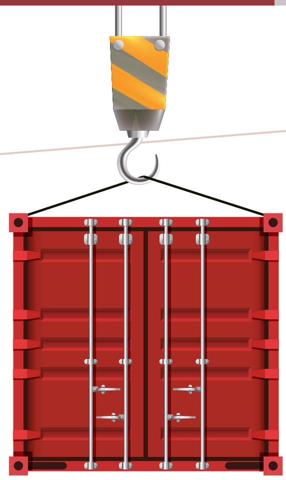
The Group signed a sale and purchase agreement with TPIH Iberia, S.L.U. to acquire 51% equity interest in NPH Group. NPH Group is principally engaged in the businesses of the operation of two container terminals (NCTV and NCTB) and two facilitative rail terminals (Conte-Rail, S.A. and Noatum Rail Terminal Zaragoza, S.L.)

Awarded "Best Investor Relations Company" for the sixth consecutive year by Corporate Governance Asia magazine

July

The Group signed an equity transfer agreement with Jiangsu Changjiangkou Development Group Co., Ltd and Nantong Integrated Bonded Zone Development Co., Ltd to acquire a 51% equity interest in Nantong Tonghai Terminal

Received the "Outstanding China Enterprise Award" from Capital magazine for the sixth consecutive year



DEC

Awarded "Gold Award in Environmental, Social Responsibility and Corporate Governance" by The Asset Magazine

NOV

Awarded **"Gold award in the H-share Companies and other Mainland Enterprises Category"** by Hong Kong Institute of Certified Public Accountants

September

The Group entered into a memorandum of understanding with APM Terminals B.V. to acquire remaining approximately 76% of the issued share capital of Zeebrugge Terminal

Won the "Shipping In-House Team of the Year Award" by Asian Legal Business, a renowned magazine for the legal profession for the sixth consecutive year

October

Completion of acquisition in NPH Group

The 2016 Annual Report was recognised with "Traditional Annual Report Bronze Award" and "Cover Design Honors" in the Marine Transportation category at the 2017 ARC Awards

November

The acquisition of remaining approximately 76% equity interest in Zeebrugge Terminal was completed. Zeebrugge Terminal is now a wholly-owned subsidiary of the Company

COSCO SHIPPING Ports signed a memorandum of cooperation with PSA Corporation Limited ("PSA") in relation to the addition of berths for COSCO-PSA Terminal in Boao, Hainan

Entered into a leasing agreement with Abu Dhabi Ports Company PJSC in relation to the leasing and development of a 270,000m^2 container freight station outside the Terminal

Awarded a "Gold award in the H-share Companies and Other Mainland Enterprises Category" in the 2017 Best Corporate Governance Awards by the Hong Kong Institute of Certified Public Accountants

December

The Group acquired a 70% equity interest in Wuhan Yangluo Terminal, a subsidiary of Wuhan Iron and Steel Group Logistics Co., Ltd., for the operation of Wuhan Yangluo Terminal and a multi-modal transportation center project

Awarded the "Gold Award in Environmental, Social Responsibility and Corporate Governance" from The Asset magazine

Received the "Excellence in Investor Relations Award" from IR magazine

Financial Highlights

Five-year Financial Summary

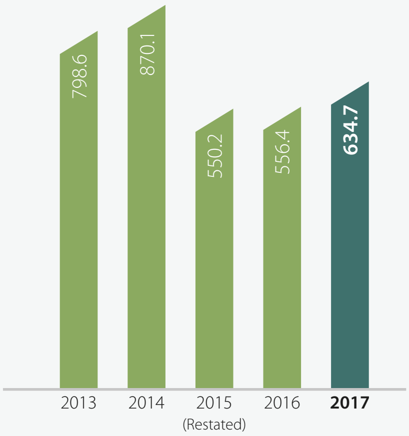
	2017	2016	Change
	US$	US$	%
Revenue	634,710,000	556,377,000	+14.1
Operating profit after finance income and finance costs	409,290,000	57,365,000	+613.5
Share of profit less losses of joint ventures and associates	236,568,000	200,242,000	+18.1
Profit attributable to equity holders of the Company (excluding discontinued operations) [1]	512,454,000	180,937,000	+183.2
Adjusted net profit attributable to equity holders of the Company (excluding one-off exceptional items and discontinued operations) [1&2]	227,062,000	180,937,000	+25.5
	US cents	US cents	%
Basic earnings per share (excluding discontinued operations) [1]	16.93	6.08	+178.5
Adjusted earnings per share (excluding one-off exceptional items and discontinued operations) [1&2]	7.50	6.08	+23.4
Dividend per share	3.000	13.637	-78.0
– Interim dividend	1.316	2.320	-43.3
– Final dividend	1.684	1.000	+68.4
– Conditional special cash dividend [3]	–	10.317	Not applicable
Payout ratio [4]	40.0%	40.0%	Not applicable
	US$	US$	%
Consolidated total assets	8,954,080,000	6,786,456,000	+31.9
Consolidated total liabilities	3,108,706,000	2,020,652,000	+53.8
Consolidated net assets	5,845,374,000	4,765,804,000	+22.7
Capital and reserves attributable to the equity holders of the Company	5,188,567,000	4,354,861,000	+19.1
Consolidated net debts	1,767,949,000	665,891,000	+165.5
	%	%	ppt
Return on equity holders of the Company (excluding discontinued operations)[1]	10.7	3.5	+7.2
Return on total assets (excluding discontinued operations)[1]	6.5	2.3	+4.2
Net debt-to-total-equity ratio	30.2	14.0	+16.2
Interest coverage (excluding discontinued operations)[1]	12.5 times	5.9 times	+6.6 times
Dividend yield [5]	2.9	3.3	-0.4

Notes:

1. On 24 March 2016, the Company completed the disposal of Florens Container Holdings Limited (now known as Florens International Limited) ("FCHL"), and recorded a gain on disposal of US$59,021,000. For the three months ended 31 March 2016 the profit of FCHL attributable to equity holders of the Company was US$7,073,000.
2. In May 2017, 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 profit after tax from one-off exceptional items totalling US$285,392,000.
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.
4. One-off exceptional items in 2017 and the conditional special cash dividend of HK80.0 cents (equivalent to US10.317 cents) per share in 2016 were excluded in the calculation of dividend payout ratio of the year 2017 and 2016.
5. Excluding conditional special cash dividend in 2016.

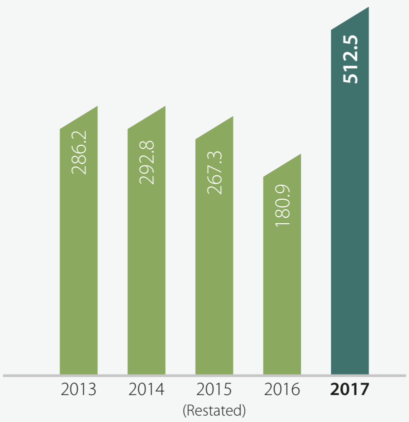
Revenue
US$634.7million

US$ million



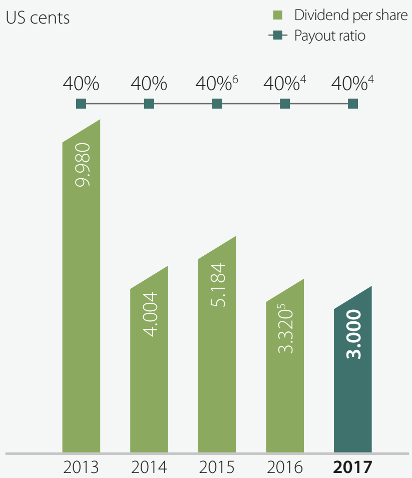
Profit Attributable to Equity Holders of the Company
(Excluding discontinued operations)
US$512.5 million

US$ million



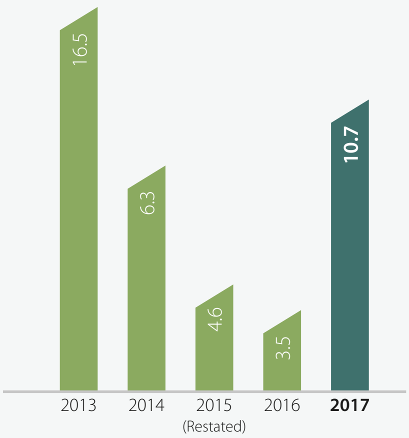
Dividend per Share and Payout Ratio
US3.00cents

US cents



Return on Equity Holders of the Company
(Excluding discontinued operations)
10.7%

%

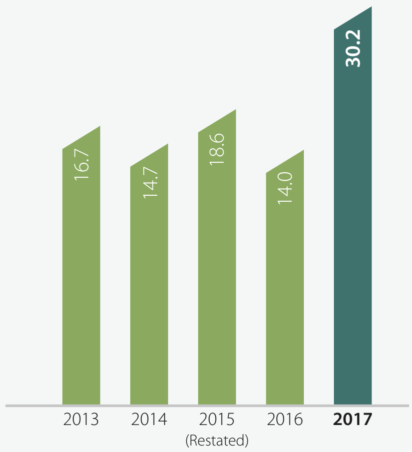


Basic Earnings per share
(Excluding discontinued operations)
US16.93 cents

US cents

Net Debt-to-Total-Equity Ratio
30.2%

%



Notes:
6. According to 2015 annual report, the 2015 payout ratio was 40.0% (before restatement).
7. The financial figures for the year 2013 to 2014 were extracted from the 2015 annual report. No retrospective adjustment for the common control combination in 2016 were made on the financial figures for the year 2013 to 2014.

Chairman's Statement

HUANG Xiaowen
Chairman

With the global economy forecast to continue its growth in 2018 and seizing the development opportunities presented by China's "Belt and Road Initiative", I believe COSCO SHIPPING Ports is well-positioned to continue to deliver another year of good growth, though challenges remain. While we will continue to maximise our unique competitive advantages, and grow the Company by diversifying our business and exploring investment opportunities at home and abroad, we are committed to an effective and prudent financial management in deploying our resources.

Dear Shareholders,

The year 2017 was the first full year of operation after our corporate reorganisation held in 2016. As I report the final results for 2017, it gives me a great pleasure to report that we have delivered encouraging results for the year.

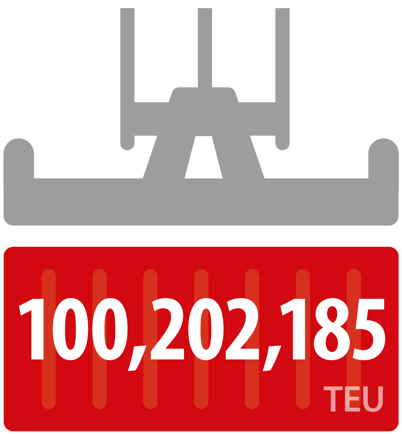
Revenue of the Group increased by 14.1% from US$556,377,000 in 2016 to US$634,710,000, including a contribution of two-month revenue from the newly-acquired NPH Group and an increased stake in Zeebrugge Terminal which was completed in November 2017. Gross profit was US$209,275,000, an increase of 5.1% from last year's US$199,083,000. Terminals profits were US$299,866,000, a strong increase of 23.4% from last year's US$242,898,000. Upon the completion of subscription of non-circulating domestic shares in QPI and the disposal of equity interests in Qingdao Qianwan Terminal, a one-off gain of US$285,392,000 was recorded. Excluded the one-off gain and the discontinued operations in 2016, our adjusted net profit attributable to equity holders of the Company amounted to US$227,062,000, an increase of 25.5%, compared with last year's US$180,937,000. Adjusted earnings per share increased by 23.4% to US7.50 cents, compared with last year's US6.08 cents.

The Board of Directors is recommending a final dividend of US1.684 cents per share, subject to shareholders' approval at the Company's forthcoming AGM. Together with the interim dividend of US1.316 cents per share, it brings the total dividend for 2017 to US3.000 cents per share, represents a 40% payout ratio excluding one-off exceptional items. This is a cash distribution with a scrip dividend alternative.

The Board intends to follow COSCO SHIPPING Ports' prudent and sustainable dividend policy to enable the financial flexibility of the Group so as to capture future growth opportunities.

We Maintained Our Focus

The Group's vision is to build a global port network, a platform that offers mutual benefits and creates shared value for all stakeholders, and a platform that connects global routes and the entire shipping industry to become truly "the ports for all people". The year 2017 has been a year filled with challenges and opportunities for COSCO SHIPPING Ports, as the industry trend towards the greater deployment of mega-vessels has continued and the pattern of three big alliances were established. We remain committed to building a world-class and well-balanced terminal network to meet the needs of the shipping alliances and global shipping companies by continuously providing higher quality value-added services on a broader scope. During the year, we have extended our international footprint and enhanced our operational efficiencies at the same time. As at 31 December 2017, COSCO SHIPPING Ports operated and managed 269 berths at 35 ports worldwide, and our terminals portfolio covers the five main port regions domestically in Mainland China, and extends overseas to Southeast Asia, Europe, the Middle East and the Mediterranean Sea.



TOTAL THROUGHPUT

Remained Financially Prudent amidst Rapid Expansion

With the global economy forecast to continue its growth in 2018 and seizing the development opportunities presented by China's "Belt and Road Initiative", I believe COSCO SHIPPING Ports is well-positioned to continue to deliver another year of good growth, though challenges remain. While we will continue to maximise our unique competitive advantages, and grow the Company by diversifying our business and exploring investment opportunities at home and abroad, we are committed to an effective and prudent financial management in deploying our resources. As at 31 December 2017, our net debt to equity was 30.2%, with average cost of bank borrowings at 3.22%.

Sustainable Growth

We bear in mind the importance of sustainable development to an enterprise striving for growth and enhanced competitiveness. At COSCO SHIPPING Ports, promoting sustainability across our operations is our commitment to both growing a successful business, creating long-term value for various stakeholders, and to giving back to society. To this end, we take our social responsibilities very seriously as we work together to forge mutually beneficial relationships with our stakeholders. In the area of sustainable development, our priorities are in three areas: environment, talent and community. We have actively fulfilled our firm commitment to caring for our people, putting customers first, promoting green development, achieving win-win cooperation and investing in communities. The Group also believes that outstanding businesses adhere to the values of honesty, integrity and compliance, which form the foundation of our efforts to foster trust and build mutually beneficial relationships with our stakeholders and society.

Good Corporate Governance

In assuming its economic responsibility to stakeholders and society, the Group has constantly pursued a higher level of integrity, transparency, professionalism, and corporate governance in its practices and policies. Good corporate

87,932,185 TEU

TOTAL THROUGHPUT*

↑ 13.4%

Note: excluding throughput of QPI from May to December 2017 and QQCT in 2016

governance forms an important building block in the foundation of a well-managed enterprise. Therefore it is an important priority of the Board to ensure that COSCO SHIPPING Ports continues to meet the highest international standards of corporate governance and balances the interests of all our stakeholders as well as the community.

On behalf of the Board, I would like to express my heartfelt gratitude to all staff members of COSCO SHIPPING Ports for their dedication and contribution over the past year, and for their commitment to the long-term success of COSCO SHIPPING Ports. We shall continue to work together as we advance our business to new heights.

HUANG Xiaowen
Chairman
26 March 2018

69,091,521 TEU

TOTAL THROUGHPUT IN GREATER CHINA*

Note: including Hong Kong & Taiwan, excluding throughput of QPI from May to December 2017 and QQCT in 2016

↑ **8.0%**

Vice Chairman's Report

ZHANG Wei
Vice Chairman and Managing Director

I firmly believe that we are well positioned to continue to deliver growth. With the synergies with our parent company, which we see as our unique competitive advantage, and the ongoing support from the shipping alliances, we will continue to grow our capacity and invest strategically to build "The Ports For ALL" in line with our philosophy, a platform that offers mutual benefits, creates shared value for all our stakeholders and maximises returns to our shareholders.

After clearly defining our three key strategies, ie Globalization, Synergy and Control, after our reorganisation in 2016, I am proud to announce that COSCO SHIPPING Ports is progressing well towards attaining the objectives of our Five-Year Plan by adhering firmly to its strategies.

Further Extends International Footprint

The year 2017 has marked a successful year as our efforts towards globalization of our terminals portfolio and increasing control in port companies achieved notable results. At present COSCO SHIPPING Ports operates and manages 269 berths at 35 ports worldwide, of which 179 are for containers. Total annual handling capacity is approximately 103 million TEU. The number of subsidiaries has been increased from 10 in 2016 to 15.

Noteworthy here is the acquisition of the NPH Group in Spain, and the increase in our stake in Zeebrugge Terminal in Belgium, which is now a wholly-owned subsidiary of COSCO SHIPPING Ports. These have enabled us to further extend our international footprint during the year. The number of overseas terminals under the Group climbed to 13 with the aggregate design capacity expanded by 24.4% to 37,700,000 TEU in 2017.

A Balanced Portfolio

COSCO SHIPPING Ports remains steadfastly committed to building a world-class and well-balanced terminal network to meet the needs of shipping alliances with extended services, including providing hub ports with a sufficient servicing capability for mega-vessels. With this solid foundation in place, we will continue to execute our three strategies as we further extend our network across the world.

At present, our extensive network in Europe covers the major European hinterland and shipping routes, and CSP Abu Dhabi Terminal is well-placed to act as a shipping hub for major international shipping companies in the Upper Gulf Region of the Middle East. At the same time, the Group is continuing to explore investment opportunities in emerging markets elsewhere including Latin America, Africa and Southeast Asia to provide services which reach around the world.

At home, in line with its three core strategies, we have continued to consolidate our industry-leading position by investing in Wuhan and Nantong so as to seize the development opportunities in the Yangtze River Economic Belt. We participated in the integration of Dalian Container Terminal. The investment in Qingdao Port International and its significant financial contributions to the Group have reaffirmed our sound investment strategy.

Investment aimed at enabling us to manage entire ports across the area remains a major strategic thrust of the Group in the Greater China Region. In this direction we will continue to explore investment opportunities provided by port consolidation in mainland China by capitalising on the unique advantages of the parent company. Besides, we will constantly review our portfolio and business plans to enhance future growth and returns.

Vice Chairman's Report

Strong Throughput Growth Underscores Success

Supported by the steady recovery of the global economy, the growth by acquisitions and the synergies with OCEAN Alliance and our parent company, the Group has achieved a total throughput of 100,202,185 TEU, equity throughput was 31,999,491 TEU. Excluding throughput of QPI from May to December 2017, total throughput was 87,932,185 TEU, of which 78.6% was generated from our Greater China portfolio amounting to 69,091,521 TEU, representing an increase of 8% from 63,989,237 TEU recorded in FY2016*. The China portfolio (excluding Hong Kong and Taiwan) achieved 6.8% growth in total throughput to 63,904,439 TEU (2016: 59,827,565 TEU) accounting for 72.7% of the Group's total. Performance of our overseas terminal portfolio has been encouraging during the year; total throughput of the overseas portfolio increased by 38.7% to 18,840,664 TEU (2016: 13,582,982 TEU) and accounted for 21.4% (FY2016: 17.5%) of the Group's total for the year.

Diversifying Our Business Domestically and Overseas

One of our key strategies involves diversifying our business into terminal-related logistics businesses, further penetrating the business chain and building economies of scale in order to enhance the Group's operational efficiency, competitiveness and profitability. In order to realise this element of strategy we have stepped up our pace in developing the logistics business during the year as we aim to optimise the full development potential of the entire port districts in the future. Domestically, in addition to the cooperation agreement signed with Nantong Municipal Government in March, 2017 to jointly operate the Nantong Tonghai Terminal, we have obtained the rights to use a 5,412 Mu (approximately 3,608,000 m^2) of land outside the terminal to develop a logistics park. In addition, we have partnered with Wuhan Iron and Steel (Group) Corporation to develop a 700 Mu (approximately 466,667 m^2) transportation centre with full logistics services in Wuhan Yangluo. As for the overseas, in November 2017, at the official ground breaking ceremony for the CSP Abu Dhabi Terminal, we also signed a leasing agreement with Abu Dhabi Ports Company PJSC for the development of a 270,000 m^2 container freight station outside the Terminal.

Sustainable Growth to Create Value

Upholding our mission to build "The Ports For ALL", we are actively developing a global terminals network and are working towards building a win-win platform that creates the greatest value for all of our stakeholders – shareholders, customers, partners and employees as well as the communities where we operate. At COSCO SHIPPING Ports, sustainability is at the heart of everything we do. We are committed to investing in our people, protecting our environment and contributing positively to the development of the locations we operate. During the year, we continued to promote energy efficient technologies to reduce carbon emissions and remained dedicated to building "green" ports.

Note: Excluding QQCT thoughput.

While we continue to expand our world-class portfolio of assets, we are committed to providing quality and efficient services to customers at home and abroad. We are dedicated to further enhancing our competitiveness by continuous improvement of the operating efficiency and sustainable development of the ports and terminals. Towards that end, we have signed subscription agreements with Navis, LLC and Total Soft Bank for their terminal operating systems. The N4 terminal operating system of Navis, serving as the brain and localized source of information for the day-to-day operation of our terminal business, is to be gradually deployed to replace the existing system in our terminals and the CATOS Terminal Operating System and Automated Terminal Crane Supervisor System (ATCSS) by Total Soft Bank is to be installed at Abu Dhabi Terminal.

Prospects

With the global economy forecast to grow continuously across all major regions in 2018, we expect another year full of opportunities yet not without challenges. The rise of protectionism, geopolitical uncertainties and the upward trend of interest rates have the potential to place serious pressure on the development of global trade. However, I firmly believe that we are well positioned to continue to deliver growth. With the synergies with our parent company, which we see as our unique competitive advantage, and the ongoing support from the Ocean Alliance, we will continue to grow our capacity and invest strategically to build "The Ports For ALL" in line with our philosophy, a platform that offers mutual benefits, creates shared value for all our stakeholders and maximises returns to our shareholders.

As the restructuring of COSCO SHIPPING Ports begins to generate positive results, I am excited and enthusiastic about the opportunities ahead. On behalf of the management, I would like to take this opportunity to thank the Board for their continued support and guidance. Most importantly I wish to extend gratitude to all my colleagues around the world for their hard work, professionalism and tremendous support, which have enabled COSCO SHIPPING Ports to achieve many milestones during 2017.

ZHANG Wei
Vice Chairman and Managing Director
26 March 2018

Corporate Structure

Terminals and Related Businesses

Bohai Rim

24%	Dalian Automobile Terminal
35%	Dalian Dagang Terminal
19%	Dalian Container Terminal
25%	Dongjiakou Ore Terminal
51%	Jinzhou New Age Terminal
18.41%	QPI
30%	Qinhuangdao New Harbour Terminal
30%	Tianjin Euroasia Terminal
28%	Tianjin Five Continents Terminal
40%	Yingkou New Century Terminal
50%	Yingkou Container Terminal

Pearl River Delta

60%	Asia Container Terminal
50%	COSCO-HIT Terminal
40%	Guangzhou Nansha Stevedoring Terminal
39%	Guangzhou South China Oceangate Terminal
14.59%	Yantian Terminal Phases I & II
13.36%	Yantian Terminal Phase III

Yangtze River Delta

30.4%	Jiangsu Petrochemical
55%	Lianyungang New Oriental Terminal
16.14%	Nanjing Longtan Terminal
20%	Ningbo Meishan Terminal
20%	Ningbo Yuan Dong Terminal
20%	Shanghai Mingdong Terminal
30%	Shanghai Pudong Terminal
39.04%	Taicang Terminal
55.59%	Yangzhou Yuanyang Terminal
51%	Zhangjiagang Terminal
70%	Wuhan Terminal
51%	Nantong Tonghai Terminal

Southwest Coast

40%	Qinzhou International Terminal

Southeast Coast and Others

80%	Jinjiang Pacific Terminal
20%	Kao Ming Terminal
82.35%	Quan Zhou Pacific Terminal
70%	Xiamen Ocean Gate Terminal

Overseas

20%	Antwerp Terminal
26%	Kumport Terminal
49%	COSCO-PSA Terminal
100%	Piraeus Terminal
5.5%	Busan Terminal
13.33%	Seattle Terminal
35%	Euromax Terminal
20%	Suez Canal Terminal
90%	Abu Dhabi Terminal
100%	Zeebrugge Terminal
39.78%	Bilbao Terminal
51%	Valencia Terminal
40%	Vado Reefer Terminal

Terminal Related Businesses

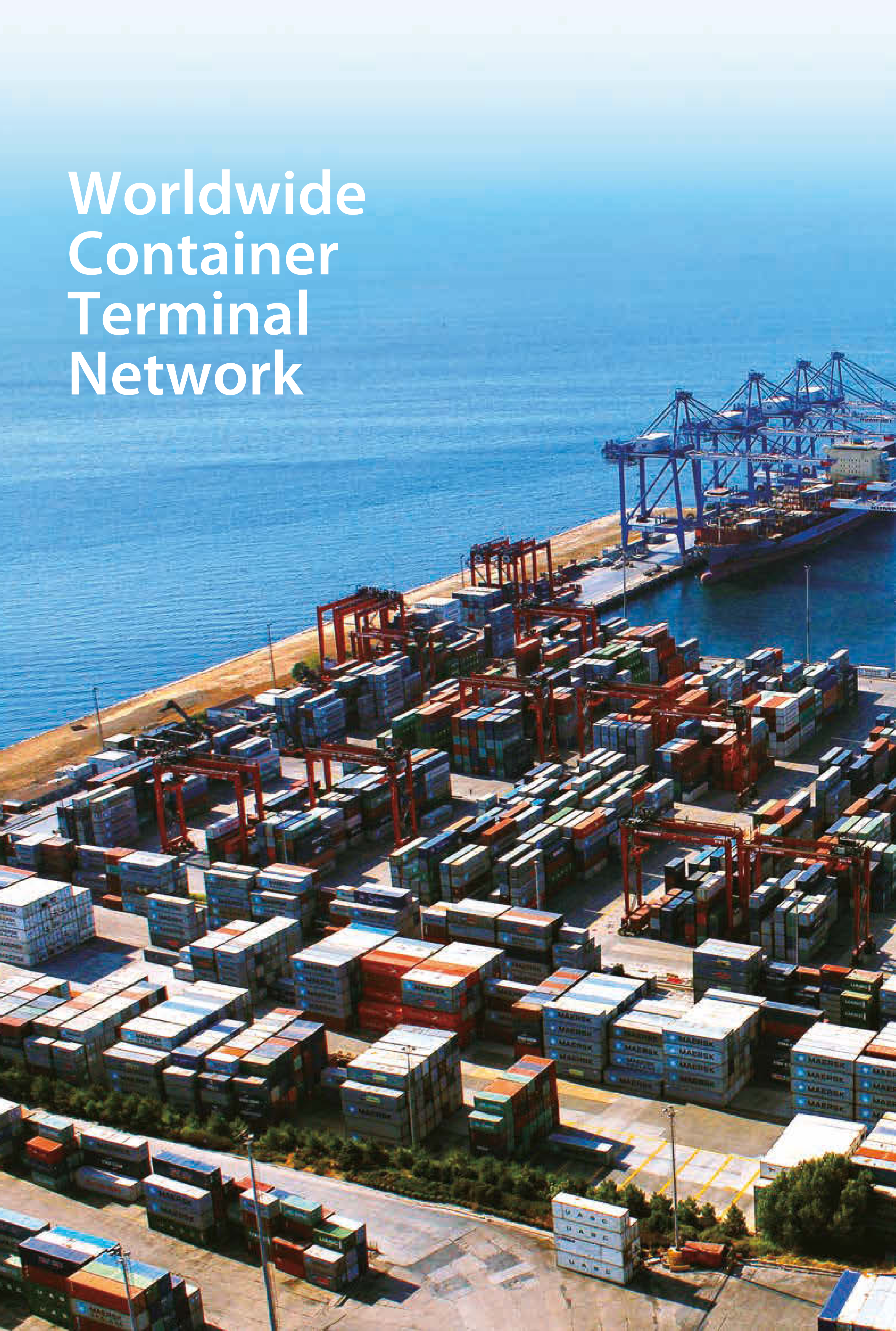
50%	Piraeus Consolidation and Distribution Centre S.A.

Synergy

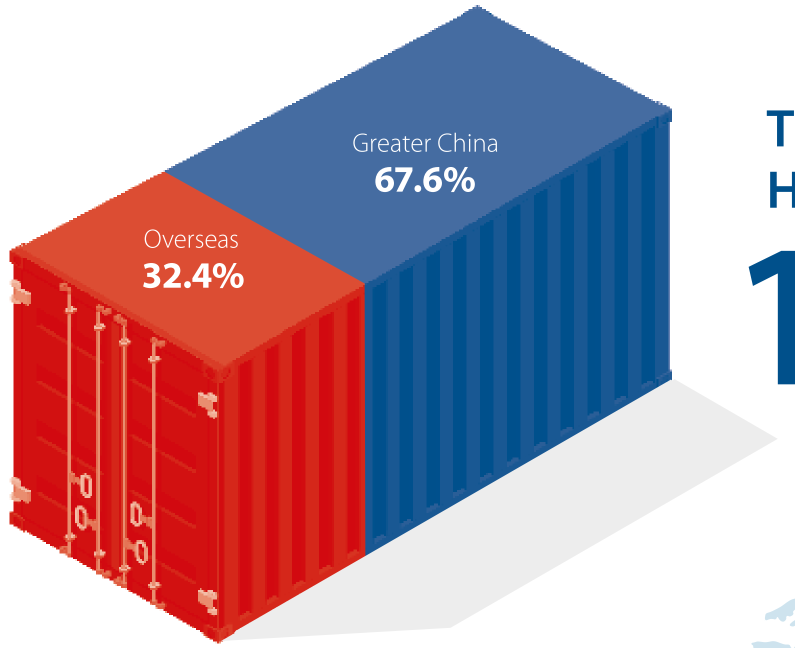
Leveraging the synergies with COSCO SHIPPING and the OCEAN Alliance, strengthen its service capability to serve shipping alliances to seize the business opportunities

Establishing close partnerships and good relationships with port groups, terminal operators and international liner companies to maximize synergies and value

Worldwide Container Terminal Network

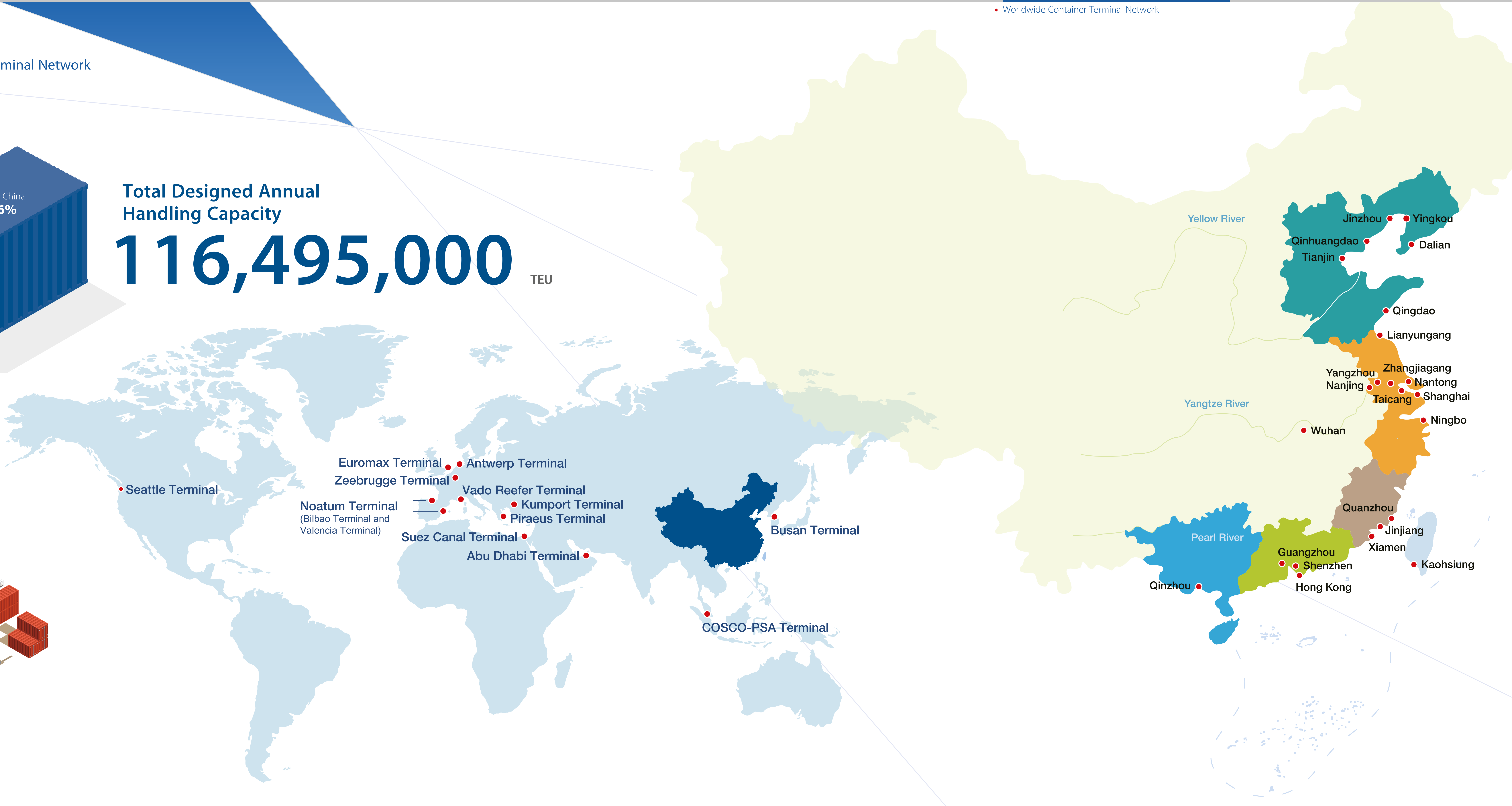


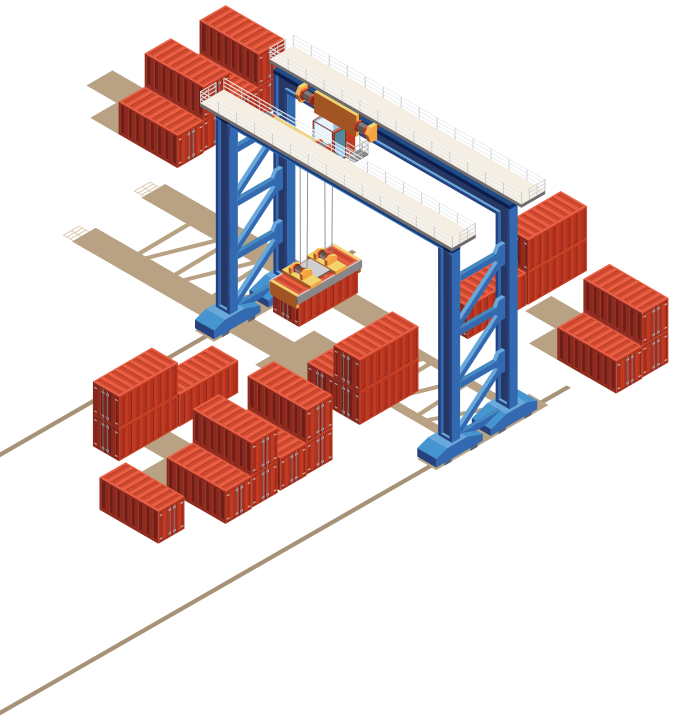
Worldwide Container Terminal Network



Total Designed Annual Handling Capacity

116,495,000 TEU





The Ports For ALL

Greater China

(Mainland China, Hong Kong and Taiwan)

Terminal Coverage	Container Berths	Designed Annual Handling Capacity
22Ports	137	78,800,000 TEU

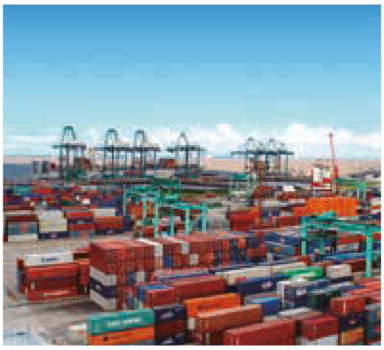
Overseas

Terminal Coverage	Container Berths	Designed Annual Handling Capacity
13Ports	62	37,700,000 TEU

Bohai Rim

- Percentage of total designed annual handling capacity 20.0%
- Container berths 53
- Designed annual handling capacity 23,350,000 TEU

Yangtze River Delta



- Percentage of total designed annual handling capacity 17.0%
- Container berths 39
- Designed annual handling capacity 19,820,000 TEU

Southeast Coast and others

- Percentage of total designed annual handling capacity 6.4%
- Container berths 13
- Designed annual handling capacity 7,400,000 TEU

Pearl River Delta

- Percentage of total designed annual handling capacity 23.2%
- Container berths 30
- Designed annual handling capacity 27,030,000 TEU

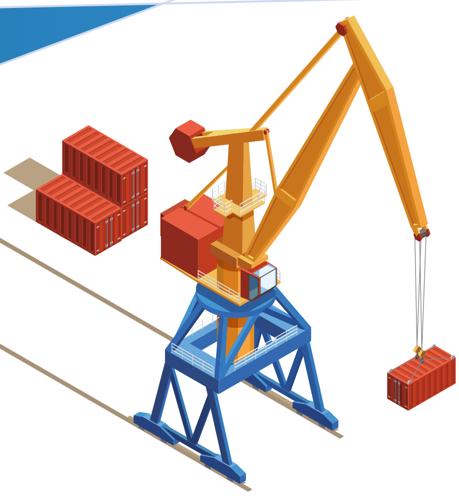
Southwest Coast

- Percentage of total designed annual handling capacity 1.0%
- Container berths 2
- Designed annual handling capacity 1,200,000 TEU

Overseas

- Percentage of total designed annual handling capacity 32.4%
- Container berths 62
- Designed annual handling capacity 37,700,000 TEU

Operational Review



Markets Review

The global economy experienced a steady broadbased recovery in 2017, and the confidence of investors has been restored. According to the International Monetary Fund ("IMF"), global economic growth was expected to reach 3.7% in 2017 – the fastest growth pace since 2011 – which had driven the expansion of international trade to 4.7%, an increase of 2.2 percentage points over the previous year. Domestically, China's economy continued to gather steam, with imports and exports fueled by rising external and internal demands. According to the statistics of the China Customs Department, the total amount of imports and exports in 2017 grew 14.2%, with exports and imports increasing by 10.8% and 18.7% respectively.

Backed by the increase of international trade and the steady recovery of the global economy, there was a turnaround in the global shipping market as the increase in the demand over supply during the year helped alleviate the overcapacity in the industry. According to Drewry Shipping Consultants Limited, the total throughput of global containers was expected to increase by 5.4% in 2017, rising 2 percentage points over 2016. Ports in China have also reported good growth as total throughput for the year was 236,800,000 TEU, an increase of 8.3%, up 4.7 percentage points from last year.

In 2017, the OCEAN Alliance was officially established. According to a survey conducted by Alphaliner on 13 February 2018, the OCEAN Alliance, together with the 2M and THE Alliances, accounted for 79% of the global container shipping capacity. With more than 41 shipping routes in Eastwest bound and Middle East Red Sea bound and 350 container vessels, the OCEAN Alliance, of which COSCO SHIPPING, the parent company of the Company, is a member, has a total fleet capacity of 3,500,000 TEU. Ever since it started operation in April 2017, the OCEAN Alliance has been increasing its calls to the terminals of COSCO SHIPPING Ports and has accounted for 44% of the total throughput of the Group's subsidiaries for the year. The Group believes the calls of the OCEAN Alliance's fleet will continue to drive the growth of the Group's throughput going forward.

Overall Performance

Benefitting from the economic recovery and with growth fueled by its acquisitions, the Group has achieved promising results for the year, with total throughput of 100,202,185 TEU. Excluding the throughput of QPI from May to December 2017 and the throughput of QQCT in 2016, the throughput increased by 13.4% to 87,932,185 TEU (2016: 77,572,219 TEU). Throughput generated from the Greater China region increased by 8.0% to 69,091,521 TEU (2016: 63,989,237 TEU) accounting for 78.6% of the Group's total. Throughput from the China region (excluding Hong Kong and Taiwan) increased by 6.8% to 63,904,439 TEU (2016: 59,827,565 TEU) occupying 72.7% of the total. The performance of the overseas portfolio was also encouraging for the year. Throughput increased by 38.7% to 18,840,664 TEU (2016: 13,582,982 TEU), made up 21.4% (2016: 17.5%) of the total, mainly due to the contribution by Vado Reefer Terminal and the two-month contribution by the NPH Group. Added to this was Euromax Terminal with the inclusion of its throughput starting in October 2016, and recording a throughput of 2,693,337 TEU in 2017.

Excluding throughput of QPI from May to December 2017 and the throughput of QQCT in 2016, total equity throughput of the Group increased by 11.0% to 29,740,584 TEU (2016: 26,798,320 TEU). With the operating efficiency of the Group's terminals continuing to improve and adding the contributions from QPI, total terminal profit increased by 23.4% to US$299,866,000 for the year (2016: US$242,898,000).

COSCO SHIPPING Ports continued to extend its international footprint with an aim to build a balanced portfolio of terminals across an extensive network. During the year, the Group continued to explore overseas investment

90 target bulk berths

with a total designed annual handling capacity of

273,740,000 tons

opportunities to align with one of its key strategies, ie, Globalization. In China, the Group seized the development opportunity presented by the "Yangtze River Economic Belt" by taking a majority stake in Wuhan Terminal and Nantong Tonghai Terminal. It targets to develop these two subsidiaries into transshipment hub ports in the middle and lower reaches of the Yangtze River delta, so as to optimise the terminals network in the Yangtze River. Moreover, the investment in QPI further consolidated the Group's leading position in the China market. The increased stake in the Zeebrugge Terminal in Belgium and the acquisition of the NPH Group enabled the Group to complete its terminal network in Mediterranean and Northwest Europe, which now covers major European hinterlands and shipping routes. The investment in Abu Dhabi Terminal in 2016 enabled the Group to extend its reach to the Middle East. Moving forward, the investment focus of the Group will then be in Southeast Asia, Latin America and Africa, so as to continue to extend its network of terminals. As at 31 December 2017, the Group operated and managed 35 ports with 179 container berths around the world with a total annual handling capacity amounting to 102,720,000 TEU and 86 cargo berths in operation with an annual handling capacity of 262,670,000 tons. The Group's terminal network currently spreads from the five major coastal port regions in China to Southeast Asia in Asia, and beyond to the Middle East, Europe and the Mediterranean.

199 target berths

under the Group's container terminals and the total designed annual handling capacity was

116,495,000 TEU

Total throughput by region

	Throughput (TEU)	Year-on-year change (%)	Percentage of total (%)
Bohai Rim*	15,974,976	+5.7	18.2
Yangtze River Delta	19,630,693	+6.1	22.3
Southeast Coast and others	5,079,660	+12.1	5.8
Pearl River Delta	27,049,187	+9.5	30.8
Southwest Coast	1,357,005	+19.2	1.5
Overseas	18,840,664	+38.7	21.4
Total*	**87,932,185**	**+13.4**	**100.0**

Equity throughput by region

	Throughput (TEU)	Year-on-year change (%)	Percentage of total (%)
Bohai Rim*	5,189,478	+1.1	17.4
Yangtze River Delta	5,586,737	+3.4	18.8
Southeast Coast and others	2,927,250	+16.8	9.8
Pearl River Delta	8,046,814	+11.6	27.1
Southwest Coast	542,802	+19.2	1.8
Overseas	7,447,503	+22.3	25.1
Total*	**29,740,584**	**+11.0**	**100.0**

Note: * Excluding throughput of QPI from May to December 2017 and throughput of QCCT in 2016.

Greater China Total Throughput

69,091,521 TEU[1]

↑8.0%

Overseas Total Throughput

18,840,664 TEU

↑38.7%

Bohai Rim[1]

15,974,976 TEU

↑5.7%

Dalian Container Terminal [2]	6,758,148	+15.2%
Dalian Dagang Terminal	24,582	+16.5%
Tianjin Euroasia Terminal	2,469,753	+10.6%
Tianjin Five Continents Terminal	2,580,943	+0.4%
Yingkou Terminal [3]	3,011,107	-12.9%
Jinzhou New Age Terminal	571,113	+27.2%
Qinhuangdao New Harbour Terminal	559,330	+8.5%
QPI [4]	12,270,000	N/A

Pearl River Delta

27,049,187 TEU

↑9.5%

Yantian Terminals	12,703,733	+8.6%
Guangzhou Terminal [5]	10,856,559	+2.7%
Hong Kong Terminal [6]	3,488,895	+43.4%

Notes:

1. Excluded throughput of QPI from May to December 2017 and throughput of QQCT in 2016.
2. The merger of DCT, DPCT and DICT was completed in October 2017. The figure of DCT in FY2016 included the throughput of DPCT and DICT; while the figure of DCT in FY2017 included the throughput of DPCT and DICT for the first ten months and the throughput of DCT in November and December.
3. Yingkou Container Terminal and Yingkou New Century Terminal were put under same management since May 2017. Therefore, the throughputs of the two terminals were combined within the throughput of Yingkou Terminal.
4. The throughput of QPI was included since 1 May 2017.
5. The integration of operation of Guangzhou Nansha Stevedoring Terminal and Guangzhou South China Oceangate Terminal was commenced in August 2017. Therefore, the throughputs of the two terminals were combined within the throughput of Guangzhou Terminal.
6. The co-management and operation of COSCO-HIT Terminal, Asia Container Terminal and Hongkong International Terminal was commenced on 1 January 2017. Therefore, the throughputs of COSCO-HIT Terminal and Asia Container Terminal were combined within the throughput of Hong Kong Terminal.
7. The throughput of NPH Group was included since 1 November 2017.
8. The throughput of Vado Reefer Terminal was included since 1 April 2017.
9. The throughput of Euromax Terminal was included since 1 October 2016.
10. The total throughput of bulk cargo (excluding QPI) in 2017 was 80,810,524 tons (FY2016: 80,821,924 tons), which was similar to last year. The throughput of Dalian Automobile Terminal Co., Ltd. was 711,040 vehicles (FY2016: 569,942 vehicles), representing an increase of 24.8%. The throughput of bulk cargo of QPI from May to December 2017 was 18,343,000 tons.

Yangtze River Delta

19,630,693 TEU

↑ 6.1%

Shanghai Pudong Terminal	2,650,396	+3.7%
Shanghai Mingdong Terminal	6,500,062	+10.2%
Ningbo Yuan Dong Terminal	2,980,839	+17.5%
Lianyungang New Oriental Terminal	2,872,563	-7.3%
Zhangjiagang Terminal	735,918	+9.0%
Yangzhou Yuanyang Terminal	489,108	+7.7%
Nanjing Longtan Terminal	2,881,008	+3.9%
Taicang Terminal	520,799	+1.5%

Overseas

18,840,664 TEU

↑ 38.7%

Piraeus Terminal	3,691,815	+6.4%
Zeebrugge Terminal	316,448	+14.1%
NPH Group [7]	554,028	N/A
COSCO-PSA Terminal	2,044,536	+13.0%
Vado Reefer Terminal [8]	39,455	N/A
Euromax Terminal [9]	2,693,337	+311.9%
Kumport Terminal	1,063,335	+59.8%
Suez Canal Terminal	2,528,647	-0.7%
Antwerp Terminal	2,166,096	+12.7%
SSA Terminals	188,455	+24.4%
Busan Terminal	3,554,512	+70.5%

Southeast Coast and others

5,079,660 TEU

↑ 12.1%

Xiamen Ocean Gate Terminal	1,501,001	+32.7%
Quan Zhou Pacific Terminal	1,384,479	+5.8%
Jinjiang Pacific Terminal	495,993	+36.2%
Kao Ming Terminal	1,698,187	-1.8%

Southwest Coast

1,357,005 TEU

↑ 19.2%

Qinzhou International Terminal	1,357,005	+19.2%

Terminal Portfolio* (as of 31 December 2017)

Terminal company	Share holdings	Target Number of Berths	Designed annual handling capacity (TEU)	Depth (m)
Bohai Rim		**53**	**23,350,000**	
		3	**780,000 vehicles**	
		63	**236,020,000 tons**	
QPI	18.41%	23	10,000,000	N/A
		61	207,020,000 tons	N/A
Dalian Container Terminal	19%	14	6,250,000	17.8
Dalian Dagang Terminal	35%	1	100,000	9.1
Dalian Automobile Terminal	24%	3	780,000 vehicles	11
Tianjin Euroasia Terminal	30%	3	1,700,000	16.5
Tianjin Five Continents Terminal	28%	4	1,500,000	16.5
Yingkou Container Terminal	50%	2	1,000,000	14
Yingkou New Century Terminal	40%	2	1,400,000	15.5
Jinzhou New Age Terminal	51%	2	600,000	15.4
Qinghuangdao New Harbour Terminal	30%	2	800,000	15.8
Dongjiakou Ore Terminal	25%	2	29,000,000 tons	19.2-24.5
Yangtze River Delta		**39**	**19,820,000**	
		22	**28,520,000 tons**	
Shanghai Pudong Terminal	30%	3	2,300,000	12
Shanghai Mingdong Terminal	20%	7	5,600,000	12.8
Ningbo Yuan Dong Terminal	20%	3	1,800,000	17-22
Ningbo Meishan Terminal	20%	2	1,200,000	17
Lianyungang New Oriental Terminal	55%	4	1,200,000	15
Zhangjiagang Terminal	51%	3	1,000,000	10-11
Yangzhou Yuanyang Terminal	55.59%	2	700,000	12
		8	10,950,000 tons	8-12
Nanjing Longtan Terminal	16.14%	10	4,000,000	12.5-14.5
Taicang Terminal	39.04%	2	550,000	12
		2	4,000,000 tons	12
Nantong Tonghai Terminal	51%	3	1,470,000	12.5
		1	5,373,000	12.5
Wuhan Terminal	70%	4	4,200,000 tons	9
Jiangsu Petrochemical	30.4%	7	4,000,000 tons	15.4

Note: The terminal portfolio includes operating and non-operating terminal companies, berths and designed annual handling capacity.

Terminal Portfolio* (as of 31 December 2017)

Terminal company	Share holdings	Target number of berths	Designed annual handling capacity (TEU)	Depth (m)
Southeast Coast and others		**13**	**7,400,000**	
		5	**9,200,000 tons**	
Xiamen Ocean Gate Terminal	70%	4	2,600,000	16
		1	4,000,000 tons	6.6-13.6
Quan Zhou Pacific Terminal	82.35%	3	1,200,000	7.0-15.1
		2	1,000,000 tons	5.1-9.6
Jinjiang Pacific Terminal	80%	2	800,000	9.5-15.3
		2	4,200,000 tons	7.5-9.5
Kao Ming Terminal	20%	4	2,800,000	16.5
Pearl River Delta		**30**	**27,025,000**	
Yantian Terminal Phases I & II	14.59%	5	4,500,000	14.0-15.5
Yantian Terminal Phase III	13.36%	11	9,925,000	16.0-16.5
Guangzhou Nansha Stevedoring Terminal	40%	4	5,000,000	14.5
Guangzhou South China Oceangate Terminal	39%	6	4,200,000	15.5
COSCO-HIT Terminal	50%	2	1,800,000	15.5
Asia Container Terminal	60%	2	1,600,000	15.5
Southwest Coast		**2**	**1,200,000**	
Qinzhou International Terminal	40%	2	1,200,000	15.1
Overseas		**62**	**37,700,000**	
		2	**600,000 pallets**	
Piraeus Terminal	100%	8	6,200,000	14.5-18.5
Suez Canal Terminal	20%	8	5,100,000	16
Kumport Terminal	26%	6	3,000,000	15-16.5
Zeebrugge Terminal	100%	3	1,000,000	17.5
Antwerp Terminal	20%	6	3,500,000	14.5-16.5
COSCO-PSA Terminal	49%	3	3,000,000	18
Busan Terminal	5.50%	8	4,000,000	15-16
Seattle Terminal	13.33%	2	900,000	15
Euromax Terminal	35%	5	3,200,000	16.65
Abu Dhabi Terminal	90%	3	2,400,000	18
Vado Reefer Terminal	40%	1	300,000	14.1
		2	600,000 pallets	14.1
Valencia Terminal	51%	6	4,100,000	16
Bilbao Terminal	39.78%	3	1,000,000	21
Total		**294**		
Total number of container berths/ designed annual handling capacity		**199**	**116,495,000**	
Total number of bulk berths/ designed annual handling capacity		**90**	**273,740,000 tons**	
Total number of automobile berths/ designed annual handling capacity		**3**	**780,000 vehicles**	
Total number of reefer berths/ designed annual handling capacity		**2**	**600,000 pallets**	

Operational Review

During 2017, the Group endeavoured to upgrade the proportion of its interests in terminals to strengthen its role in their operation. In 2017, it acquired 51% of the shares of the NPH Group in Spain, the remaining 76% stake in Zeebrugge Terminal, and 51% of Nantong Terminal and 70% of Wuhan Yangluo Terminal, which increased the number of controlled terminals of the Group to 15, with a total designed capacity of 28,470,000 TEU. During the year, total equity throughput of the Group's subsidiaries amounted to 11,053,112 TEU (2016: 10,027,597 TEU), representing an increase of 10.2% compared with last year.

In addition, the proportion of overseas terminal business of the Group continues to increase. As at 31 December 2017, the number of overseas terminals under the Group increased to 13 with a total designed throughput of 37,700,000 TEU, representing an increase of 5.8 percentage points from 26.5% in 2016 to 32.3%, with a significant proportion of that increase from overseas businesses. Overseas terminals completed a total container equity throughput of 7,447,503 TEU in 2017, an increase of 22.3% over the previous year, representing an increase of 2.3 percentage points from 22.7% in the previous year to 25.0%. In January 2018, a new berth was added to COSCO-PSA Terminal in Singapore, together with two large berths replaced in January 2017. Currently, the terminal operates three large container berths in Pasir Panjang Port, the total quay length is 1,200 metres. Its operating capacity has increased from 1,000,000 TEU in 2016 to 3,000,000 TEU at present and its operational capability has been greatly enhanced. On 5 November 2017, the construction of the 90% owned Abu Dhabi Terminal was officially started. The terminal has 1,200 metres of quay length and three container berths with a design annual handling capacity of 2,400,000 TEU. This facility will be put into operation in the first quarter of 2019, further enhancing the Group's overseas business.

Regional Performance

Bohai Rim

A stable performance was recorded in the Bohai Rim region. The throughput of the region, excluding QPI and Qingdao Qianwan Terminal, reached 15,974,976 TEU for 2017 (2016: 15,112,768 TEU), an increase of 5.7% and accounted for 18.2% (2016: 19.5%) of the Group's total. The throughput of QPI in May to December 2017 totalled 12,270,000 TEU.

DCT completed the merger with DPCT and DICT in October 2017 and recorded a combined throughput of 1,324,584 TEU in November and December. In the first 10 months of 2017, the total throughput of DPCT and DICT amounted to 5,433,564 TEU. Benefiting from the acceleration in local trade, the throughput of Tianjin Euroasia Terminal amounted to 2,469,753 TEU (2016: 2,232,973 TEU), a 10.6% increase. Impacted by the adjustment of shipping routes in the Port of Yingkou, the total throughput of Yingkou Container Terminal and Yingkou New Century Terminal dropped by 12.9% to 3,011,107 TEU (2016: 3,456,184 TEU), offsetting part of the throughput growth in the Bohai Rim region.

Yangtze River Delta

In the Yangtze River Delta region a positive performance was recorded. The throughput of the region, reached 19,630,693 TEU for 2017 (2016: 18,508,168 TEU), an increase of 6.1% and accounted for 22.3% (2016: 23.9%) of the Group's total. Impacted by the decrease in local trade and competition from neighbouring terminals, the throughput of Lianyungang New Oriental Terminal declined 7.3% to 2,872,563 TEU (2016: 3,100,243 TEU). All of the other terminals in the region recorded varying increases in their throughput. Benefiting from the new routes and callings of the new alliances and the increased overall frequency of ship calls, Shanghai Pudong Terminal and Shanghai Mingdong Terminal recorded 3.7% and 10.2% increases respectively in their throughput whereas the throughput of Ningbo Yuan Dong Terminal also recorded a 17.5% growth to 2,980,839 TEU (2016: 2,536,182 TEU).

Southeast Coast and other regions

A solid performance was recorded in the Southeast Coast and other regions. The regional throughput reached 5,079,660 TEU for 2017 (2016: 4,533,026 TEU), an increase of 12.1%, and accounted for 5.8% (2016: 5.8%) of the Group's total. Benefitting from the addition of shipping routes and increased frequency of calls by the OCEAN Alliance, Xiamen Ocean Gate Terminal enjoyed an outstanding performance and recorded a considerable 32.7% increase in its throughput to 1,501,001 TEU (2016: 1,131,197 TEU). Also taking advantage of the increased trade in the region and integrated marketing activities, Quan Zhou Pacific Terminal and Jinjiang Pacific Terminal recorded increases of 5.8% and 36.2% in their throughput. The growth for Jinjiang Pacific Terminal is particularly noteworthy, as the terminal actively attracted new clients and developed new routes.

Pearl River Delta

In the Pearl River Delta region an ideal performance was recorded. The throughput of the region reached 27,049,187 TEU for 2017 (2016: 24,697,218 TEU), an increase of 9.5% and accounted for 30.8% (2016: 31.8%) of the Group's total. All of the terminals in the region recorded throughput increases as international trade has slowly recovered. Driven by increased laden and transshipment containers, the throughput of Yantian International Container Terminals Co., Ltd. rose 8.6% to 12,703,733 TEU (2016: 11,696,492 TEU), substantially higher than the 5.3% growth for the Port of Shenzhen. Benefitting from the support from the OCEAN Alliance and increased efficiency resulting from integrated operation, the throughput of Guangzhou Nansha Stevedoring and Guangzhou South China Oceangate Terminal increased by 2.7% to a combined 10,856,559 TEU (2016: 10,567,976 TEU).

As a result of the global economic recovery and the return of some of the routes by shipping companies to Hong Kong, the throughput of the Port of Hong Kong expanded by 4.8% to 20,755,000 TEU. Benefiting from increased local trade and improved efficiency from the co-management since 2017 by COSCO-HIT Terminal, Asia Container Terminal and Hongkong International Terminal, COSCO-HIT Terminal and Asia Container Terminal handled 3,488,895 TEU for 2017 (2016: 2,432,750 TEU), a 43.4% surge.

Southwest Coast

Driven by the twin trends of increased local trade and goods transfer in the Southwest Coast region, the throughput of Qinzhou International Terminal has risen. Thus, the Southwest Coast region recorded a strong performance. The throughput of the region reached 1,357,005 TEU for 2017 (2016: 1,138,057 TEU), an increase of 19.2% and accounted for 1.5% (2016: 1.5%) of the Group's total.

Overseas

On the strength of the global economic recovery, the Group's overseas business recorded an outstanding performance in 2017, with its throughput reaching 18,840,664 TEU, a 38.7% increase. Excluded Vado Reefer Terminal and the NPH Group, which were included in April and November 2017 respectively with a total throughput of 593,483 TEU, the throughput of the Group's overseas business recorded vigorous growth of 34.3% to 18,247,181 TEU.

All overseas terminals have recorded throughput increases, except for the Suez Canal Terminal in Egypt, whose throughput for 2017 slightly decreased by 0.7% owing to the adjustment of routes between May and July. Benefitting from increased calling by the OCEAN Alliance and THE Alliance, the throughput of Piraeus Terminal and Kumport Terminal rose in 2017 by 6.4% and 59.8% to 3,691,815 TEU (2016: 3,470,981 TEU) and 1,063,335 TEU (2016: 665,398 TEU) respectively. The throughput of Antwerp Terminal in Belgium increased by 12.7% to 2,166,096 TEU (2016: 1,922,281 TEU), impacted by the installation of new equipment and the addition of new routes in 2017. Euromax Terminal in Rotterdam also saw a solid performance, with its throughout reaching 2,693,337 TEU.

Powered by increased throughput in new Southeast Asian markets, COSCO-PSA Terminal and Busan Terminal both performed strongly. In January 2017, COSCO-PSA Terminal was moved to a new terminal with a higher capacity, which drove its throughput to reach 2,044,536 TEU (2016: 1,809,428 TEU), a 13.0% growth compared with last year, exceeding the 8.9% increase in the Port of Singapore. Benefitting from improved efficiency following integration of its resources, the throughput of Busan Terminal soared 70.5% to 3,554,512 TEU (2016: 2,084,592 TEU).

Three Major Development Strategies of the Company

With the constant change of the operational environment in the global shipping market, the new landscape created by the strategic alliances of shipping enterprises and the continuous business growth of the alliances, terminals operators are required to have a more comprehensive and extensive global terminal network to meet the business needs of the major shipping alliances and act in concert with their development of routes in order to acquire the largest share of the market.

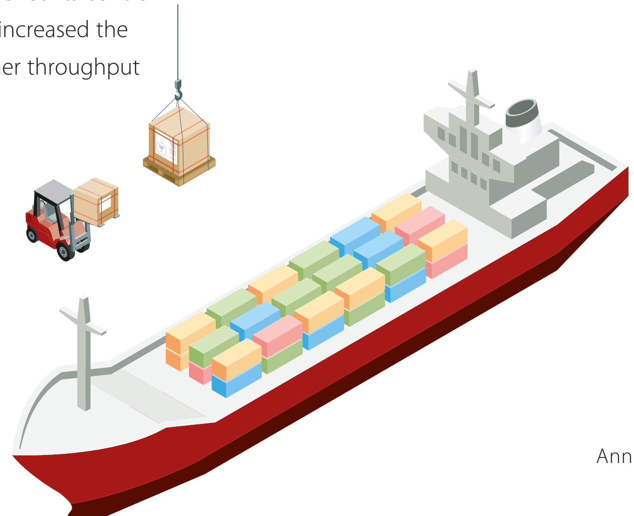
Against this backdrop, the Group, following its reorganisation in 2016, has established the "The Ports For ALL" development concept, which presents three strategic directions for terminal business development, namely to develop a global terminal network; to achieve synergies between its parent company, COSCO SHIPPING, and the OCEAN Alliance; and to strengthen the control and management of its ports and terminals business.

In 2017, under the guidance of these major strategies, the Group has achieved significant results in its terminals business. COSCO SHIPPING Ports has fully utilised the advantages of synergies between COSCO SHIPPING and the OCEAN Alliance, enhanced its network of global container hub ports and improved its services for shipping alliances. Concurrently, it has actively sought opportunities for investment in overseas terminals and domestic port projects, strengthened its control over and integrated its existing terminals and increased the efficiency of its terminal management for higher throughput with beneficial effects for its business.

Business Development

During the year, the Group has completed investments in four port companies. On 12 June 2017, the Group entered into a sales and purchase agreement with TPIH Iberia, S.L.U. for the acquisition of 51% equity interest in the NPH Group for EUR203,490,000. The NPH Group operates two container terminals, Valencia Terminal and Bilbao Terminal, as well as two facilitative rail terminals, Conte-Rail Terminal and Zaragoza Rail Terminal. The two container terminal companies have a total quay length of 3,465 metres and nine container berths with an annual handling capacity of 4,570,000 TEU and a planned future increase to 5,100,000 TEU. The transaction was completed on 31 October 2017.

Valencia Terminal is strategically located and is the largest container terminal of Valencia Port, one of the three major ports in the Mediterranean Sea, and serves as a transshipment hub in the western Mediterranean. Bilbao Terminal is the only container terminal in Spain's Bilbao Port and the largest and most advanced container terminal in the southern European region. The transaction further improves the Group's network layout in the western Mediterranean and Europe. Moreover, as the Group has become the controlling shareholder of the NPH Group and the two container terminals at Valencia Terminal and Bilbao Terminal, they will have business support from COSCO SHIPPING and the OCEAN Alliance. The two facilitative rail terminals will also provide extended services for COSCO SHIPPING Lines, a fellow subsidiary of the Company, and customers. Beginning in April 2017, the OCEAN Alliance has reshuffled their routes to the Valencia Terminal and launched the feeder service in the Port of Bilbao.



Operational Review

On 11 September 2017, the Group entered into a legally binding memorandum of understanding with APM Terminals B.V. and on 8 November, the Group signed a share purchase agreement in respect of the acquisition of the remaining approximately 76% of the issued share capital of Zeebrugge Terminal for a total consideration of EUR35,000,000 (including refinancing of the existing shareholders' loan). This new acquisition, together with the original 24% equity interest held by the Group, has made Zeebrugge Terminal the second overseas wholly-owned terminal of the Group following Piraeus Terminal in Greece. With a total quay length of 1,275 metres and three container berths, the terminal has a design annual handling capacity of 1,000,000 TEU and a potential increase to 2,000,000 TEU in the future. The transaction was completed on 30 November 2017.

Zeebrugge Port is the second largest port in Belgium. It is a natural deep-water port that can accommodate large vessels and it is located strategically to function as a transportation hub to all directions. Zeebrugge Terminal has good road and rail network connections to Europe, and coastal ports in Northwest Europe, Central Europe and Eastern Europe. Upon completion of the acquisition, Zeebrugge Terminal will be an important gateway for the Group in the northwestern European region, contributing to the construction of a global strategic pivot.

On 18 July 2017, the Group signed an equity transfer agreement with Jiangsu Changjiangkou Development Group Co., Ltd. and Nantong Integrated Bonded Area Development Limited to acquire a 51% equity interest in Nantong Tonghai Terminal at a total consideration of RMB105,281,000 and to pay up the registered capital at shareholding proportion of RMB297,840,000. The transaction was completed on 29 September 2017. Nantong Tonghai terminal has three container berths and one bulk cargo berth. It is expected to commence operation by mid-2018. The annual handling capacity of container and bulk cargo throughputs at the terminal after the commencement of operation is expected to be 1,470,000 TEU and 5,370,000 tons respectively. With its geographical advantage, the Port of Nantong is located along the coast of China's Yangtze River and the Group plans to build it into a transshipment hub in the lower reaches of the Yangtze River.

In addition, the Group acquired a 70% equity interest in Wuhan Terminal, a subsidiary of Wuhan Iron & Steel Group Logistics Co., Ltd. ("WISGL"), at a consideration of RMB297,500,000 on 22 December 2017 to operate Wuhan Terminal and the sea-rail combined transportation project. Wuhan Terminal will also utilise the proceeds from external financing or shareholders' loans for technological transformation, development of logistics park and sea-rail combined transportation with a total investment amount of approximately RMB1,526,000,000. The Port of Yangluo currently has three operating areas (Phase III) with an annual handling capacity of 2,000,000 TEU. In 2017, the phase III terminal of the Port of Yangluo completed a throughput of 1,260,000 TEU. It is estimated that the transformation of Wuhan Terminal will be completed at the end of 2019. Upon completion, the throughput capacity of the entire Port of Yangluo will reach 2,800,000 TEU, ranking the first in river ports in China.

Enhance Collaboration Value

Following the completion of its reorganisation in 2016, COSCO SHIPPING Ports has formulated long-term development strategies that concentrate on the deployment of collaboration value amongst its ports. The collaboration values stem from the integrated or coordinated operations between existing terminal operators and their partners. On 20 January 2017, the Group

announced its strategic investment in 16.82% of QPI's issued share capital in the form of an injection of RMB5,798,619,200, a 20% stake in Qingdao Qianwan Terminal and cash. The transaction was completed on 19 May 2017. At present, the Group holds an 18.41% interest in QPI.

After the completion of the project, the operating model of the Group in the Port of Qingdao extended from the operation of one single terminal to the management of the whole port, which not only strengthened its control over the whole port, but also enabled it to fully enjoy the room for development and future continuous growth of the whole port. Furthermore, the Group will work closely with QPI to form strategic partnership in developing overseas business. This new model of strategic investment in the port authority acts as a significant reference for the Group's future deployment of its businesses in Mainland China.

In addition, through the integration of its existing terminals resources, the Group has enhanced its competitiveness and the profitability of its terminals. During the year, Yingkou Container Terminal and Yingkou New Century Terminal began their operations under same management since May 2017; the merger of DCT, DPCT and DICT was completed in October 2017, with DCT as the surviving entity, in which the Group holds a 19% stake; Guangzhou Nansha Stevedoring Terminal and Guangzhou South China Oceangate Terminal commenced their integrated operational mode in August 2017; the co-management of COSCO-HIT Terminal, Asia Container Terminal and Hongkong International Terminal starting 1 January 2017. The integration of terminals can ease unnecessary and irrational regional competition, promoting healthy development in the industry.

Expand Terminal Extension Services

One of the Group's strategic plans involves the provision of extended services of terminals in both their upper and lower reaches. During the year, the Group vigorously executed logistics park projects in places such as the Abu Dhabi Khalifa Container Freight Station project, and projects in Nantong Tonghai port and Wuhan Yangluo port and developed extended terminal services in order to enhance the competitiveness of these terminals.

In November 2017, the Group and Abu Dhabi Ports Company signed a tenancy agreement for the Abu Dhabi Khalifa container freight Station project, which involved the leases of a specified port area outside the terminal area and the construction of a container freight station measuring 270,000 square metres. The Group can take advantage of the advanced transport infrastructure in the region to further utilise the geographical advantages of the Port of Khalifa to deliver goods to more than 4,500,000,000 consumers and international markets through the sea, road, rail and air transport network based on the Abu Dhabi Khalifa Container Freight Station project and to develop the terminal into a local transport, transshipment and distribution centre as soon as possible.

In March 2017, the Group signed a cooperation agreement with the Nantong Municipal Government to jointly operate Nantong Terminal. Concurrently, the Nantong Municipal Government agreed to provide the Group with the right to use a 5,412 Mu plot of land as a container operation area and logistics park site. The project has been undertaken with the cooperation with fellow subsidiary COSCO SHIPPING Lines to establish a transshipment hub in the lower reaches of the Yangtze River by building a new model for the integrated development and operation of terminal parks. The Wuhan Yangluo sea-rail combined transportation project is a cooperation project of the Group and WISGL. The project is located in the port area of Yangluo Jiangbei terminal and covers an area of more than 700 Mu. It is planned to be a modern logistics collection and distribution centre integrating the functions of terminals, container transport, logistics, warehouses, yards, container yards and sea-rail combined transportation centres. In addition, the Group signed a strategic cooperation agreement with China Gezhouba Group International Engineering Co., Ltd. in May 2017 which will open a new chapter in the field of investment, construction and logistics for global ports. The Company believes that the extension of upstream and downstream industry chain services will bring newly added value to the development of the terminal business and help to further enhance the influence and competitiveness of the Company's terminal business along both upstream and downstream industry chains.

Improve Terminal Operational Efficiency

In an effort to broaden the global business landscape and market share, the Group is committed to optimising terminal assets and enhancing the terminal operational efficiency. During the year, the Group signed a contract with a terminal equipment supplier in relation to the application of the latest terminal operation system to the Group's terminals. Khalifa Terminal Phase II, which is under construction, will take the lead in adopting such system. In addition, the Group has adopted a unified management and information system to promote the unification of the information systems for terminals in which the Group has controlling stakes, so that the headquarters of the Company can examine the operation status of each of its terminals in real time and regularly quantify the business performance with unified performance indicators so as to enhance the enthusiasm of the terminal companies. Concurrently, the Group also introduced and applied innovative information technologies to optimise the workflow and business operations of various departments through information and electronic means. It also provided high-quality services for customers while enhancing safety and overall operational efficiency.

The Group also formulated standardised and unified operational standards for core processes such as gate management, yard operations and front-line terminal operations. Through the key performance evaluation system, the Group carried out comprehensive, effective management of the workload and operational capability, operational services, operational efficiency and resource utilisation of its terminal companies. The Group encouraged its business teams to adopt the best practices, improve their overall professional standards in order to ensure the provision of quality services for their clients.

Build Green Ports

The Group is duty-bound to develop green port in protecting the environment. During the year, the Group continuously monitors and strengthens its terminal management of environmental-protection issues related to production and operation such as energy consumption, greenhouse gas emissions, air pollution, usage of materials and sewage and waste management. Through comprehensive management procedures, the application of advanced technologies and equipment and continuous environmental protection investment, the Group aims to minimise or eliminate the impact of the terminal business on the environment and the consumption of natural resources, enhance operational efficiency and achieve "double benefits" through economy of operations and protection of the environment. The Group has actively fulfilled its commitment to building "green ports" by formulating the "Regulations on Emissions Reduction" and issued specific energy-saving targets to its terminal companies.

Prospects

COSCO SHIPPING Ports is dedicated to becoming a leading port player in the world and creating development opportunities by promoting the synergies within the entire shipping industry including logistics, upstream and downstream businesses. According to the IMF, the global economic growth that took place in 2017 will continue into 2018 with a projected increase of 3.9% in 2018, slightly higher than the 3.7% growth in 2017; while the world trade volume is expected to rise even more strongly to 4.6% in 2018, essentially the same growth rate as in 2017.

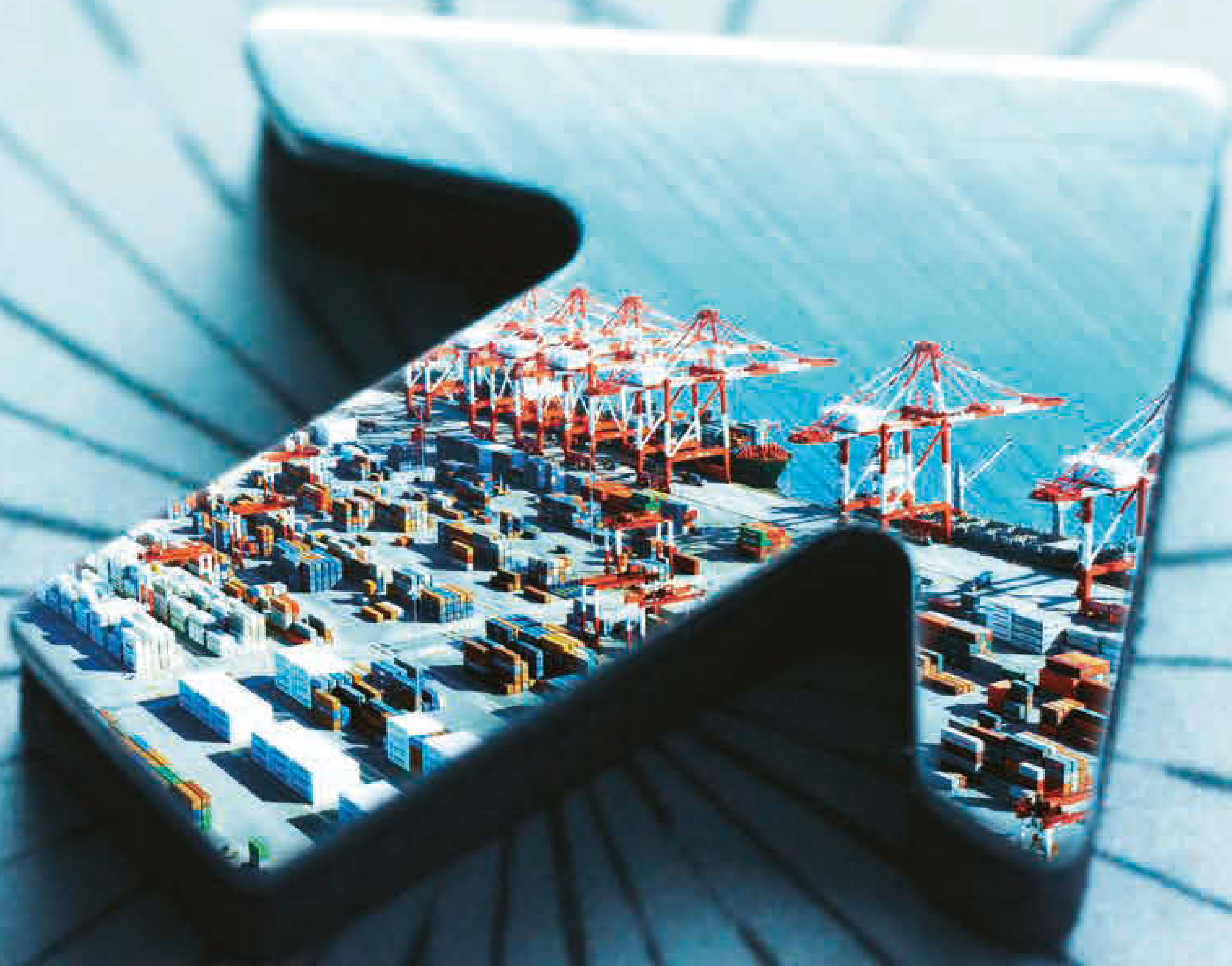
The advantages of COSCO SHIPPING Ports lie in the facts that the fleet of COSCO SHIPPING, its parent company, was ranked fourth globally and that it has strong backing from the OCEAN Alliance, a powerful organisation whose members constitutes 28% of the global container capacity. In 2018, the Group will fully leverage the synergies with COSCO SHIPPING and the OCEAN Alliance, strengthen its service capability to serve shipping alliances and continue to improve its global container transshipment hub network, so as to seize the business opportunities offered by the huge market share of the OCEAN Alliance. At the same time, the Group will continue to establish close partnerships and good relationships with port groups, terminal operators and international liner companies. An example of such relationship-building can be seen in the Group taking the lead during January 2017 to sign a memorandum of understanding with CMA CGM Group to strengthen the cooperation between both parties in the field of global port investment and operations. The Group will strive to create the most valuable platform for sharing with and benefitting all stakeholders. COSCO SHIPPING Ports believes that through the cooperation of both parties, it can not only provide more quality services but also capture more business opportunities.

In respect of terminal investment, in selecting investment and merger and acquisition projects, the Group pays particular attention as to whether the control of the terminal can help enhance shareholder returns and weighs the value added to the overall terminal network layout. COSCO SHIPPING Ports will continue to exert its competitive advantages to further optimise its global terminal network by exploring investment opportunities in Southeast Asia, South Asia, West Asia, Africa, the Americas and Latin America, with the vision of building its global terminal network with controlling stakes that has linkage effects on cost, services and synergies, and providing its customers with a win-win network at maximised value. Aside from that, it will continue to participate in domestic port consolidations, team up with port authorities to strengthen its portfolio domestically.

COSCO SHIPPING Ports will adhere firmly to its five-year targets by getting hold of every development opportunities and aligning its development philosophy of "The Ports For All", working towards building a synergistic platform that offer mutual benefits for the entire shipping industry. COSCO SHIPPING Ports will continue to enhance its overall profitability by further strengthening the brand building, increasing terminal operational efficiency, and optimising its terminal portfolio, so as to maximise long-term value for its shareholders amid advancing towards the objectives of its five-year plan.

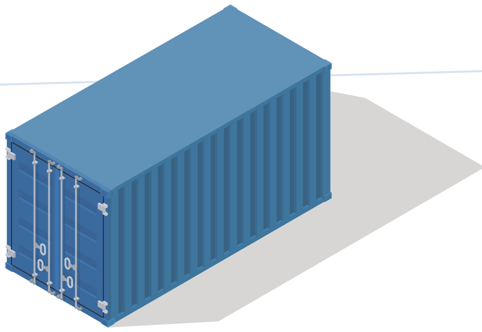
Control

Strengthening control and management of the ports and terminals business – further integrating our existing terminals portfolio and increasing the value of these investments through building controlling stakes; increasing our influence in entire ports through equity investments in port groups; and adopting a unified management and information system to integrate terminal operations.



Financial Review

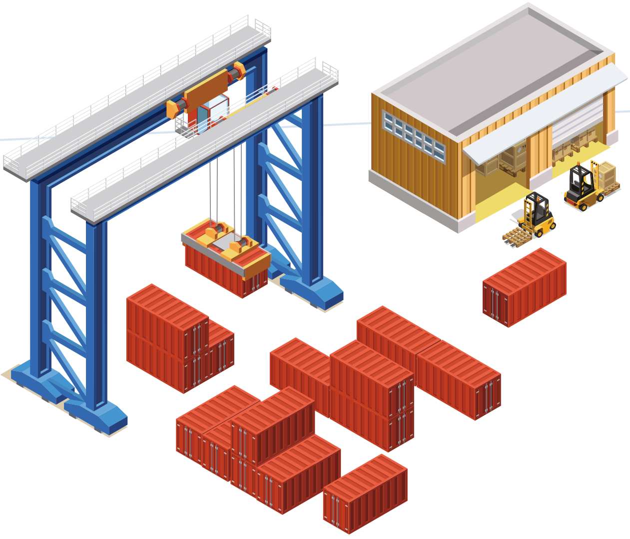
In 2017, COSCO SHIPPING Ports has been focusing on the development of terminals business. During the year, it completed the acquisition of a 51% equity interest in the NPH Group, the acquisition of additional equity interest in Zeebrugge Terminal in Belgium, which became a wholly-owned subsidiary of the Company, the acquisition of a 51% equity interest in Nantong Tonghai Terminal and a 70% equity interest in Wuhan Terminal and the integration project of Dalian Container Terminal, where Dalian Container Terminal completed the merger with Dalian Port Container Terminal Co., Ltd. ("DPCT") and Dalian International Container Terminal Co., Ltd. ("DICT") in October 2017, and COSCO SHIPPING Ports completed the strategic disposal of its equity interests in DPCT and DICT. Additionally, in 2017, the Group subscribed for the non-circulating domestic shares in QPI and disposed its shares in Qingdao Qianwan Terminal. 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 year. In 2017, the Group recorded profit after tax from one-off Exceptional Items totalling US$285,392,000. During the year, profit attributable to equity holders of the Company amounted to US$512,454,000 (2016: US$247,031,000), representing a considerable increase of 107.4% compared with 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$227,062,000 for 2017 (2016: US$180,937,000), a 25.5% increase compared with last year.



The Group has achieved a total throughput of 100,202,185 TEU in 2017, total equity throughput was 31,999,491 TEU. Excluded the throughput of QPI and Qingdao Qianwan Terminal, the Group recorded a throughput of container terminals of 87,932,185 TEU (2016: 77,572,219 TEU), a 13.4% increase compared with last year, and a throughput of bulk cargo of 80,810,524 tons (2016: 80,821,924 tons), similar to the 2016 level. The equity throughput of containers was 29,740,584 TEU (2016: 26,798,320 TEU), increased by 11.0% compared with last year. The equity throughput of bulk cargo amounted to 27,456,600 tons (2016: 27,049,465 tons), increased by 1.5% compared with last year. Excluding Exceptional Items, the Group recorded a profit from the terminals business of US$299,866,000 during 2017 (2016: US$242,898,000), a 23.4% increase compared with last year. Of this, profit from terminal companies in which the Group has controlling stakes was US$58,037,000 (2016: US$59,048,000), a 1.7% decrease compared with last year; profit from non-controlling terminals was US$241,829,000 (2016: US$183,850,000), a 31.5% increase compared with last year.

Profit from terminal companies in which the Group has controlling stakes was mainly attributable to Piraeus Terminal in Greece and Guangzhou South China Oceangate Terminal. In 2017, the throughput of Piraeus Terminal grew to 3,691,815 TEU (2016: 3,470,981 TEU), a 6.4% increase compared with last year. However, owing to the increased operational costs resulting from raised concession rates, completion of construction of the eastern part of Pier 3 of Piraeus Terminal, as well as the commencement of operation of the phase I of western part of Pier 3 of Piraeus Terminal in August 2016, which led to higher depreciation and interest expenses over last year. In 2017, profit of Piraeus Terminal amounted to US$20,000,000 (2016: US$31,357,000), a 36.2% decrease compared with last year. In 2017, the throughput of Guangzhou South China Oceangate Terminal grew to 5,056,257 TEU (2016: 4,781,665 TEU), a 5.7% increase compared with last year. During the year, with the decreased loss from currency exchange,

Financial Review



Guangzhou South China Oceangate Terminal recorded a profit of US$15,210,000 (2016: US$12,345,000), a 23.2% increase compared with last year. Xiamen Ocean Gate Terminal and Jinzhou New Age Terminal both recorded positive performance. After the OCEAN Alliance called at Xiamen Ocean Gate Terminal in April 2017, it newly added 9 shipping routes; its container throughput grew to 1,501,001 TEU (2016: 1,131,197 TEU); its bulk cargo throughput also grew to 2,417,850 tons (2016: 1,739,319 tons); it recorded a profit for 2017 of US$4,214,000 (2016: US$1,297,000), an increase of 224.9% compared with last year. In 2017, the throughput of Jinzhou New Age Terminal grew to 571,113 TEU (2016: 449,016 TEU), a 27.2% increase compared with last year; its profit also increased to US$2,547,000 (2016: US$574,000), a 343.7% increase compared with last year.

In respect of non-controlling terminals, profit from non-controlling terminals for 2017 was US$241,829,000 (2016: US$183,850,000), a 31.5% increase compared with 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 for May to December, which amounted to US$53,524,000 during the year. A profit of Qingdao Qianwan Terminal in the amount of US$48,089,000 was included into 2016. In addition, the allowances for impairment loss for Qinghuangdao Port Co., Ltd. ("Qinghuangdao Port") amounted to US$19,800,000 for 2016 (no such item in 2017). Excluding the share of profit of QPI for 2017 and the share of profit of Qingdao Qianwan Terminal and the allowances for impairment loss of Qinghuangdao Port for 2016, profit from non-controlling terminals for 2017 was US$188,305,000 (2016: US$155,561,000), a 21.0% increase compared with last year.

Financial Analysis

Revenues

Revenues of the Group for 2017 amounted to US$634,710,000 (2016: US$556,377,000), a 14.1% increase compared with last year. In 2017, the Group completed the acquisition of NPH Group and increased its equity interest in Zeebrugge Terminal, which were included in the Group's revenues since November and December 2017, respectively. In 2017, the NPH Group recorded revenue of US$44,596,000 in November and December, while the revenue for Zeebrugge Terminal in December amounted to US$1,283,000. During the year, while the throughput of Piraeus Terminal increased 6.4% to 3,691,815 TEU (2016: 3,470,981 TEU) compared with last year, the growth of its revenue, however, narrowed, due to a decrease in the handling volume of local import and export loaded containers with higher charges compared with last year. In 2017, Piraeus Terminal recorded revenue of US$183,219,000 (2016: US$176,226,000), a 4.0% increase compared with last year. Guangzhou South China Oceangate Terminal recorded a throughput of 5,056,257 TEU for 2017 (2016: 4,781,665 TEU), a 5.7% increase compared with last year, and recorded a revenue of US$151,758,000 (2016: US$151,629,000), similar to the 2016 level. Xiamen Ocean Gate Terminal and Jinzhou New Age Terminal both recorded strong performance in 2017. Compared with last year, the container and bulk cargo throughputs of Xiamen Ocean Gate Terminal grew 32.7% and 39.0% respectively, and its revenue increased 34.4% to US$63,490,000 (2016: US$47,228,000) compared with last year. Jinzhou New Age Terminal also reported a growth of 27.2% in its container throughput, while its revenue increased to US$20,644,000 (2016: US$14,886,000), a 38.7% increase 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 2017 was US$425,435,000 (2016: US$357,294,000), a 19.1% increase compared with last year. The increase was mainly attributable to the NPH Group and Zeebrugge Terminal newly added in 2017, of which cost of sales amounted to US$35,574,000 and US$1,235,000 respectively, as well as from Piraeus Terminal and Xiamen Ocean Gate Terminal. Due to higher depreciation, amortisation and outsourced stevedoring expenses compared with last year, the cost of sales of Piraeus Terminal increased to US$140,784,000 (2016: US$117,772,000), a 19.5% increase compared with last year. Growths in container and bulk cargo throughputs also drove the increase in the cost of sales of Xiamen Ocean Gate Terminal to US$43,357,000 (2016: US$32,324,000), a 34.1% increase compared with last year.

Administrative expenses

Administrative expenses in 2017 were US$114,290,000 (2016: US$84,871,000), a 34.7% increase compared with last year. The increase was mainly attributable to the increased number of projects and increases in the professional service fees and provisions in 2017 as compared with last year. In addition, the completion of the acquisition of NPH Group, the increase in equity interest in Zeebrugge Terminal, the establishment of Abu Dhabi Terminal, and the acquisition of equity interests in Nantong Tonghai Terminal and Wuhan Terminal contributed to the administrative expenses for 2017.

Other operating income/(expenses), net

Net other operating income in 2017 was US$35,218,000 (2016: net other operating expenses of US$19,572,000), which included the integrated profit before taxation of Dalian Container Terminal at US$7,301,000 and the profit before taxation of the increased equity interest in Zeebrugge Terminal at US$30,000. For 2016, it included the provision for impairment loss made for an available-for-sale financial asset (i.e. Qinhuangdao Port) of US$19,800,000 and no such provision was made in 2017. Moreover, an exchange gain of US$15,681,000 was recorded in 2017 (2016: exchange loss of US$9,097,000).

Finance costs

The Group's finance costs for 2017 was US$55,976,000 (2016: US$52,142,000) a 7.4% increase compared with last year. The average balance of bank loans increased to US$1,691,875,000 (2016: US$1,528,991,000), a 10.7% increase compared with last year. The increase in finance costs was mainly attributable to the bank loan interest of the terminals newly added by the Group in 2017. Taking into account the capitalised interest, the average cost of bank borrowings in 2017, including the amortisation of transaction costs over bank loans and notes, was 3.22% (2016: 3.37%).

Share of profits less losses of joint ventures and associates

The Group's share of profits less losses of joint ventures and associates for 2017 amounted to US$236,568,000 (2016: US$200,242,000), a 18.1% increase compared with last year. This included the share of profit of QPI for May to December 2017, which amounted to US$53,524,000, while the profit of Qingdao Qianwan Terminal for 2016, which amounted to US$48,089,000, was included in the profit for 2016. Excluding the share of profit of QPI in 2017 and the profit of Qingdao Qianwan Terminal for 2016, the Group's share of profits less losses of joint ventures and associates for 2017 amounted to US$183,044,000 (2016: US$152,153,000), a 20.3% increase compared with last year.

In 2017, the throughput of Kumport Terminal in Turkey increased to 1,063,335 TEU (2016: 665,398 TEU), a considerable increase of 59.8% compared with last year, which was mainly attributable to the increase in the throughput from the new customer, namely THE Alliance, since April 2017. This, coupled with the decrease in operating costs resulting from the depreciation of the Turkish Lira, drove the growth in profit. In 2017, the share of profit of Kumport Terminal saw a remarkable increase to US$12,673,000 (2016: US$2,432,000). In 2017, Euromax Terminal in the Netherlands achieved a turnaround from loss to profit, with its throughput increased to 2,693,337 TEU (2016: 653,808 TEU) and the share of its profit increased to US$2,752,000 (2016: a loss of US$266,000). COSCO-HIT Terminal, Asia Container Terminal and Hongkong International Terminal, a subsidiary of Hutchison Port Holdings Trust, commenced their co-management and operation on 1 January 2017. Subsequently, the combined throughput of COSCO-HIT Terminal and Asia Container Terminal for 2017 grew to 3,488,895 TEU (2016: 2,432,750 TEU), a 43.4% increase compared with last year. Share of profit of COSCO-HIT Terminal and Asia Container Terminal increased to US$15,133,000 in total (2016: US$13,161,000), a 15.0% increase compared with last

year. Profit of DPCT for 2017 amounted to US$2,595,000 (2016: US$1,321,000), a 96.4% increase compared with last year, which was mainly attributable to the additional rental income of DPCT from #15 berth in 2017, which drove growth in the overall profit of DPCT. DICT, another terminal located in Dalian, delivered satisfactory profit in 2017, recorded a profit of US$2,102,000 in the year (2016: US$1,239,000), a 69.7% increase compared with last year. In 2017, the throughput of Shanghai Pudong Terminal delivered a growth of 3.7% compared with last year, while the share of the profit of Shanghai Pudong Terminal increased to US$22,949,000 (2016: US$20,607,000), a 11.4% increase compared with last year. The throughput of Ningbo Yuan Dong Terminal for 2017 amounted to 2,980,839 TEU (2016: 2,536,182 TEU), a 17.5% increase compared with last year; the share of the profit of Ningbo Yuan Dong Terminal increased to US$9,001,000 (2016: US$7,459,000), a 20.7% increase compared with last year.

Income tax expenses

Income tax expenses amounted to US$94,709,000 (2016: US$48,170,000), a 96.6% increase compared with 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. In addition, the income tax expenses for 2017 also include the deferred income tax of US$2,757,000 generated by the integration of Dalian Container Terminal. Excluding taxation related to Exceptional Items and the deferred income tax generated by the integration of Dalian Container Terminal, income tax expenses for 2017 amounted to US$54,949,000 (2016: US$48,170,000), a 14.1% increase compared with the last year.

Financial Position

Cash flow

In 2017, the Group continued to receive steady cash flow income. The Group's net cash generated from operating activities amounted to US$252,900,000 (2016: US$300,759,000). In 2017, the Group borrowed bank loans of US$704,024,000 (2016: US$1,401,356,000) and repaid loans of US$308,143,000 (2016: US$1,147,394,000).

In 2017, an amount of US$198,483,000 (2016: US$440,681,000) was paid in cash by the Group for the expansion of berths and the purchase of property, machines and equipment, of which US$277,447,000 in 2016 was for the purchase of containers, while no container was purchased in 2017 following the disposal of FCHL. 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 year, 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. Moreover, in 2017, the Group completed the acquisition of a 51% equity interest in the NPH Group for US$218,035,000, the increase of equity interest in Zeebrugge Terminal and provision of shareholder's loan totalled at US$40,212,000, and the acquisition of Wuhan Terminal for US$45,521,000. Furthermore, the acquisition of a 40% equity interest in Vado Reefer Terminal was completed in 2017, in connection with which an amount of US$7,465,000 was invested, and an additional shareholders' loan of US$37,061,000 was provided to Vado Terminal. Additionally, the Group increased its investment in Dongjiakou Ore Terminal for an amount of US$22,601,000 during the year.

In 2016, the Company completed its acquisition of all the issued shares in China Shipping Ports Development Co., Limited and paid the consideration of US$1,161,963,000. In addition, the Company also completed the disposal of all the issued shares in FCHL in 2016, for which it received a disposal consideration of US$1,508,725,000, 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 31 December 2017, the Group's total outstanding borrowings amounted to US$2,334,349,000 (31 December 2016: US$1,502,991,000) and cash balance amounted to US$566,400,000 (31 December 2016: US$837,100,000). Banking facilities available but unused amounted to US$976,365,000 (31 December 2016: US$266,874,000).

Assets and liabilities

As at 31 December 2017, the Group's total assets and total liabilities were US$8,954,080,000 (31 December 2016: US$6,786,456,000) and US$3,108,706,000 (31 December 2016: US$2,020,652,000) respectively. Net assets were US$5,845,374,000, a 22.7% increase as compared with that of US$4,765,804,000 as at 31 December 2016. Net current liabilities as at 31 December 2017 amounted to US$179,637,000 (31 December 2016: net current assets of US$159,565,000). As at 31 December 2017, the net asset value per share of the Company was US$1.92 (31 December 2016: US$1.58).

As at 31 December 2017, the net debt-to-total-equity ratio was 30.2% (31 December 2016: 14.0%) and the interest coverage was 12.5 times (2016: 5.9 times).

As at 31 December 2017, certain other property, plant and equipment of the Group with an aggregate net book value of US$157,298,000 (31 December 2016: US$103,928,000) and the Company's interest in subsidiaries were pledged as securities against bank loans and a loan from the CS Finance with an aggregate amount of US$816,026,000 (31 December 2016: US$350,506,000).

Debt analysis

	As at 31 December 2017		As at 31 December 2016	
By repayment term	US$	(%)	US$	(%)
Within the first year	510,579,000	21.9	431,585,000	28.7
Within the second year	76,324,000	3.3	37,565,000	2.5
Within the third year	215,863,000	9.2	46,272,000	3.1
Within the fourth year	231,351,000	9.9	220,309,000	14.7
Within the fifth year and after	1,300,232,000	55.7	767,260,000	51.0
	2,334,349,000*	100.0	1,502,991,000*	100.0
By category				
Secured borrowings	816,026,000	35.0	350,506,000	23.3
Unsecured borrowings	1,518,323,000	65.0	1,152,485,000	76.7
	2,334,349,000*	100.0	1,502,991,000*	100.0
By denominated currency				
US dollar borrowings	1,011,840,000	43.4	633,479,000	42.1
RMB borrowings	449,093,000	19.2	422,359,000	28.1
Euro borrowings	873,416,000	37.4	447,153,000	29.8
	2,334,349,000*	100.0	1,502,991,000*	100.0

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

Financial guarantee contracts

As at 31 December 2017, the Group provided guarantees on loan facilities granted to a joint venture of US$9,226,000 (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.

Interest rate swap contracts with financial institutions are used to achieve the optimum ratio between fixed and floating rates and to manage the related interest rate exposure. As at 31 December 2017, 29.2% (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.

Corporate Sustainable Development

Employee-oriented Philosophy

During the year, the Group improved its employee performance appraisal system and incentive mechanism. Through active development of a variety of staff events and the launch of internal publications as well as an official WeChat account as a public platform, the Group has further strengthened engagement with its staff to create a diversified, inclusive and excellence-oriented corporate culture, conducive to the globalization and development of COSCO SHIPPING Ports' corporate brand.

In the course of business development and enhancement of operational performance, the Group takes sustainability as its core value and develops and optimises its sustainable development strategy to improve the performance of its terminals' operations and explore new business opportunities. With a commitment to sustainable development, the Group places the overall interests and long-term interests of the stakeholders as a top priority and works to contribute positively to the environment and community. This is particularly crucial in realising the strategic development vision of COSCO SHIPPING Ports. In 2017, with an open vision, steady pace and its professional team, COSCO SHIPPING Ports continued its efforts to build a global ports network with unique competitive advantages. It is hoped that by integrating resources, the Group will better capitalise on the scale and synergies to become "The Ports For ALL", where all parties jointly create, share and achieve win-win relationship.

The Group continuously explored, standardised and improved its management methods and measures in all aspects of corporate sustainable development. During the year, the Group fully integrated the elements of sustainable development into all aspects of the daily operations of ports and terminals.

Optimise Terminal Portfolio and Operational Efficiency

The Group implemented a globalization strategy to expand its container terminal network globally. As of 31 December 2017, the Group operated and managed a total of 269 berths, in which 179 berths are container terminal berths, at 35 ports worldwide with a total annual handling capacity of 102,720,000 TEU. In addition, terminal automation was promoted in order to enhance overall operational efficiency and safety, and to provide quality and efficient services to customers at home and abroad. The Group has adopted a unified management and information system to promote the unification of information systems for terminals in which the Group has controlling stakes, so that the headquarters of the Company can examine the operation status of each of its terminals in real time and regularly quantify the business performance with unified performance indicators so as to enhance the enthusiasm of the terminal companies. Concurrently, the Group also introduced and applied innovative information technology to optimise the workflow and business operations of various departments through informational and electronic measures. It also provided customers with high-quality services while enhancing safety and overall operational efficiency.

Commit to the Development of "Green Ports"

As a major global terminal operator, COSCO SHIPPING Ports is committed to environmental protection and hopes to play an active leadership role in promoting the development of green ports. During the year, the Group actively fulfilled its commitment to building "green ports" by formulating the "Regulations on Emissions Reduction" and issued the related energy-saving targets to its terminal companies. It also set up a special office for energy conservation and emission reduction to oversee and ensure the realisation of the relevant emissions reduction and energy-saving goals. During the year, the Group's terminals gradually improved their environmental management system and made good progress on environmental protection measures through the use of emission-reduction technologies and better resources utilisation, which effectively reduced environmental impact and carbon footprint from their business operations.

Win-Win Cooperation

In line with the vision of building a platform with mutual benefit, the Group has further centralised its supplier management system and promoted policy formulation, in order to fortify the effective management of sustainable development performance throughout the supply chains. In addition, terminal companies from various locations have lived up to their community care aspirations through taking action in areas such as promoting education, helping the poor, conducting talent training, so as to achieve joint growth and progress for the Group, the industry and the community.

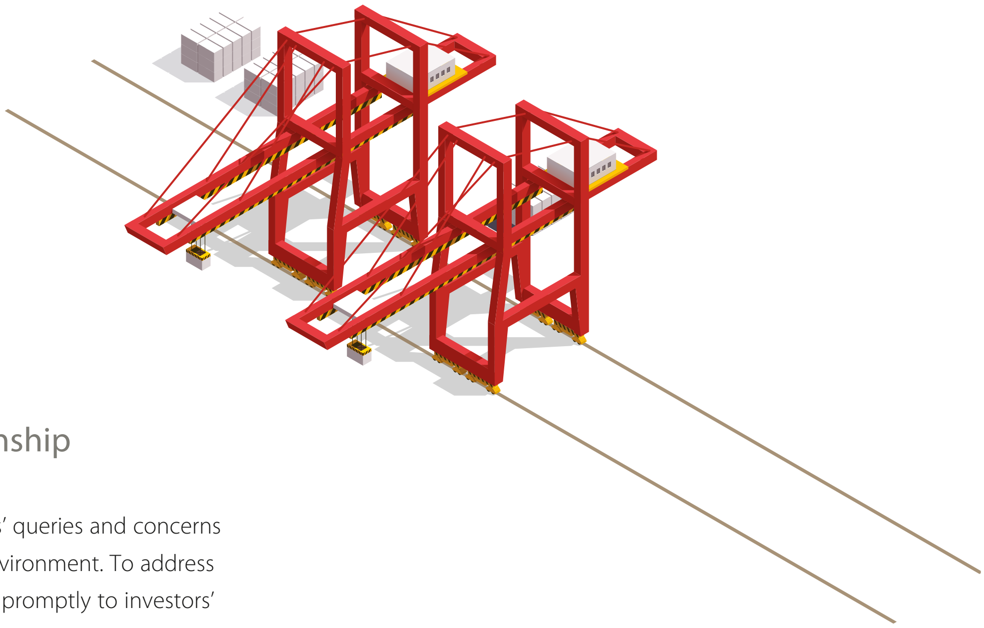
During the year, COSCO SHIPPING Ports continuously promoted the awareness of sustainable development, further strengthened internal training, optimised data collection and report preparation, and improved reporting quality, especially in terms of content and scope of reporting, so as to enhance the effectiveness of sustainable development information disclosure. In addition, the Group invited a higher number of internal and external stakeholders to participate in the key evaluation survey, and a more scientific approach to fully understand their opinions on the Group's sustainable development performance. Among the above, to better comprehend investors' sustainable development concerns, the Group invited the top ten institutional shareholders to participate in the stakeholders' communication. The Group also engaged a third party certification company to certify the Group's sustainability report, thereby enhancing the recognition of the sustainability report.

More information on our sustainable development is available in our Sustainability Report 2017, which is published on the same day as this report.

Investor Relations

COSCO SHIPPING Ports places great importance on investor relations and has always seen investors as close partners as well as an important aspect of corporate governance. We release accurate information in a timely manner, according to standards higher and more transparent than those of the disclosure regulations governing the Company's listing.

COSCO SHIPPING Ports places great importance on investor relations and has always seen investors as close partners as well as an important aspect of corporate governance. In 2017, the Group completed a restructuring to become the sole terminal platform under COSCO SHIPPING and conducted several mergers and acquisitions during the year. In this context, ensuring investors understand the development philosophy behind is very important. Our investor relations team aims to provide an efficient two-way communication channel between senior management and investors. We release accurate information in a timely manner, according to standards higher and more transparent than those of the disclosure regulations governing the Company's listing. To increase corporate transparency, in addition to announcing monthly throughput figures of our terminals and our business results voluntarily on a quarterly basis and answering investors' queries, we compile a sustainability report, making ourselves accountable to a diversity of stakeholders. This further improves the Company's governance, enhancing sustainability and shareholder value.



Building a Close Relationship with Investors

The Company understands investors' queries and concerns amid a rapidly changing industry environment. To address these concerns, besides responding promptly to investors' enquiries, we organise regular activities such as roadshows, press conferences, analyst discussions, investor meetings, teleconferences, luncheons and individual and group meetings with fund managers. Through sincere and honest meetings, COSCO SHIPPING Ports helps different audience understand the Company's financial results, operational strategies and prospects. Only if the market fully understands and recognizes COSCO SHIPPING Ports' strategy can the Company's share valuation reflect its true value. During the year, our management proactively communicated with investors, comprehensively explaining our strategies and the impact of market changes on the Company, to deepen investors' knowledge of the industry and the Company and to reinforce their confidence in the Company.

During the year, we met investors and related parties 263 times, among which fund managers accounted for 62%, securities professionals (including analysts and brokers) for 19%, investment banks for 8% and media for 11% of meetings. In addition, we also conducted two roadshows and participated in three investor conferences.

Continuously Enhancing Corporate Transparency

The disclosure practice we implement is well above regulatory requirements. Since 1997, we have posted the monthly throughput figures for our terminals on our website, as an important reference for investors and the media. Furthermore, we have released business results quarterly since the third quarter of 2007, providing timely updates on our latest operations and financial performance. The Company also continues to enhance information disclosure in our results announcement to provide investors with a more comprehensive view of our operations and financial position.

Investor Relations

To understand COSCO SHIPPING Ports better, the Company's annual report is the essential reference for shareholders and investors. Every year, COSCO SHIPPING Ports spares no effort in preparing the report. We incorporate human elements into the design to reflect the Company's culture and the business results of the year. Investors can easily extract key figures and messages at a glance. The Company also publishes an independent sustainability report, strengthening our reporting with increased disclosure the Company's employees and environmental protection data. In addition, we provide a detailed disclosure regarding the efforts undertaken by our terminals in promoting environmental protection, enhancing customer service, supply chain management and community engagement. We are responsible to stakeholders on all aspects.

Facilitating Two-way Communication between the Company and Investors

The investor relations team regularly informs senior management of the latest market movements and market perceptions of the Company, investors' concerns and changes in regulations or compliance requirement, and optimizes investor relations work according to international best practice.

The Company regularly conducts analyses of the shareholder structure, which reviews the shareholding of institutional and retail investors. We proactively contact investors, as it helps us establish relationships with existing shareholders effectively. We also actively reach out to potential investors, in order to broaden our shareholder base.

Awards

COSCO SHIPPING Ports believes that stakeholders such as investors are the Company's most important partners. We proactively enhance the Company's transparency and promptly respond to investors' enquiries. We deploy resources for corporate and financial communication, letting investors fully understand the Company and management through different channels. This constant commitment to investor communication has helped us to expand our presence in the capital markets, it has also enabled the Company to gain extensive recognition. We put considerable effort into designing and producing our annual reports, which we see as one of the year's key corporate communication documents. In 2016, we chose "Moving Forward Embracing Change" as our annual report theme to reflect the prospects of our restructured business. That report won the "Traditional Annual Report Bronze Award" and "Cover Design Honours Award" in the Marine Transportation category in the 2017 ARC Awards. Apart from the annual report, the Company's overall investor relations work also gained recognition. In June 2017, for the sixth consecutive year, the Company was named "Best Investor Relations Company" by Corporate Governance Asia magazine. In December, the Company was awarded the "Excellence in Investor Relation Award" by IR Magazine. The Company's corporate governance level was also recognised. In November 2017, in the 2017 Best Corporate Governance Awards organised by the Hong Kong Institute of Certified Public Accountants, the Company received the "Best Corporate Governance Gold Award" under the H-share Companies and Other Mainland Enterprises Category. In December, the Group was honoured with the "Gold Award in Environmental, Social Responsibility and Corporate Governance" from The Asset magazine.

Investor Relations

Investor Relations Events

March

- Issued 2016 annual results announcement, and held press conference and analyst panel discussion
- Results roadshow in Hong Kong

April

- 2017 first quarter results announcement on a voluntary basis

May

- Participated in "dbAccess Asia Conference 2017" held by Deutsche Bank, AG

Meetings in 2017

	People	Percentage of total
Fund managers	164	62%
Securities houses (including analysts and brokers)	50	19%
Investment banks	21	8%
Media	28	11%
Total	**263**	**100%**

Market Capitalisation

As at 31 December	2013	2014	2015	2016	2017
Closing price (HK$)	10.64	11.02	8.54	7.79	8.13
Market capitalisation (in HK$ million)	30,987	32,404	25,334	23,495	24,854

Share Price Performance

(HK$)	2017	2016
Highest	9.84	9.02
Lowest	7.46	6.76
Average	8.55	7.84
Closing price on 31 December	8.13	7.79
Monthly average trading volume (shares)	63,886,460	87,793,297
Monthly average trading value	549,808,258	727,845,092
Total number of shares issued (shares)	3,057,112,720	3,016,018,628
Market capitalisation on 31 December	24,854,326,414	23,494,785,112

Source: Bloomberg

August

- Issued 2017 interim results announcement, and held a press conference and analyst panel discussion
- Results roadshow in Hong Kong

October

- 2017 third quarter results announcement on a voluntary basis
- Participated in "12th China Investor Conference 2017" held by Citigroup Global Markets Asia Limited

November

- Participated in "9th Annual Asia Investor Forum" held by The Hongkong and Shanghai Banking Corporation Limited

Analyst Coverage

Company Name	Analyst	E-mail
Citigroup Global Markets Asia Limited	Vivian TAO	vivian.tao@citi.com
China International Capital Corporation Limited	Xin YANG	xin.yang@cicc.com.cn
Daiwa Capital Markets Hong Kong Limited	Kelvin LAU	kelvin.lau@hk.daiwacm.com
DBS Bank	Paul YONG	paulyong@dbs.com
Deutsche Bank AG	Sky HONG	sky.hong@db.com
Goldman Sachs (Asia) L.L.C.	Simon CHEUNG	simon.cheung@gs.com
Guotai Junan Consultancy Services (Shen Zhen) Co., Ltd.	Spencer FAN	fanming@gtjas.com
The Hongkong and Shanghai Banking Corporation Limited	Parash JAIN	parashjain@hsbc.com.hk
JP Morgan Securities (Asia Pacific) Limited	Calvin Wong	calvin.wong@jpmorgan.com
Morgan Stanley Asia Limited	Qianlei FAN	qianlei.fan@morganstanley.com
OCBC Investment Research	Eugene CHUA	eugene.chua@ocbc.com
UBS Securities Co. Limited	Robin XU	bin.xu@ubssecurities.com

Abbreviations

Abbreviations	
Company Name	**Abbreviation**
China COSCO Shipping Corporation Limited	COSCO SHIPPING
China COSCO Shipping Corporation Limited and its subsidiaries	COSCO SHIPPING Group
COSCO SHIPPING Ports Limited	COSCO SHIPPING Ports or the Company
COSCO SHIPPING Ports Limited and its subsidiaries	the Group
COSCO SHIPPING Holdings Co., Ltd.	COSCO SHIPPING Holdings
COSCO SHIPPING Lines Co., Ltd.	COSCO SHIPPING Lines
Terminal Company	
CSP Abu Dhabi Terminal L.L.C.	Abu Dhabi Terminal
Antwerp Gateway NV	Antwerp Terminal
Asia Container Terminals Limited	Asia Container Terminal
Busan Port Terminal Co., Ltd.	Busan Terminal
Conte-Rail, S.A.	Conte-Rail Terminal
COSCO-HIT Terminals (Hong Kong) Limited	COSCO-HIT Terminal
COSCO-PSA Terminal Private Limited	COSCO-PSA Terminal
CSP Wuhan Company Limited	Wuhan Terminal
CSP Zeebrugge Terminal NV	Zeebrugge Terminal
Dalian Automobile Terminal Co., Ltd.	Dalian Automobile Terminal
Dalian Dagang China Shipping Container Terminal Co., Ltd.	Dalian Dagang Terminal
Dalian Port Container Terminal Co., Ltd.[1]	Dalian Container Terminal
Euromax Terminal Rotterdam B.V.	Euromax Terminal
Guangzhou South China Oceangate Container Terminal Company Limited	Guangzhou South China Oceangate Terminal
Jiangsu Yantze Petrochemical Co., Ltd.	Jiangsu Petrochemical
Jinjiang Pacific Ports Development Co., Ltd.	Jinjiang Pacific Terminal
Jinzhou New Age Container Terminal Co., Ltd.	Jinzhou New Age Terminal
Kao Ming Container Terminal Corp.	Kao Ming Terminal
Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret A.Ş.	Kumport Terminal
Lianyungang New Oriental International Terminals Co., Ltd.	Lianyungang New Oriental Terminal
Nanjing Port Longtan Container Co., Ltd.	Nanjing Longtan Terminal
Nantong Tonghai Port Co., Ltd.	Nantong Tonghai Terminal
Nansha Stevedoring Corporation Limited of Port of Guangzhou	Guangzhou Nansha Stevedoring Terminal
Ningbo Meishan Bonded Port New Harbour Terminal Operating Co., Ltd.	Ningbo Meishan Terminal
Ningbo Yuan Dong Terminals Limited	Ningbo Yuan Dong Terminal

Note: 1. The merger of Dalian Container Terminal, Dalian Port Container Terminal Co. Ltd. and Dalian International Container Terminal Co., Ltd. was completed in October 2017. The Group holds 19% in Dalian Container Terminal, the surviving entity, after the completion.

Abbreviations

Terminal Company	
Noatum Container Terminal Bilbao, S.L.	Bilbao Terminal
Noatum Container Terminal Valencia, S.A.U.	Valencia Terminal
Noatum Port Holdings, S.L. and its subsidiaries	NPH Group
Noatum Rail Terminal Zaragoza, S.L.	Zaragoza Rail Terminal
Piraeus Container Terminal S.A.	Piraeus Terminal
Qingdao Port Dongjiakou Ore Terminal Co., Ltd.	Dongjiakou Ore Terminal
Qingdao Port International Co., Ltd.	QPI
Qinhuangdao Port New Harbour Container Terminal Co., Ltd.	Qinhuangdao New Harbour Terminal
Qinzhou International Container Terminal Co., Ltd.	Qinzhou International Terminal
Quan Zhou Pacific Container Terminal Co., Ltd.	Quan Zhou Pacific Terminal
Reefer Terminal S.p.A.	Vado Reefer Terminal
Shanghai Mingdong Container Terminals Limited	Shanghai Mingdong Terminal
Shanghai Pudong International Container Terminals Limited	Shanghai Pudong Terminal
SSA Terminals (Seattle), LLC	Seattle Terminal
Suez Canal Container Terminal S.A.E.	Suez Canal Terminal
Taicang International Container Terminal Co., Ltd.	Taicang Terminal
Tianjin Five Continents International Container Terminal Co., Ltd.	Tianjin Five Continents Terminal
Tianjin Port Euroasia International Container Terminal Co., Ltd.	Tianjin Euroasia Terminal
Xiamen Ocean Gate Container Terminal Co., Ltd.	Xiamen Ocean Gate Terminal
Yangzhou Yuanyang International Ports Co., Ltd.	Yangzhou Yuanyang Terminal
Yantian International Container Terminals (Phase III) Limited	Yantian Terminal Phase III
Yantian International Container Terminals Co., Ltd.	Yantian Terminal Phases I & II
Yingkou Container Terminals Company Limited	Yingkou Container Terminal
Yingkou New Century Container Terminal Co., Ltd.	Yingkou New Century Terminal
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	Zhangjiagang Terminal
Others	
twenty-foot equivalent unit	TEU

Corporate Governance Report

The corporate governance framework of COSCO SHIPPING Ports Limited (the "Company") aims to ensure that the highest standards of corporate conduct are in place within the Company and places great importance on corporate governance processes and systems so as to achieve its corporate objectives, ensure greater transparency and protect shareholders' interests. The Board of Directors of the Company (the "Board") enhances the Company's practices and policies in a timely, transparent, informative and accountable manner. The Board strongly believes that good corporate governance forms the core of a well-managed organisation.

The Company has made continuous efforts to promote high standards of corporate governance and excellence in investor relations practices, earning market recognition from different stakeholders for its high levels of transparency and corporate governance. The Company is included as a constituent of the Hang Seng Corporate Sustainability Benchmark Index. In 2017, the Company was awarded "Gold Award in the H-share Companies and Other Mainland Enterprises Category" in the 2017 Best Corporate Governance Awards by the Hong Kong Institute of Certified Public Accountants, demonstrating that its efforts in corporate governance are highly valued by the industry. In addition, the Company was awarded "Shipping In-House Team of the Year" by *Asian Legal Business*, a well-recognised professional magazine. Other noted awards received during the year include a "Gold Award for Environmental, Social Responsibility and Corporate Governance" from *The Asset* magazine, the "Excellence in Investor Relations Award" from *IR Magazine*, the "Best Investor Relations Company" for the sixth consecutive year from *Corporate Governance Asia* magazine, and the "Outstanding China Enterprise Award" for the sixth consecutive year from *Capital* magazine. In addition, the 2016 Annual Report was recognised with a "Traditional Annual Report Bronze Award" and the "Cover Design Honors" under the Marine Transportation category in the 2017 ARC Awards.

Corporate Governance Practices

The Company adopted the code provisions set out in the then Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practices in January 2005. From 2002, long before the implementation of the said code, the Company had already taken the initiative to disclose its corporate governance practices in its annual reports.

The Company's corporate governance practices are in compliance with the Corporate Governance Code contained in Appendix 14 of the Listing Rules. The Company also refers to the Organisation for Economic Co-operation and Development (OECD) principles for a set of ethics to maintain high corporate accountability and transparency.

The Company believes that commitment to good corporate governance is essential to the sustainability of the Company's businesses and performances. The Company is pleased to confirm that for the year ended 31 December 2017, it has fully complied with the code provisions of the Corporate Governance Code.

To reinforce and enhance our commitment to the highest level of corporate governance practices and integrity, the Company adopted the following code provisions in the Corporate Governance Code prior to their coming into effect on 1 April 2012:

Code Provision A.1.8

The code provision A.1.8 of the Corporate Governance Code provides that a listed company should arrange appropriate insurance coverage for directors. The Company has made appropriate arrangements for liability insurance to indemnify its directors for their liabilities arising out of corporate activities. The insurance coverage has been reviewed by the Company on an annual basis.

Code Provisions A.5.1 to A.5.4

The code provisions A.5.1 to A.5.4 of the Corporate Governance Code provides that a listed company should establish a nomination committee with its terms of reference. The Company established its Nomination Committee in 2005, long before the implementation of the relevant code provisions. Details of the composition and terms of reference of the Nomination Committee are set out under the section titled "Nomination Committee" below.

In order to promote transparency, the Company will periodically conduct a review of the extent to which the Company complies with the recommended best practices in the Corporate Governance Code. The following are major recommended best practices in the Corporate Governance Code with which the Company continued to comply during the year ended 31 December 2017:

Recommended Best Practice C.1.6

The recommended best practice C.1.6 of the Corporate Governance Code states that a listed company should announce and publish quarterly financial results. The Company had, on 25 April 2017 and 26 October 2017, published announcements of its first and third quarterly results respectively on a voluntary basis. The Company considers the publication of the quarterly results a regular compliance practice.

Recommended Best Practice C.2.6

The recommended best practice C.2.6 of the Corporate Governance Code states that the board of a listed company may disclose in the Corporate Governance Report that it has received a confirmation from management of the effectiveness of the Company's risk management and internal control systems.

The Board has received such confirmation with respect to the effectiveness of the Company's risk management and internal control systems for 2017. Details on the review of the effectiveness of the risk management and internal control systems of the Company are set out under the section titled "Risk Management and Internal Control" below.

Outlined below are the policies, processes and practices adopted by the Company in compliance with the principles and spirit of the Corporate Governance Code.

Board of directors

Board Functions and Responsibilities of Directors

The Board is responsible for the leadership and control of the Company and its subsidiaries (together "the Group") and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. Every Board member is required to keep abreast of his/her duties and responsibilities in the Company in the conduct, business and development of the Company and should act in good faith, exercise due diligence and act in the best interest of the Group and its shareholders. The Board should ensure that the Company complies with all applicable laws and regulations.

The Board delegates day-to-day operations of the Group to the management. Both the Board and the management have clearly defined authorities and responsibilities under various risk management, internal control and check-and-balance mechanisms. Matters to be decided by the Board include:

- establishing the strategic direction of the Group
- setting objectives and business development plans
- monitoring the performance of the senior management
- implementing the policies for corporate governance, including but not limited to (i) establishing a shareholder communication policy and reviewing it on a regular basis to ensure its effectiveness; and (ii) establishing risk management and internal control systems and reviewing their effectiveness

The Board reviews and approves the Company's annual budget and business plans, which serve as important benchmarks in assessing and monitoring the performance of the management. Directors have access to the management and are welcome to request explanations, briefings or discussions on the Company's operations or business issues.

The Company has in place a clear corporate governance process to ensure that all directors fully appreciate their roles and responsibilities.

All newly appointed directors undergo a comprehensive programme which includes management presentations on the Group's businesses, strategic plans and objectives. They also receive a comprehensive orientation package upon appointment which includes policies on disclosure of interest in securities, prohibitions on dealing in the Company's securities and restrictions on disclosure of inside information and disclosure obligations of a listed company under the Listing Rules. The programme and package are updated periodically whenever there are changes in relevant laws and regulations.

Board Composition

As at 26 March 2018 (the date on which the Board approved this report), the Board consisted of 15 members. Among them, four are executive directors, six are non-executive directors and five are independent non-executive directors, including 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

There are no relationships (including financial, business, family or other material/relevant relationship(s)) between Board members and in particular, between the Chairman and the Managing Director. Biographical details of the directors are set out in the section "Directors and Senior Management Profiles" in this annual report and on the Company's website at http://ports.coscoshipping.com. A list containing the names of the directors and their respective roles and functions is also published on the said website.

Procedures to Enable Directors to Seek Independent Professional Advice

To assist the directors in fulfilling their duties to the Company, the Board has established written procedures to enable them, upon reasonable request, to seek independent professional advice at the Company's expense in appropriate circumstances. No request was made by any director for such independent professional advice in 2017.

Separation of Chairman and Managing Director

To ensure independence, accountability and responsibility in Board functions, the posts of Chairman and Managing Director are separated and each plays a distinctive role. The Chairman, Mr. HUANG Xiaowen, who is a non-executive director, is responsible for setting the Group's strategy and business directions, managing the Board and ensuring that the Board is functioning properly with good corporate governance practices and procedures. The Vice Chairman and Managing Director, Mr. ZHANG Wei (張為), who is an executive director, supported by other Board members and the senior management, is responsible for managing the Group's business, including implementation of major strategies set by the Board, making day-to-day decisions and co-ordinating overall business operations. In addition, he guides and motivates senior management to achieve the Group's objectives. The division of responsibilities between the Chairman and the Managing Director is clearly established and set out in writing.

Non-executive Directors (including Independent Non-executive Directors)

The Company has six non-executive directors and five independent non-executive directors who are not involved in the day-to-day operation and management of the Group's businesses. The six non-executive directors have contributed innovative views to the Board's decision-making process based on their rich experience in terminal operations management, accounting and financing, and corporate management. Their expertise helps to facilitate the process of formulating the Group's strategy. The five independent non-executive directors, representing one-third of the Board, have well-recognised experience in areas such as accounting, law, banking and/or commercial fields. Their insightful advice, diverse skills and extensive business experience are major contributors to the development of the Company, and act as a check-and-balance for the Board. They ensure that matters are fully debated and that no individual or group of individuals dominates the Board's decision-making process. In addition, they ensure the Board maintains a high standard of financial, regulatory and other mandatory reporting and provide an adequate check-and-balance to safeguard the interest of shareholders and the Company as a whole.

Each of the non-executive directors and independent non-executive directors has signed an appointment letter with the Company for a term of around three years. Their terms of appointment are subject to the rotational retirement provision of the Bye-laws of the Company and shall terminate on the earlier of either (i) the date of expiry of the said term of service, or (ii) the date on which the director ceases to be a director for any reasons pursuant to the Bye-laws of the Company or any applicable laws.

The Board has received from each independent non-executive director a written annual confirmation of his/her independence and is satisfied with their independence up to the date of this report in accordance with the Listing Rules.

The Nomination Committee of the Company has conducted an annual review of the independence of all independent non-executive directors of the Company and confirmed that all the independent non-executive directors satisfied the criteria of independence as set out in the Listing Rules.

Board Meetings

Board meetings are scheduled one year in advance to facilitate maximum attendance by directors. The Board held four regular Board meetings during the financial year ended 31 December 2017 at quarterly intervals. One additional Board meeting was also held as required. The average attendance rate was 90.67%. The meetings were held to approve the 2016 final results, 2017 interim results and 2017 first and third quarterly results of the Company, and one to consider a major transaction of the Company. As the members of the Board are either in Hong Kong or in mainland China, all of these meetings were conducted by video and/or telephone conference as allowed under the Bye-laws of the Company. The Financial Controller and the General Counsel & Company Secretary also attended the Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and financial aspects.

Before each regular Board meeting, the Board is provided with adequate information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performances of the Group, in addition to the minutes of preceding meetings of the Board and Board committees. At least 14 days' notice of a regular Board meeting is given to all directors to provide them with an opportunity to attend and all directors are given an opportunity to include matters in the agenda for a regular meeting. Board papers are usually dispatched to the directors at least three days before the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. Directors unable to attend a meeting are advised of the matters to be discussed and are given an opportunity to make their views known to the Chairman prior to the meeting. Senior management members who are responsible for the preparation of the Board papers are invited to present their papers and to take any questions or address queries that Board members may have on the papers. This enables the Board to have pertinent data and insight for a comprehensive and informed evaluation as part of its decision-making process.

The Chairman of the Company conducts the proceedings of the Board at all Board meetings. He ensures that sufficient time is allocated for discussion and consideration of each item on the agenda and equal opportunities are given to the directors to express their views and share their concerns. Minutes of the Board meetings record in sufficient detail the matters considered by the Board and the decisions reached, including any concerns raised by the directors. Draft minutes of each Board meeting are sent to all directors for comments within a reasonable time after the Board meeting is held. All directors have access to the General Counsel & Company Secretary, who is responsible for ensuring that the Board procedures and all applicable laws and regulations are complied with and provides advice to the Board on compliance matters.

Set out below are the details of all directors' attendance at the Board meetings and general meetings during the financial year ended 31 December 2017 which illustrate the attention given by the directors in overseeing the Company's affairs and understanding shareholders' views:

Attendance of individual Board members at Board meetings and general meetings held in 2017				
Names of Directors	**No. of Board meetings attended/held**	**Attendance rate of Board meetings (%)**	**No. of general meetings attended/held**	**Attendance rate of general meetings (%)**
Mr. HUANG Xiaowen[2] (Chairman)	4/5	80	2/3	67
Mr. ZHANG Wei (張為)[1] (Vice Chairman & Managing Director)	4/5	80	3/3	100
Mr. FANG Meng[1]	5/5	100	3/3	100
Mr. DENG Huangjun[1]	5/5	100	3/3	100
Mr. FENG Boming[2]	3/5	60	2/3	67
Mr. ZHANG Wei (張煒)[2]	3/5	60	2/3	67
Mr. CHEN Dong[2]	4/5	80	3/3	100
Mr. XU Zunwu[2]	5/5	100	3/3	100
Mr. WANG Haimin[2]	5/5	100	3/3	100
Dr. WONG Tin Yau, Kelvin[1]	5/5	100	3/3	100
Dr. FAN HSU Lai Tai, Rita[3]	5/5	100	3/3	100
Mr. Adrian David LI Man Kiu[3]	5/5	100	3/3	100
Mr. FAN Ergang[3]	5/5	100	2/3	67
Mr. LAM Yiu Kin[3]	5/5	100	3/3	100
Prof. CHAN Ka Lok[3]	5/5	100	3/3	100

1 Executive Director
2 Non-executive Director
3 Independent Non-executive Director

During the financial year ended 31 December 2017, a meeting of the Chairman and the non-executive directors (including independent non-executive directors) without the presence of the executive directors was held pursuant to code provision A.2.7 of the Corporate Governance Code.

Appointment, Re-election and Removal of Directors

The Company follows a formal, considered and transparent procedure for the appointment of new directors. The Nomination Committee, chaired by an independent non-executive director, and comprising a majority of independent non-executive directors, has formulated a nomination policy and is responsible for identifying and nominating suitable candidates for the Board's consideration as additional directors or to fill in casual vacancies on the Board and for making recommendations to the shareholders regarding any directors proposed for re-election at general meetings.

Details of the selection process of new directors and a summary of work performed by the Nomination Committee in 2017 are set out under the "Nomination Committee" section below.

At each annual general meeting, one-third of the serving directors (or, if their number is not a multiple of three, the number nearest to but not more than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years.

Directors' Commitment

The Company has received confirmation from all directors that they have given sufficient time and attention to the affairs of the Company during the financial year ended 31 December 2017. Directors have also disclosed to the Company the number and nature of offices held in public companies or organisations and other significant commitments, as well as the identity of the said public companies and an indication of time involved in them.

Directors are reminded to participate in continuous professional development to ensure that they have a proper understanding of the Company's operations and business and are fully aware of their responsibilities under the Listing Rules and other applicable laws and regulations. During the financial year ended 31 December 2017, directors participated in various training programmes and seminars at the Company's expense. Set out below are the details of all directors' participation in continuous professional development during the financial year ended 31 December 2017:

Directors' Participation in Continuous Professional Development Programmes in 2017			
Names of Directors	Reading regulatory updates	Making visits to management of the Company and/or its subsidiaries	Attending directors' training organised by the Company or other listed companies/ professional organisations
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]	✓	✓	✓
Prof. CHAN Ka Lok[3]	✓	✓	✓

1 Executive Director
2 Non-executive Director
3 Independent Non-executive Director

Directors'/Senior Management's Securities Transactions

All directors are obliged to observe the requirements as stipulated in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"), as the Company has adopted the Model Code as the Company's code of conduct and rules governing dealings by its directors in the securities of the Company. In addition, the Board has established written guidelines for the senior management and relevant employees of the Company in respect of their dealings in the securities of the Company on no less exacting terms than the Model Code. A committee comprising the Chairman, the Vice Chairman and Managing Director and a Deputy Managing Director was set up to deal with such transactions.

Specific confirmation has been obtained from directors and senior management regarding their compliance with the Model Code and the aforementioned guidelines in 2017. No incidents of non-compliance were noted by the Company in 2017.

General Counsel & Company Secretary

The General Counsel & Company Secretary, who is directly responsible to the Board, is responsible for keeping directors updated on all relevant regulatory changes of which she is aware, including organising appropriate continuing development programmes for directors.

All directors have access to the General Counsel & Company Secretary who is responsible for ensuring good information flow within the Board and that Board policies and procedures are followed. The General Counsel & Company Secretary is also responsible for providing advice to the Board in relation to directors' obligations as regards disclosure of interest in securities and disclosure requirements in respect of notifiable transactions, connected transactions and inside information. The General Counsel & Company Secretary has to advise the Board on disclosure of information in a true, accurate, complete and timely manner in strict compliance with the requirements of the Listing Rules, applicable laws, regulations and the Bye-laws of the Company.

The General Counsel & Company Secretary is an alternate to one of the authorised representatives of the Company and the primary channel of communication between the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). She assists the Board in implementing and strengthening corporate governance practices with a view to enhancing long-term shareholder value. In addition, the General Counsel & Company Secretary will, on a timely basis, provide the directors with updated information regarding their continuing legal, regulatory and compliance obligations. In relation to connected transactions and disclosure requirements, regular seminars are conducted by the General Counsel & Company Secretary for management and senior executives within the Group to ensure that such transactions are handled in compliance with the Listing Rules. Detailed analyses are performed on all potential connected transactions to ensure full compliance, as well as for directors' consideration.

The General Counsel & Company Secretary has duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

Delegation by the Board

Management Functions

The Board delegates day-to-day responsibilities to the management. The respective functions of the Board and the management have been clearly established and set out in writing. The management, under the leadership of the Managing Director (who is also the Vice Chairman), is responsible for the following duties delegated by the Board:

- implementing the strategies and plans established by the Board
- submitting reports on the Company's operations to the Board on a regular basis to ensure effective discharge of the Board's responsibilities, including any monthly updates as requested pursuant to the Listing Rules

Board Committees

To assist the Board in the execution of its duties and to facilitate effective management, certain functions of the Board have been delegated to various Board committees, which in turn will review and make recommendations to the Board on specific areas. The Board has established a total of seven Board committees, details of which are set out below. Each committee consists of directors, members of senior management and management and has a defined scope of duties and terms of reference, and committee members are empowered to make decisions on matters within the terms of reference of each committee. These committees have the authority to examine particular issues and report to the Board with their recommendations, where appropriate. The ultimate authority for the final decision on all matters, however, lies with the Board.

The terms of reference of the Board committees setting out their roles and the authority delegated to them by the Board have been posted on the Company's website at http://ports.coscoshipping.com. The terms of reference will be revised when appropriate. It is the Company's policy to ensure that the committees are provided with sufficient resources to discharge their duties. They have regular, scheduled meetings every year and report to the Board on a regular basis. All business transacted at committee meetings is meticulously recorded and well maintained, and minutes of meetings are circulated to the Board for reference.

1. Executive Committee

The Executive Committee consists of all the executive directors of the Company who are frequently in Hong Kong. The purpose of this committee is to facilitate the daily operations of the Company. As most of the directors of the Company are fully engaged in their major responsibilities and/or stationed in different cities such as Beijing, Shanghai and Hong Kong, it may be practically difficult and inconvenient to convene full Board meetings or arrange for all directors to sign written resolutions on a frequent basis. Hence, the Board delegates powers to the Executive Committee to conduct and supervise the business of the Company and its staff.

During the year ended 31 December 2017, the Executive Committee held a total of 36 meetings. All the matters considered and decided by the Executive Committee at the committee meetings have been recorded in detailed minutes. A committee member presents a summary report on the business transacted at the Executive Committee meetings to the Board at Board meetings. All directors of the Company can inspect the minutes of the committee meetings at any time and upon request, and the General Counsel & Company Secretary will provide a copy of the minutes of the committee meetings to the directors.

2. Audit Committee

The Audit Committee, chaired by an independent non-executive director with appropriate professional qualifications, consists of three members, all of whom are independent non-executive directors of the Company. All committee members are professionals in their own working fields, including accounting, legal, banking and/or other commercial areas.

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It has unrestricted access to information relating to the Group, to both the internal and external auditors, and to the management and staff. Its terms of reference are aligned with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the code provisions set out in the Corporate Governance Code.

In addition to providing advice and recommendations to the Board, the Audit Committee oversees all matters relating to the external auditors. It therefore plays an important role in monitoring and safeguarding the independence of the external auditors. Both the Financial Controller and the Internal Auditor are directly accountable to the Chairman of the Audit Committee.

Regular meetings of the Audit Committee are normally held four times a year on a quarterly basis, with additional meetings arranged as and when required. During the year ended 31 December 2017, five meetings were held and attended by all members of the Audit Committee.

The key matters deliberated on by the Audit Committee in 2017 including but not limited to:

- reviewed the accounting principles and practices adopted by the Group and other financial reporting matters
- reviewed the draft annual, interim and quarterly results announcements and the draft annual report and interim report of the Company and assured the completeness, accuracy and fairness of the financial statements of the Company
- reviewed the results of the external audit and discussed significant findings and audit issues with the external auditors
- reviewed the internal audit plan and internal audit reports
- reviewed the Risk Management and Internal Control Policy of the Company; discussed the effectiveness of the risk management and internal control systems throughout the Group, including financial, operational and compliance controls, and reviewed the half-yearly progress report on risk management and internal control
- reviewed the summary of continuing connected transactions of the Company on a quarterly basis
- reviewed the framework for disclosure of inside information of the Group and the whistleblowing policy of the Company
- reviewed the Disclosure of Inside Information Policy of the Company

Attendance of individual members at Audit Committee meetings held in 2017

Names of Members	No. of meetings attended/held	Attendance rate (%)
Mr. Adrian David LI Man Kiu[1] (Chairman)	5/5	100
Dr. FAN HSU Lai Tai, Rita[1]	5/5	100
Mr. LAM Yiu Kin[1]	5/5	100

1 Independent Non-executive Director

3. Remuneration Committee

The Remuneration Committee, led by its Chairman who is an independent non-executive director, comprises five members, the majority of whom are independent non-executive directors of the Company.

The Company has adopted model (ii) as set out in the code provision B.1.2(c) of the Corporate Governance Code, under which the Remuneration Committee makes recommendations to the Board on the remuneration packages of individual executive directors and senior management. The Remuneration Committee also makes recommendations to the Board on the policy and structure for all directors' and senior management remuneration. If necessary, the Remuneration Committee can engage professional advisers to assist and/or provide professional advice on relevant issues.

When formulating remuneration packages (which comprise salaries, bonus, benefits in kind, etc.), the Remuneration Committee considers several factors such as salaries paid by comparable companies, time commitment, job responsibilities, the performance of the individual and the performance of the Company. The Remuneration Committee will also review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives resolved by the Board from time to time.

The following is a summary of the work of the Remuneration Committee in 2017:

- conducted the annual review and made recommendations to the Board on the remuneration packages of all directors and members of senior management

- reviewed and made recommendations to the Board on the remuneration of individual Executive Directors

Attendance of individual members at Remuneration Committee meetings held in 2017

Names of Members	No. of meetings attended/held	Attendance rate (%)
Dr. FAN HSU Lai Tai, Rita[1] (Chairman)	2/2	100
Mr. Adrian David LI Man Kiu[1]	2/2	100
Prof. CHAN Ka Lok[1]	2/2	100
Mr. ZHANG Wei (張為)[2]	1/2	50
Mr. LI Yingwei	2/2	100

1 Independent Non-executive Director
2 Executive Director, Vice Chairman and Managing Director

Remuneration policy

The remuneration policy of the Company ensures the competitiveness and effectiveness of the Company's pay levels for attracting, retaining and motivating employees and directors. No director, or any of his/her associates, is involved in determining his/her own remuneration. The remuneration policy for non-executive directors ensures that they are sufficiently yet not excessively compensated for the effort and time they dedicate to the Company. The policy for employees (including executive directors and senior management) assures that remuneration offered is appropriate for the duties involved and in line with market practice. The aggregate amount of directors' fees is subject to approval by shareholders at the annual general meeting.

The key components of the Company's remuneration package include basic salary plus other allowances, discretionary cash bonus and mandatory provident fund. The cash bonus is tied to the performance of the individual employee.

4. Nomination Committee

The Nomination Committee, led by its Chairman who is an independent non-executive director, comprises three members, the majority of whom are independent non-executive directors of the Company.

The Nomination Committee is responsible for nominating potential candidates for directorship, reviewing the nomination of directors, assessing the independence of independent non-executive directors and making recommendations to the Board on appointments and re-elections. In addition, the Nomination Committee is responsible for reviewing the Board Diversity Policy (set out below in summary) to ensure its effectiveness and make recommendations to the Board on requisite amendments.

During 2017, the work performed by the Nomination Committee included the following:

- reviewed the Board Diversity Policy (hereinafter defined)
- made recommendations to the Board on matters relating to the re-election of directors
- made recommendations to the Board on matters relating to the appointment and change of Board Committees members
- conducted an annual review of the independence of the independent non-executive directors
- reviewed structure, size and composition of the Board

According to the terms of reference of the Nomination Committee, all new appointments of directors and nominations of retiring directors proposed for re-election at the annual general meeting should first be considered by the Nomination Committee and then recommended by the Nomination Committee to the Board for decision. There was no appointment of new director during 2017.

In early 2018, the Nomination Committee nominated and the Board recommended that Mr. ZHANG Wei (張為), Mr. FANG Meng, Mr. WANG Haimin, Mr. FAN Ergang and Mr. LAM Yiu Kin, being directors longest in office since their last re-election, retire by rotation at the forthcoming annual general meeting. All the retiring directors, being eligible, will offer themselves for re-election by shareholders of the Company.

Attendance of individual members at Nomination Committee meetings held in 2017		
Names of Members	No. of meetings attended/held	Attendance rate (%)
Mr. Adrian David LI Man Kiu[1] (Chairman)	2/2	100
Dr. FAN HSU Lai Tai, Rita[1]	2/2	100
Mr. ZHANG Wei (張為)[2]	1/2	50

1 Independent Non-executive Director
2 Executive Director, Vice Chairman and Managing Director

Board Diversity Policy

The Board adopted a board diversity policy (the "Board Diversity Policy") on 27 August 2013, which aimed at setting out principles and approaches designed to achieve the diversity of the Board.

The Company regards the diversity of the Board as one of the crucial elements of the Company's sustainable development and in maintaining its competitive advantages. Candidates for Board appointments will be considered based on each objective criterion and with due regard for the benefits of diversity of the Board. Selection of candidates will be based on a number of perspectives, including but not limited to gender, age, skills, cultural background, knowledge and professional experience. The final decision will be based on the merit of the candidate and the contribution the candidate will bring to the Board.

The Board's composition under diversified perspectives was summarised as follows:

Board Diversity			
1. Designation	Executive Director (4)	Non-executive Director (6)	Independent Non-executive Director (5)
2. Gender	Male (14)	Female (1)	
3. Ethnicity	Chinese (15)		
4. Age group	40 - 50 (5)	51 - 60 (7)	Over 60 (3)
5. Length of service (years)	Over 10 (1)	3 - 10 (4)	Less than 3 (10)
6. Skills, knowledge and professional experience (Note 1)	Terminal operation and management (10)	Accounting and financing (5)	Banking (2)
	Law (2)	Management and commercial (1)	Capital management and investor relations (1)
7. Academic background	University (15)		

Note 1: Directors may possess multiple skills, knowledge and professional experience.
Note 2: The number in brackets refers to the number of directors under the relevant category.

The Nomination Committee has reviewed the Board's composition from diversity perspectives and monitored the implementation of the Board Diversity Policy and considers that the Board Diversity Policy is effective. It is currently not required to set any measurable objectives for implementing the said policy.

5. Corporate Governance Committee

The Corporate Governance Committee, led by an executive director, comprises six members (including an executive director, members of senior management and management). It reviews the corporate governance practices and disclosure systems of the Company and introduces relevant principles in this regard so as to enhance the standard of corporate governance of the Company.

In 2017 and early 2018, the Corporate Governance Committee performed the following in relation to the review of the corporate governance framework of the Company:

- reviewed the Company's policies and practices on corporate governance and made recommendations to the Board
- reviewed the training and continuous professional development of directors and senior management
- reviewed the Company's policies and practices on compliance with legal and regulatory requirements
- reviewed the employee manual of the Company
- reviewed the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report
- reviewed the Company's disclosure systems
- reviewed the Company's corporate sustainable development initiatives

Attendance of individual members at Corporate Governance Committee meetings held in 2017

Names of Members	No. of meetings attended/held	Attendance rate (%)
Members		
Dr. WONG Tin Yau, Kelvin[1] (Chairman)	4/4	100
Ms. HUNG Man, Michelle	4/4	100
Mr. HUANG Chen	4/4	100
Mr. LI Huadong	4/4	100
Ms. ZHOU Lan (appointed on 20 October 2017)	3/3	100
Ms. CHAN Kar Yau, Michelle (appointed on 12 March 2018)	1/1	100
Ex-members		
Ms. LIU Mei Wan, May (resigned on 20 October 2017)	1/1	100
Mr. LI Jie (resigned on 20 October 2017)	1/1	100
Mr. SHEN Xuan (appointed on 20 October 2017 and resigned on 12 March 2018)	0/2	0
Mr. QIU Jincheng (resigned on 12 March 2018)	1/3	33

1 Executive Director

Note: In order to facilitate the annual review of the corporate governance and sustainable development of the Company, the above meetings were convened between 17 March 2017 and 13 March 2018, i.e. during the year prior to the publication of the 2017 final results announcement.

6. Investment and Strategic Planning Committee

The Investment and Strategic Planning Committee, led by an executive director, comprises 15 members (including executive directors, members of senior management and management). It is responsible for the consideration, evaluation and review of and making recommendations to the Board on proposed major investments, acquisitions and disposals, and conducting post-investment evaluation of investment projects. It also reviews and considers the overall strategic direction and business development of the Company.

Attendance of individual members at Investment and Strategic Planning Committee meetings held in 2017

Names of Members	No. of meetings attended/held	Attendance rate (%)
Members		
Mr. ZHANG Wei (張為)[1] (Chairman)	4/4	100
Mr. FANG Meng[2]	4/4	100
Mr. DENG Huangjun[2]	4/4	100
Mr. GUAN Shuguang	4/4	100
Mr. ZHANG Dayu	4/4	100
Mr. LUI Sai Kit, Eddie	4/4	100
Mr. LI Yingwei	4/4	100
Mr. QIU Jincheng	4/4	100
Mr. HUANG Chen	4/4	100
Ms. ZHOU Lan (appointed on 20 October 2017)	1/1	100
Mr. LI Huadong	4/4	100
Mr. SHEN Xuan	3/4	75
Mr. HONG Minghui (appointed on 20 October 2017)	1/1	100
Mr. WONG Chi Ho (appointed on 20 October 2017)	1/1	100
Ms. HUANG Li	4/4	100
Ex-members		
Mr. LI Jie (resigned on 20 October 2017)	1/3	33
Mr. LIN Haibo (resigned on 20 October 2017)	1/3	33
Mr. HUNG Chun, Johnny (resigned on 20 October 2017)	3/3	100

1 Executive Director, Vice Chairman and Managing Director
2 Executive Director

7. Risk Management Committee

The Risk Management Committee, led by an executive director, comprises ten members (including executive directors, members of senior management and management). It provides support to the Board by identifying and minimising the operational risks of the Company, setting the direction for the Group's risk management strategy and strengthening the Group's system of risk management.

Details of the role and responsibilities of the Risk Management Committee for risk management of the Company are set out under the section titled "Risk Management and Internal Control" below.

Attendance of individual members at Risk Management Committee meetings in 2017		
Names of Members	**No. of meetings attended/held**	**Attendance rate (%)**
Members		
Mr. ZHANG Wei (張為)[1] (Chairman)	1/4	25
Mr. FANG Meng[2]	3/4	75
Mr. DENG Huangjun[2]	3/4	75
Mr. CHAN Hang, Ken	3/4	75
Mr. ZHANG Dayu	1/4	25
Ms. HUNG Man, Michelle	4/4	100
Mr. HUANG Chen	4/4	100
Ms. ZHOU Lan (appointed on 20 October 2017)	1/2	50
Mr. LI Huadong	3/4	75
Mr. HUNG Chun, Johnny	2/4	50
Ex-member		
Mr. LI Jie (resigned on 20 October 2017)	1/2	50

1 Executive Director, Vice Chairman and Managing Director
2 Executive Director

Accountability and Audit

Financial Reporting

The following statement, which sets out the responsibilities of the directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the Independent Auditor's Report on pages 125 to 130 which acknowledges the reporting responsibilities of the Group's auditor.

Annual Report and Financial Statements

The directors acknowledge their responsibilities for preparing financial statements for each financial year which give a true and fair view of the results and the state of affairs of the Group.

Accounting Policies

The directors consider that in preparing its financial statements, the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

Accounting Records

The directors are responsible for ensuring that the Group keeps accounting records which disclose, with reasonable accuracy, the financial position and results of the Group and which enable the preparation of financial statements in accordance with the Hong Kong Companies Ordinance, Listing Rules and applicable accounting standards.

Safeguarding Assets

The directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

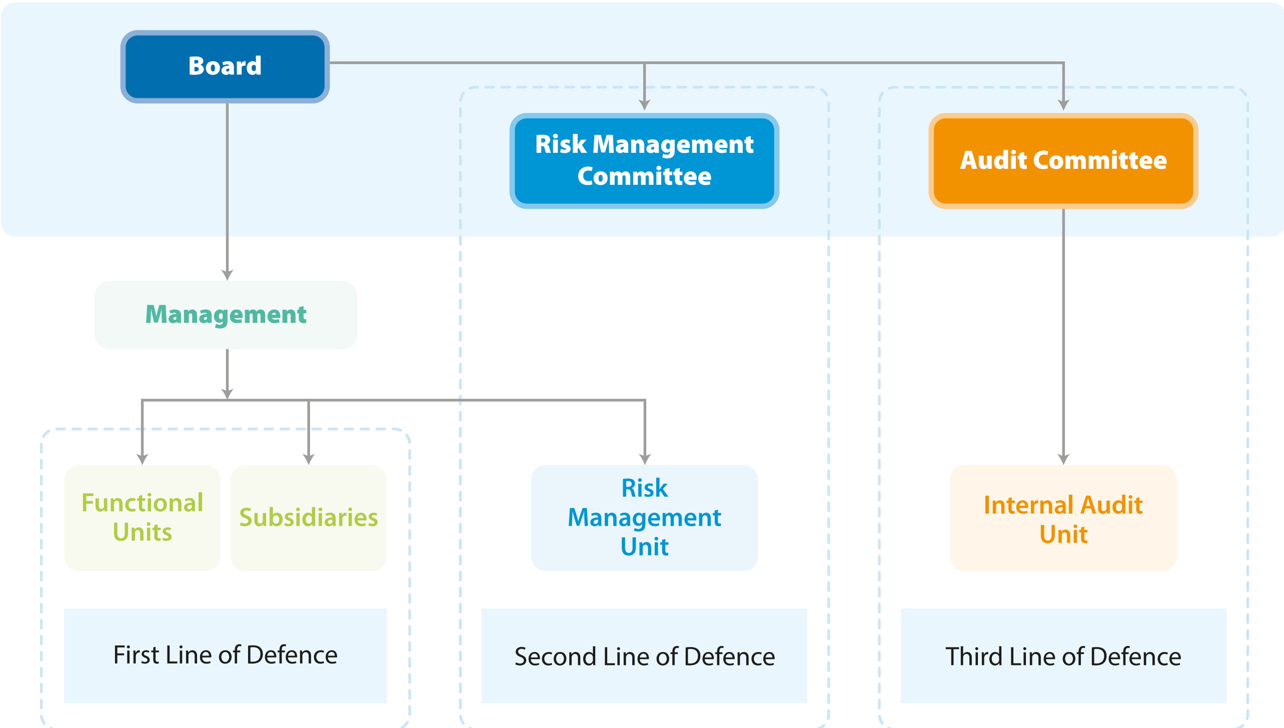
Risk Management and Internal Control

The Board is fully responsible for assessing the continuous effectiveness of the risk management and internal control systems of the Company in an effort to safeguard the interests of the shareholders. Based on the control environment, risk assessment and corresponding strategies, supervision and improvement of the Company, the risk management and internal control systems, which are characterised by "three lines of defence" and are integrated with the operations, have been established. The risk management framework of the risk management and internal control systems makes reference to the COSO framework established by the Committee of Sponsoring Organisations of the Treadway Commission of the United States of America, the "General Risk Management Guidelines for State-owned Enterprises" issued by the State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC"), the "Basic Norms of Internal Control for Enterprises" and complementary guidelines issued by the Ministry of Finance and four other ministries and commissions of the People's Republic of China, and the guide on "Internal Control and Risk Management" issued by the HKICPA.

Risk Management Framework

Below is the Company's risk management framework, which comprises the risk management structure and the risk management procedures:

Risk Management Structure



Risk Management Procedures

The division of major functions and responsibilities in the risk management structure is as follows:

Board	• Review the effectiveness of the risk management and internal control systems • Make decisions on and monitor the risk management and internal control systems of the Company • Approve the annual assessment report on risk management and internal control of the Company • Approve the work plans on risk management and internal control of the Company • Review and ensure the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions
Audit Committee	• Review the effectiveness of the risk management and internal control systems of the Company, ensure that the management have already carried out their duties of establishing effective systems, and report to the Board on the conclusion of the review
Risk Management Committee	• Establish a scientific risk management mechanism, enhance the prevention and control of risks relating to assets and business, improve work efficiency, and ensure a smooth rollout and steady implementation of the operational management • Consider and approve the risk management policy, and monitor and provide guidance on the implementation of the policy • Monitor and provide guidance on the identification, prevention and control of risks regarding funds, assets, projects, business and management • Review and approve the risk control review report regarding material funds, assets, projects, businesses and matters, and monitor their implementation • Give opinion to the Board on risk-related matters
Management	• Implement, maintain and continuously monitor the risk management and internal control systems of the Company • Provide the Board with a confirmation of the effectiveness of the risk management and internal control systems on an annual basis
Risk management unit	• Organise the drafting of the policy and the workflow of the risk management and internal control, standardise and regulate the risk management and internal control of the Company • Organise the drafting of the routine and annual work plans on risk management and internal control, and organise their implementation • Organise risk assessments by functional units and subsidiaries, and prepare the annual risk assessment report • Organise the evaluation on the effectiveness of the internal control by functional units and subsidiaries, and prepare the annual evaluation report on internal control • Organise, coordinate, guide and monitor the work on risk management and internal control by functional units and subsidiaries • Complete other tasks in relation to risk management and internal control assigned by the Board
Functional units and Subsidiaries	• Amend and implement the internal policies and management procedures within their scope of duties, and to establish and optimise the risk management and internal control mechanisms • Carry out risk management and internal control functions, including identifying, analysing, evaluating and handling operational risks and management risks within their scope of duties • Conduct self-evaluation, correction, and rectification of risk management and internal control for areas within their scope of duties • Establish, maintain and monitor on a daily basis the risk alert indicators for areas within their scope of duties, and to report major risks and take contingency measures in case of emergency • Supervise and monitor the risk management and internal control on the relevant businesses of the functional units and subsidiaries for areas within their scope of duties • Assist in the completion of other routines on risk management and internal control
Internal audit unit	• Examine the suitability and effectiveness of the risk management and internal control systems and supervise in an independent manner the risk management and internal control exercised by the functional units and subsidiaries

The risk management procedures include the following major tasks:

Objective establishment	• Having fully taken account of the impact of various risks, establish strategic, operational, reporting, compliance and relevant objectives based on the risk tolerance levels of Company
Risk identification	• All functional units and subsidiaries collect information about internal and external risks on a regular basis and carry out the necessary screening, refining, comparison, classification and consolidation processes • Identify the risks in the Company's major business operations and key business processes in accordance with the risk management framework established
Risk assessment	• Define the identified risks and their characteristics, and analyse and describe the likelihood and impact of the risks • Determine the Company's major risks after assessment of the importance of the risks in accordance with the evaluation criteria established
Measures against risks	• All functional units and subsidiaries choose risk corresponding strategies based on the results of risk assessment and the causes of the risks • Risk corresponding strategies are developed for all risks or each major risk • Design feasible risk control activities and effectively implement the relevant risk management solutions
Supervision and improvement	• All functional units and subsidiaries carry out ongoing day-to-day monitoring and analysis of the major and related risks under their management • The risk management unit prepares the risk management report based on the risk monitoring information and makes cross-department recommendations on significant changes in risks • The risk management unit monitors and assesses the risk control at all functional units and subsidiaries and the relevant effectiveness

Control Environment

Upholding a high standard of control environment has been a top priority of the Company. The Company has been dedicated to its continuous enhancement and improvement. Recognising the importance of the integrity, ethics, operating philosophy and team building capabilities (the overall quality of staff) of the management and other core values, the Board has drawn up guidelines on the internal control system to ensure the Group's objectives are achieved and to identify discrepancies for rectification.

The management is primarily responsible for the design, implementation and maintenance of a sound internal control system with a view to safeguard the interests of shareholders and the assets of the Company. The internal control system covers all major and material controls, including financial, operational, compliance and risk management controls.

The Board is ultimately responsible for the effectiveness of the internal control and risk management systems of the Company. The Risk Management Committee is delegated to assist the Board in identifying and minimising the operational risks of the Company, determining the direction for the risk management strategies and strengthening the risk management system of the Company. The Risk Management Committee monitored and reviewed the results of internal control and risk management assessment for the year, and reported to the Board on a regular basis. Moreover, the Audit Committee assists the Board in reviewing the effectiveness of the internal control and risk management systems twice a year by scrutinising the underlying mechanism and functioning of the internal control and risk management systems and sharing its opinions with the Board on the effectiveness of the systems.

To form the bedrock of the internal control system, the Company has defined its business structure and compiled an instruction manual on controls of those business processes and activities. Apart from the establishment of an effective internal control system, the Company attaches great importance to the integrity and qualifications of its accounting and finance personnel, and has imposed relevant requirements in that regard.

Assessment of and Measures against Risks

In accordance with the aforesaid risk management procedures, the Company has conducted assessment of the risks, and taken corresponding internal control measures.

During the year, the Company carried out an annual risk assessment in accordance with the requirements of COSCO SHIPPING by applying the weighted average method to the opinions collected through a survey from the senior management, department heads and external risk management experts. Taking into account of the external market conditions and the internal business development prospects of the Company as set out in the "13th Five-Year Development Plan" of the Company, the annual risk assessment has identified the key risks facing the Company and the corresponding countermeasures as shown below:

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
Strategic risk	**Risks relating to investment decisions** As the Company continues to increase its investment in terminals businesses, the analysis at an early stage may be insufficient, which might result in over-expansion or missed opportunities	• Improved the investment management system, setting out clear principles for external investments and economic indicators • Improved the procedures and standards for the financial due diligence, legal due diligence and commercial due diligence to be conducted on target companies in order to determine accurately the potential value of the assets and any contingent matters of target companies • Incorporated the risk assessment process into the early preparation of investment projects, implemented the "three synchronous operations" (i.e. kick off risk assessments at project commencement; appoint persons in charge of the project and risk assessment; and submit simultaneously the feasibility report and the risk assessment report) for risk assessments on major investments and major projects, and formulated corresponding strategies • Improved economic indicators for investment projects and set consistent assessment criteria for project assessment, so as to support investment decisions	→
Strategic risk	**Risk relating to the implementation and integration upon merger and restructuring** An integration process upon merger which is slow or fails to achieve synergy effect in business strategy, or fails to integrate effectively in terms of personnel, system or culture might lead to the failure and termination of merger	• Strategic integration: established the synergistic effects of strategic integration, including resource sharing and coordination, management synergy, business synergy and financial synergy • Organisational integration: established a unified organisational system, including the standardisation across departmental functions • Operational integration: established a clear and unified management system and standard to reduce management conflicts caused by system incongruence with an aim to enhance operational efficiency; unified human resources management, established and improved expatriate system, and strengthened inter-regional talent exchanges • Corporate cultural integration: publicised the corporate culture, promoted regional business and cultural exchanges, enhanced the sense of recognition of all controlling terminals to the company culture	↑

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
Strategic risk	**Post-investment evaluation of risk** An absence of post-project evaluation or an inadequate and incomplete post-project evaluation may impair the referential value of the project experience, which would impede the continuous improvement of decision-making	• Established and improved the organisational system of post-investment evaluation, maintained the indicator system and method of post-investment evaluation, organised the implementation of post-investment evaluation, and made relevant management recommendations for the problems found in the post-project evaluation • Set post-project evaluation indicators for each project; evaluated the implementation process and results of the investment projects completed, and carried out a systematic analysis on the achievements of the investment plans and goals to summarise experience and lessons; directed investment activities of overseas terminals through an on-going capability analysis so as to improve efficiency and avoid risks • Established the overall post-project evaluation indicators, including the evaluation of the investment scale, investment structure, investment benefits and investment risk, etc. • Clearly specified the department responsible for post-investment evaluation, and established the monitoring system for post-investment of projects, under which regular monitoring and review were carried out on the overall effect of investment projects completed. Such monitoring and review was led by the Audit & Supervision Department and facilitated by the Corporate Operation Management Department, the China Ports Management Department and the Finance Department	↑

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
Operational risk	**Risk relating to human resources planning** With the strategic development and expansion of the business operation of the Company, the lack of international talent during the course of its global deployment may result in the talent planning failing to meet the Company's need for a strategic and sustainable development, which may in turn affect the achievement of the strategic goals	• Role: specified the standardised organisational structure, roles, duties, qualifications, etc. for our controlling terminals, including specifying the headcount required, changes in duties and the number of vacancy at the time of staff planning; specified the hierarchy, titles, number of staff and the expected date of reporting for duty in the recruitment plan • Recruitment plan: formulated an overseas recruitment strategy in the recruitment plan, specifying the overseas recruitment method, internal reallocation policy, welfare and benefits, promotion path and career development path • Education and training programmes: determined the needs, contents, methods and assessments for the education and training of management staff working at the terminals • Human resources management policy adjustment plan: specified the reasons, procedures and scope of adjustment on human resources policy during the planning period • Budget for investment on human resources: set out the budget for the above-mentioned plans • Established an international platform to attract talents: set the development and recruitment of global talents as a priority, and provided talents with an open platform with more international elements, while offering more comprehensive and advanced career paths for international talents	↑

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
Operational risk	**Risk relating to the implementation of information system** Given the broad-based application of the information system, an unreasonable implementation may cause unpredictable and uncontrollable risks to the Company, reduce the operation efficiency of the Company's information system and impair its ability to manage various business matters	• Formulated a general plan for the information system of the Company, enhanced the position of information system planning, incorporated information system planning into the Company's strategic planning with an annual review and revision, and allocated resources to complete the construction of the information system • Specified the management hierarchy between the headquarters and the subsidiary units, and their respective terms of reference, and specified and codified such requirements with corporate documents • Completed the standardisation of the structure of the information system. The headquarters shall design the scientific standards for the information system based on the Company's needs for the construction of the information system and publish in a timely manner to reduce ungoverned decision-making during the course of construction, so as to prevent poor compatibility or failure in data sharing • Improved the monitoring of the implementation of the information system of the Company, and tracked and solved any problem identified during the course of implementation	↑
Strategic risk	**Strategic planning risk** The company has transformed into a pure terminals operator, and any strategic misjudgment may arise from insufficient analysis of the Company and a competition environment	• Set up the Planning and Research Department to strengthen the information collection and analysis abilities, and drew up strategic plans independently or with assistance from consultants, in light of the positioning of the Company • Amended the Company's strategic management and planning rules to specify the analysis and decision-making processes in strategic planning	↓

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
Market risk	**Risk relating to fluctuation in exchange rates** Wide fluctuations in exchange rates may result in continuous depreciation in the settlement currencies or the currencies in which the monetary assets or liabilities are denominated	• Developed management rules for operations exposed to financial risks, and set out clear rules for risks associated with exchange rates, interest rates and financial derivatives products • Chose US dollars as the settlement currency whenever possible in acquisitions, mergers and the process of terminal operation • Designated personnel to track changes in exchange rates and lower exchange risk exposure through multiple measures, including timely currency conversion and prepayment of foreign-currency borrowings, and assessed exchange rate risk exposure on a regular basis • Adopted derivative instruments such as forward exchange contracts and foreign exchange options to contain fluctuations in exchange rates, thereby controlling the related risks	
Market risk	**Competitor risk** Facing rivalry with competitors in the same economic area using the same terminals hinterland, resulting in a deteriorating competitive environment	• Established a sound system to track and analyse market intelligence on the macro-economy, the shipping market, the container terminals market and major competitors • Identified the corporate resources for which the Company enjoys competitive advantages and its core competitiveness, such as natural geographical advantages, cargo structure and transportation conditions • Formulated diversified market competition strategies based on an integrated analysis of the ports industry, local market competition, its own competitive advantages and core competencies	

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
Market risk	**Risk relating to customers' creditworthiness** Lack of early warning mechanism and dynamic tracking of customer credit risk, ill-informed sales decisions or lack of timely response	• Implemented customer credit risk management rules, and established a credit risk management and organisation system using the model of centralised management and control by level and type • Implemented proper credit risk precautionary measures. The Company's subsidiaries conducted credit rating and facility management in accordance with the credit rating model of the Company, and using the credit information collected through various channels in accordance with the relevant regulations. The Sales & Marketing Department imposed a limit on the total credit facility to be granted by subsidiaries • Conducted proper credit risk monitoring. In addition to strict control by the subsidiaries of the Company in their business operation over the fund and cargo flows in credit transactions, a credit risk early warning mechanism was also established to monitor major credit indicators and issue early warnings as necessary. The procedures would be implemented once the warning level has been reached	→
Financial risk	**Risk relating to accounts receivable** With the global economy recovering only slowly and shipbuilding companies posting poor performance, if the Company excessively uses commercial credit, its total accounts receivable may become out of control and not fully recoverable	• Kept a close eye on customers and industry trends. Alerted the relevant departments of risk once abnormal signs were identified, and adopted corresponding measures depending on the degree of their impacts • Imposed a limit on the total accounts receivable and kept total credit risk at an acceptable level through overall management and control • Adopted a number of measures to collect accounts receivable, and implemented a collection responsibility system	→

The risk management and internal control report for 2017 was approved by the Risk Management Committee and the Audit Committee and submitted to the Board for review, forming the basis for the Board's assessment of the effectiveness of the risk management and internal control systems for the year 2017.

Internal Control System and Mechanism

A sound system of internal controls requires a defined organisational and policy framework. The features of the Company's internal control mechanism are as follows:

1. For the benefits of delegation of authority and proper segregation of duties as well as to increase accountability, a clear organisational structure exists which details lines of authority and controls responsibilities in each business unit of the Group. Certain specific matters are not delegated and are subject to the Board's decision. These include, among others, the approval of annual, interim and quarterly results, annual budgets, distribution of dividends, Board structure, and the Board's composition and succession.

2. To assist the Board in the execution of its duties, the Board is supported by seven Board Committees, namely, the Executive Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Investment and Strategic Planning Committee, the Corporate Governance Committee and the Risk Management Committee. These committees make recommendations to the Board on relevant matters within their terms of reference, or make decisions under appropriate circumstances within the scope of the power delegated by the Board. Details of the Board Committees are set out under the section entitled "Board Committees" in this report.

3. A comprehensive management accounting system is in place providing financial and operational performance measurement indications to the management and relevant financial figures for reporting and disclosure purposes. Reports on the variance between actual performance and targets are prepared, analysed and explained. Appropriate actions are also taken to rectify the identified deficiencies, if necessary. This helps the management of the Group to monitor business operations closely and enables the Board to formulate and, if necessary, revise strategic plans in a timely and prudent manner.

4. The Company places great importance on internal audit functions and has set up the Audit & Supervision Department for the relevant work. The general manager of the Audit & Supervision Department also acts as the internal auditor of the Company. The internal audit's roles include assisting management and the Audit Committee to ensure the Company maintains an effective system of internal control and a high standard of governance by reviewing the Company's major production and operation activities with unrestricted right of access and conducting comprehensive audits of all practices and procedures on a regular basis. The scope of work of internal audit includes:

    - Ascertaining the extent to which the Company's assets are accounted for and safeguarded to avoid any losses

    - Reviewing and evaluating the soundness, adequacy and effective application of accounting, financial and other controls in the Company

    - Ascertaining the compliance with established policies, procedures and statutory rules and regulations

    - Monitoring and evaluating the effectiveness of the risk management system

- Monitoring the operational efficiency, as well as the appropriateness and efficiency with which resources are employed
- Evaluating the reliability and integrity of financial and operating information reporting systems of the Company
- Ensuring that findings and recommendations arising from the internal audit are communicated to the management and monitoring the implementation of corrective measures
- Conducting ad hoc projects and investigative work as required by the management and/or the Audit Committee

Particular attention is also paid to control activities which are considered to be of higher risks, including, amongst others, income, expenditures and other areas of concern as highlighted by the management. The internal auditor has free access to the Audit Committee without the requirement to consult the management, and reports directly to the Vice Chairman and Managing Director of the Company and the Chairman of the Audit Committee. He attends meetings of the Audit Committee quarterly and brings matters identified during the course of the internal audit to the Audit Committee. This reporting structure allows the internal auditor to stay independent and effective.

The internal audit function adopted a risk-based audit approach based on the COSO framework and the requirements laid down by the HKICPA, considering factors recognised as risks and focusing on material internal controls and risk management, including financial, operational and compliance controls. Internal audits were carried out on all significant business units in the Company. All internal audit reports are submitted to the Audit Committee for review and approval. The internal auditor's summary of findings, recommendations and follow-up reviews of previous internal audit findings are discussed at the Audit Committee meetings. The Audit Committee actively monitors the number and importance of findings raised by the internal auditor and also the corrective measures taken by the management. The annual internal audit plan, which will be submitted to the Audit Committee for discussion, is based on the size and prevailing risks of all business units of the Company so as to establish audit scopes and frequencies.

Supervision and Improvement

The Company monitors and assesses the implementation and effectiveness of its risk management on a regular basis, and conducts timely improvements in view of the changes and existing defects.

At the same time, after the review and approval by the management meeting of the Company, the Audit Committee and the Board, the Company adopted the "COSCO SHIPPING Ports Limited: Risk Management and Internal Control Regulatory Procedures" in September 2017, so as to improve the long-term mechanism on risk management continuously.

In 2017, the Risk Management Unit initiated an integrated evaluation on the operation of internal control of the Company. The results of internal control evaluation showed that the internal control system of the Company was effective. No material errors or weaknesses on monitoring and control was found during the period.

During 2017, the internal audit unit conducted a total of 18 audit tasks. All internal audit reports were reviewed and approved by the Audit Committee. All internal audit work scheduled for the year 2017 was completed. All areas of concern reported by the internal auditor were monitored by management until appropriate corrective measures were taken or implemented.

Handling and Dissemination of Information

1. The Company has a policy of open communication which allows strong access to both internally and externally generated information. Pertinent information is identified, captured and communicated in a timely manner.

2. The Company provides each employee with an employee manual, which states how employees can communicate with the Company in case any problem arises. The Company considers this as a mechanism to help encourage communications between the Company and employees. Moreover, regular meetings are held to provide an avenue for mutual understanding between the Company and employees. The Company has also made arrangements for employees of the Company to raise concerns about possible improprieties in financial reporting, internal control and other matters.

3. The Company attaches great importance to fair disclosure as it is considered a key means by which to enhance corporate governance standards and provide necessary information to shareholders and other stakeholders, to enable them to form their own judgments, as well as providing feedback to the Company. The Company also understands that the integrity of the information provided is essential in building market confidence.

4. With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

    - is well aware of its obligations under the Securities and Futures Ordinance, the Listing Rules and the overriding principle that information which is considered as inside information should be announced promptly when it is the subject of a decision

    - conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission

    - informs all directors, senior management and related staff of the latest regulations and requirements according to the letters issued or announcements published by the Securities and Futures Commission and the Stock Exchange

    - has developed procedures and mechanisms for the disclosure of inside information and established the Inside Information Evaluation Group to evaluate whether disclosure of the inside information is required

    - has included in its Code of Conduct a strict prohibition on the unauthorised use of confidential, sensitive or inside information, and has communicated this to all staff

    - has established and implemented procedures for responding to external enquiries about the Company's affairs. Only directors and delegated management of the Company can act as the Company's spokespersons and respond to enquiries on designated areas

The Board had obtained the management's confirmation of the effectiveness of the Company's risk management and internal control systems, and considered that the risk management and internal control systems established during the year were appropriate and effective for the Company's existing business scope and operations and that no significant factor had been identified which may affect the interests of shareholders. However, such system aims to manage but not eliminate the risk relating to failure to achieve business objectives, and the Board will only give reasonable but not absolute warranties for no material misstatement or losses.

Auditor's Remuneration

In addition to audit and audit related services, the Company engaged the external auditor for non-audit services, under which the external auditor is required to comply with the independence requirements under the Code of Ethics for Professional Accountants issued by the HKICPA. The external auditor may provide non-audit services to the Group given that those do not involve any management or decision-making functions for and on behalf of the Group; do not perform any self-assessments; and do not play an advocacy role for the Group.

For the year ended 31 December 2017, the auditor's remuneration paid or payable in respect of the auditing and other non-audit services provided by the auditor to the Company was as follows:

Nature of Service	2017 US$	2016 US$
Audit services	617,000	628,000
Audit related services	275,000	272,000
Non-audit services:		
– Circular related services	148,000	485,000
– Financial advisory services	119,000	300,000
– Tax related services	42,000	380,000

Investor Relations

The Company continues to promote investor relations and enhance communications with its investors. Our dedicated investor relations team supports designated executive directors and senior management in maintaining regular dialogue with institutional investors and analysts to keep them abreast of the Company's development and in attending to any queries promptly. An open communications channel is maintained with the media, analysts and fund managers through one-on-one meetings, roadshows and conferences. Press and analysts conferences are held at least twice a year subsequent to the interim and final results announcements at which the executive directors and senior management are available to answer questions regarding the Group's operational and financial performances.

Communication with Shareholders

Shareholders' Communication Policy

The Company believes regular and timely communication with shareholders forms part of the Company's effort to help shareholders understand its business better. It has established a Shareholders' Communication Policy and reviews the policy from time to time to ensure its effectiveness.

The Company has committed to a fair, transparent and timely disclosure policy and practices. All inside information or data is publicly released as and when appropriate, prior to individual sessions held with investors or analysts. There is regular dialogue with institutional shareholders and general presentations are made when the financial results are announced. To foster effective communication, the Company provides extensive information in its annual reports, interim reports, results announcements and press releases and also disseminates information relating to the Group and its business electronically through its website. Shareholders and investors are welcome to make enquiries through the General Counsel & Company Secretary or the investor relations department, whose contact details are available on the Company's website.

The Company views its general meetings ("General Meetings"), including the Annual General Meeting and Special General Meetings, as an opportune forum for shareholders to meet the Board and senior management. All directors and senior management make an effort to attend. Representatives of external auditors are also available at the Annual General Meeting to address shareholders' queries on the financial statements. The Chairmen or members of the Audit Committee, the Nomination Committee and the Remuneration Committee or independent board committee (if any) are normally available at the General Meetings (where applicable) to take any relevant questions. All shareholders will be given at least 20 clear business days' notice of the Annual General Meeting and ten clear business days' notice of a Special General Meeting and they are encouraged to attend the General Meetings. The Company follows the code provisions contained in the Corporate Governance Code to encourage shareholders' participation. Questioning by the shareholders at the General Meetings is encouraged and welcome. The General Counsel & Company Secretary, on behalf of the chairman of the General Meetings, explains the detailed procedures for conducting a poll at the General Meetings. To facilitate enforcement of shareholders' rights, substantially separate issues at General Meetings are dealt with under separate resolutions.

Procedures for Shareholders to Convene a Special General Meeting

Pursuant to the Bye-laws of the Company and the Companies Act 1981 of Bermuda (the "Companies Act"), registered shareholders holding not less than one-tenth (10%) of the paid-up capital of the Company carrying the right of voting at General Meetings may deposit a requisition to the Board or the General Counsel & Company Secretary to convene a Special General Meeting.

The requisition must state the purposes of the meeting and must be signed by the requisitionists, and deposited at the registered office of the Company at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda or its principal place of business at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong. The requisition may consist of several documents in like form each signed by one or more requisitionists.

The Board may proceed to convene a Special General Meeting within 21 days from the date of the deposit of such requisition upon receipt of confirmation from the share registrar on validity of the requisition, and such meeting shall be held within two months after the deposit of such requisition. If the Board fails to convene the Special General Meeting as aforesaid, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a Special General Meeting within three months from the date of the deposit of the requisition.

Procedures for Shareholders to Put Forward Proposals at General Meetings

Pursuant to the Companies Act, any number of registered shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at General Meetings, or not less than 100 registered shareholders, can request the Company in writing to:

- notify shareholders entitled to receive notice of the next General Meeting of any resolution which may officially be moved and is proposed to be moved at that meeting
- circulate to shareholders entitled to have notice of any General Meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the meeting

The requisition must be deposited to the Company not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition.

In addition, a shareholder may propose a person other than a retiring director of the Company for election as a director of the Company at the General Meetings. Detailed procedures for shareholders to propose a person for election as a director are available on the Company's website at http://ports.coscoshipping.com.

Shareholdings and shareholders information

Share Capital (as at 31 December 2017)	
Authorised share capital	HK$400,000,000 divided into 4,000,000,000 shares of a par value of HK$0.1 each
Issued and fully paid-up capital	HK$305,711,272 comprising 3,057,112,720 shares of HK$0.1 each

Type of Shareholders (as at 31 December 2017)

Type of shareholders	No. of shares held	% of the total number of issued shares
China COSCO (Hong Kong) Limited and its subsidiary	1,433,989,072	46.91
Other corporate shareholders	1,617,472,095	52.91
Individual shareholders	5,651,553	0.18
Total	**3,057,112,720**	**100**

Location of Shareholders (as at 31 December 2017)

Location of shareholders[1]	No. of shareholders	No. of shares held
Hong Kong	527	3,057,103,720[2]
The People's Republic of China	1	4,000
United Kingdom	1	5,000
Total	**529**	**3,057,112,720**

1 The location of shareholders is prepared according to the address of shareholders registered in the register of members of the Company.
2 These shares include 1,902,949,467 shares registered in the name of HKSCC Nominees Limited which may hold these shares on behalf of its clients in or outside Hong Kong.

Other Corporate Information

Memorandum of Association and Bye-laws

There was no change to the Memorandum of Association and Bye-laws of the Company during the year ended 31 December 2017.

Key Corporate Dates

The following are the dates for certain key corporate events:

Event	Date
Payment of 2017 Interim Dividend	27 October 2017
2017 Final Results Announcement	26 March 2018
2018 First Quarter Results Announcement	26 April 2018
Closures of Register of Members	
(a) for attending the 2018 Annual General Meeting	14 May 2018 to 17 May 2018
(b) for receiving the 2017 Final Dividend	24 May 2018 to 29 May 2018
Annual General Meeting	17 May 2018
Payment of 2017 Final Dividend	18 July 2018
2018 Interim Results Announcement	August 2018
2018 Third Quarter Results Announcement	October 2018

Directors and Senior Management Profiles

Directors

HUANG Xiaowen

Chairman of the Board, Non-executive Director

ZHANG Wei（張為）

Vice Chairman of the Board and Managing Director, Executive Director

Mr. HUANG, aged 55, has been the Chairman of the Board and a Non-executive Director of the Company since March 2016. He is also an Executive Vice President and Party Committee Member of China COSCO Shipping Corporation Limited, the Vice Chairman and Executive Director of COSCO SHIPPING Holdings Co., Ltd., the Chairman and an Executive Director of COSCO SHIPPING Energy Transportation Co., Ltd., the Chairman of COSCO SHIPPING Lines Co., Ltd. and the Chairman of COSCO SHIPPING Bulk Co., Ltd. Mr. HUANG started his career in 1981 and had been the section chief of the Container Shipping Section of Guangzhou Ocean Shipping Company Limited, General Manager of Container Transportation Department of China Ocean Shipping Company Limited, Container Business Adviser of Shanghai Haixing Shipping Company Limited, Deputy Managing Director, Managing Director and Vice Party Secretary of COSCO SHIPPING Development Co., Ltd. ("COSCO SHIPPING Development"), the Vice Chairman and Executive Director of COSCO SHIPPING Development, and Chairman of China Shipping Haisheng Co., Ltd. Mr. HUANG had been the Executive Vice President and Party Community Member of China Shipping (Group) Company since May 2012. Mr. HUANG has over 30 years of experience in shipping industry. Mr. HUANG graduated from China Europe International Business School with an Executive Master of Business Administration (EMBA) degree. He is a senior engineer.

Mr. ZHANG, aged 44, has been an Executive Director, the Vice Chairman of the Board and the Managing Director of the Company since April 2016. Before re-designation, he was a Non-executive Director of the Company since August 2015. Mr. ZHANG is the Chairman of the Executive Committee, the Risk Management Committee and the Investment and Strategic Planning Committee and a member of the Nomination Committee and the Remuneration Committee of the Company. He is also an Executive Director and a Deputy General Manager of COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings") and a Non-executive Director of Qingdao Port International Co., Ltd. Mr. ZHANG joined COSCO group in 1995. He had been a Director of COSCO SHIPPING Lines Co., Ltd. ("COSCO SHIPPING Lines"), the Assistant Manager, Deputy Manager and Manager of Pricing Department of Marketing and Sales Division of COSCO SHIPPING Lines, Executive Deputy General Manager of America Trade Division of COSCO SHIPPING Lines, Executive Vice President of COSCO SHIPPING Lines (North America) Inc., General Manager of Strategy and Development Division of COSCO SHIPPING Lines, General Manager of the Operating Management Division of COSCO SHIPPING Holdings, and General Manager of the Operating Management Division and Executive Deputy Director of the Integration Management Office of China COSCO Shipping Corporation Limited. Mr. ZHANG obtained a Master of Management degree from Fudan University, majoring in change management programme. He is an engineer. Mr. ZHANG is responsible for the overall management, strategy planning, project development, investment management and project management of the Company.

FANG Meng
Executive Director

Mr. FANG, aged 59, has been an Executive Director and a Deputy Managing Director of the Company since April 2016. He is a member of the Executive Committee, Investment and Strategic Planning Committee and Risk Management Committee of the Company. Mr. FANG is currently a Supervisor representing employees of COSCO SHIPPING Holdings Co., Ltd. He was the Manager of Science and Technology Department of Enterprise Managing Division, the Deputy General Manager of Enterprise Managing Division of China Shipping (Group) Company and the Managing Director of China Shipping International Trading Co., Ltd. Mr. FANG graduated from Shanghai Jiao Tong University with Ship Engineering major in February 1982 and obtained an EMBA degree from a joint education post-graduate program of "Shanghai University/San Francisco USA" in April 1995. He is a senior engineer. Mr. FANG is responsible for the infrastructural construction and management of global investment projects, the administration and management of the Shanghai office and the culture development of the Company.

DENG Huangjun
Executive Director

Mr. DENG, aged 56, has been an Executive Director and a Deputy Managing Director of the Company since October 2015. He is a member of the Executive Committee, Investment and Strategic Planning Committee and Risk Management Committee of the Company. He is also the Chief Financial Officer of COSCO SHIPPING Holdings Co., Ltd. Mr. DENG joined the COSCO group in 1983. He had been the Section Manager of the Cost Section of Finance Department of Shanghai Ocean Shipping Co., Ltd., the Deputy Manager of Finance Division of COSCO SHIPPING Lines Co., Ltd. ("COSCO SHIPPING Lines"), the Manager of the Settlement Division, the Deputy General Manager and the General Manager of Finance and Accounting Department of COSCO SHIPPING Lines and the Chief Financial Officer of COSCO SHIPPING Lines. Mr. DENG graduated from Shanghai Maritime Transportation Institute, majoring in shipping accounting. He is a senior accountant. Mr. DENG is responsible for the corporate operation management and risk control of the Company.

FENG Boming
Non-executive Director

Mr. FENG, aged 48, has been a Non-executive Director of the Company since October 2016. He is also the General Manager of the Strategic and Corporate Management Department of China COSCO Shipping Corporation Limited ("COSCO SHIPPING"), and a Non-executive Director of COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings"), COSCO SHIPPING Development Co., Ltd., COSCO SHIPPING Energy Transportation Co., Ltd. and COSCO SHIPPING International (Hong Kong) Co., Ltd., a Director of COSCO SHIPPING Bulk Co., Ltd., COSCO SHIPPING (Hong Kong) Co., Limited, COSCO SHIPPING Financial Holdings Co., Limited, Piraeus Port Authority S.A., COSCO SHIPPING (North America), Inc., and COSCO SHIPPING (Europe) GmbH, all of which are subsidiaries of COSCO SHIPPING. He served as Manager of the Commercial Section of the Ministry of Trade Protection of COSCO SHIPPING Lines Co., Ltd., the General Manager of COSCO Container Hong Kong Mercury Co., Ltd., the General Manager of the Management and Administration Department of COSCO Holdings (Hong Kong) Co., Ltd., the General Manager of COSCO International Freight (Wuhan) Co., Ltd./COSCO Logistics (Wuhan) Co., Ltd. and Supervisor of the Strategic Management Implementation Office of China Ocean Shipping Company Limited/COSCO SHIPPING Holdings. Mr. FENG has over 20 years of work experience in the shipping industry. Mr. FENG has extensive experience in enterprise strategy management, business management and container shipping management. He holds a Master of Business Administration degree from The University of Hong Kong. He is an economist.

ZHANG Wei（張煒）
Non-executive Director

Mr. ZHANG, aged 51, has been a Non-executive Director of the Company since October 2016. He is currently the General Manager of Operation and Management Department of China COSCO Shipping Corporation Limited ("COSCO SHIPPING"), a Non-executive Director of COSCO SHIPPING Holdings Co., Ltd. and COSCO SHIPPING Energy Transportation Co., Ltd., a Director of COSCO SHIPPING Specialized Carriers Co., Ltd., COSCO SHIPPING Lines Co., Ltd. ("COSCO SHIPPING Lines") and COSCO SHIPPING Bulk Co., Ltd., all of which are subsidiaries of COSCO SHIPPING. Mr. ZHANG previously served as a Deputy General Manager of Asia-Pacific Trade Division and Manager of Australia-New Zealand Operation Department of COSCO SHIPPING Lines, Deputy General Manager of European Trade Division of COSCO SHIPPING Lines, Deputy General Manager of the Enterprise Information Development Department of COSCO SHIPPING Lines, Deputy General Manager of Florens Container Holdings Limited (now known as Florens International Limited) and Executive Vice-President of Piraeus Container Terminal S.A., a wholly owned subsidiary of the Company. Mr. ZHANG has nearly 30 years of working experience in shipping enterprises and has extensive experience in container transportation marketing management and terminal operation management. Mr. ZHANG holds a Master of Business Administration degree from Shanghai Maritime University. He is an engineer.

CHEN Dong
Non-executive Director

Mr. CHEN, aged 43, has been a Non-executive Director of the Company since October 2016. He is also the General Manager of Financial Management Department of China COSCO Shipping Corporation Limited ("COSCO SHIPPING"), a Non-executive Director of COSCO SHIPPING Holdings Co., Ltd. and COSCO SHIPPING International (Hong Kong) Co., Ltd., a Director of COSCO SHIPPING Specialized Carriers Co., Ltd. and a Director of COSCO SHIPPING Bulk Co., Ltd., all of which are subsidiaries of COSCO SHIPPING. Mr. CHEN previously served as the Deputy Head of Risk Control Section under the Planning and Finance Department of China Shipping (Group) Company ("China Shipping", a wholly owned subsidiary of COSCO SHIPPING), Deputy Head of the Finance Section under Planning and Finance Department of China Shipping, Senior Manager of Finance and Taxation Management Office of China Shipping, Assistant to the General Manager of the Finance Department of China Shipping, the Deputy General Manager of the Finance Department of China Shipping and a Non-executive Director of COSCO SHIPPING Development Co., Ltd. Mr. CHEN has nearly 20 years of working experience in shipping enterprises and has extensive experience in risks control, taxation management and finance. Mr. CHEN holds a Master Degree in Economics from Shanghai University of Finance and Economics. He is a senior accountant.

XU Zunwu
Non-executive Director

Mr. XU, aged 60, has been a Non-executive Director of the Company since October 2016. He is also a Director of COSCO SHIPPING Lines Co., Ltd. He previously held positions at various subsidiaries of the controlling Shareholders, including the Deputy General Manager of Guangzhou Ocean Shipping Company, the Deputy General Manager of China COSCO Bulk Carrier Co., Ltd., Deputy General Manager and Managing Director of COSCO (Hong Kong) Shipping Co., Ltd., Vice President of COSCO SHIPPING (Hong Kong) Co., Limited, Managing Director of COSCO (Hong Kong) Shipping Co., Ltd., the General Manager of Shenzhen Ocean Shipping Co., Ltd., the Managing Director of China COSCO Bulk Carrier Co., Ltd., the Vice Chairman and Managing Director of China COSCO Bulk Shipping (Group) Co., Ltd., and an Executive Director, General Manager and Deputy Party Secretary of COSCO SHIPPING Holdings Co., Ltd. Mr. XU has over 30 years of experience in the maritime industry and has extensive experience in corporate operation management. Mr. XU graduated from Shanghai Maritime University majoring in Ocean Shipping. He is a senior economist.

WANG Haimin
Non-executive Director

Mr. WANG, aged 45, has been re-designated as a Non-executive Director of the Company since January 2015. Before his re-designation, he had been a Non-executive Director of the Company since October 2010, and an Executive Director and a Deputy Managing Director of the Company since October 2013. Mr. WANG is also a Director of China COSCO Shipping Corporation Limited ("COSCO SHIPPING"), an Executive Director, the General Manager and Deputy Party Secretary of COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings"), a Director, the General Manager and Deputy Party Secretary of COSCO SHIPPING Lines Co., Ltd. ("COSCO SHIPPING Lines"). Mr. WANG joined COSCO group in 1995. He had been the Head of Planning and Cooperation Department of the Strategic Planning Division, the Deputy General Manager of the Corporate Planning Division and the General Manager of the Strategy and Development Division of COSCO SHIPPING Lines, the General Manager of the Transportation Division of COSCO SHIPPING, a Non-independent and Non-executive Director of COSCO SHIPPING International (Singapore) Co., Ltd., and a Deputy General Manager of COSCO SHIPPING Holdings. Mr. WANG graduated from Shanghai Maritime University and obtained his Master of Business Administration degree from Fudan University. He is an engineer.

WONG Tin Yau, Kelvin *JP*
Executive Director

Dr. WONG, aged 57, has been an Executive Director and a Deputy Managing Director of the Company since July 1996. He is the Chairman of the Corporate Governance Committee and a member of the Executive Committee of the Company. Dr. WONG is the immediate past Chairman and was the Chairman (2009-2014) of The Hong Kong Institute of Directors, a Non-executive Director of the Securities and Futures Commission, the Chairman of the Investor Education Centre, a member of the Financial Reporting Council and a member of the Operations Review Committee of Independent Commission Against Corruption. Dr. WONG obtained his Master of Business Administration degree from Andrews University in Michigan, the USA in 1992 and his Doctor of Business Administration degree from The Hong Kong Polytechnic University in 2007. Dr. WONG is currently an Independent Non-executive Director of China ZhengTong Auto Services Holdings Limited, I.T Limited, Huarong International Financial Holdings Limited and Bank of Qingdao Co., Ltd. He was also an Independent Non-executive Director of Asia Investment Finance Group Limited, CIG Yangtze Ports PLC and AAG Energy Holdings Limited. All the aforementioned companies are listed in Hong Kong. In addition, he is an Independent Non-executive Director of Xinjiang Goldwind Science & Technology Co., Ltd. ("Xinjiang Goldwind"), a company dual listed in Hong Kong and Shenzhen, and Shanghai Fosun Pharmaceutical (Group) Co., Ltd., a company dual listed in Hong Kong and Shanghai. He was also an Independent Non-executive Director of Xinjiang Goldwind from June 2011 to June 2016. Dr. WONG is responsible for the management of the Company's work relating to strategic planning, capital markets and investor relations. He held various senior positions in several listed companies in Hong Kong before he joined the Company. Dr. WONG was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2013.

FAN HSU Lai Tai, Rita *GBM, GBS, JP*

Independent Non-executive Director

Dr. FAN, aged 72, has been an Independent Non-executive Director of the Company since January 2009. She is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Dr. FAN was appointed to the Legislative Council from 1983 to 1992 and was a member of the Executive Council from 1989 to 1992. She became the President of the Provisional Legislative Council in 1997, and has since been re-elected as the President of the First, Second and Third Legislative Council. Dr. FAN has served as the President of the legislature of the Hong Kong Special Administrative Region ("HKSAR") for 11 years. Dr. FAN was a member of the Preliminary Working Committee for the Preparatory Committee for the HKSAR from 1993 to 1995 and of the Preparatory Committee for the HKSAR from 1995 to 1997, and was the Chairman of the Board of Education from 1986 to 1989 and the Chairman of the Education Commission from 1990 to 1992. She was elected as a Hong Kong Deputy to the 9th, 10th, 11th and 12th sessions of the National People's Congress ("NPC") during 1998 to 2018, and was a Member of the Standing Committee of the 11th and 12th sessions of the NPC. Dr. FAN is currently an Independent Non-executive Director of China Overseas Land & Investment Limited and The Bank of East Asia, Limited, and was an Independent Non-executive Director of COSCO SHIPPING Holdings Co., Ltd. and China Shenhua Energy Company Limited. She is also the Honorary President of Hong Kong Breast Cancer Foundation, the Patron of Hong Kong Transplant Sports Association and the Chairman of the Management Committee of the Endeavour Education Centre. Dr. FAN was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 1998 and 2007 respectively by the Government of the HKSAR.

Adrian David LI Man Kiu *JP*

Independent Non-executive Director

Mr. LI, aged 44, has been an Independent Non-executive Director of the Company since May 2012. He is Chairman of the Audit Committee and Nomination Committee and a member of the Remuneration Committee of the Company. Mr. LI is Executive Director & Deputy Chief Executive of The Bank of East Asia, Limited. He is an Independent Non-executive Director of two listed companies under the Sino Group (Sino Land Company Limited and Tsim Sha Tsui Properties Limited) and China State Construction International Holdings Limited. All the above are Hong Kong-listed companies. He is a Non-executive Director of The Berkeley Group Holdings plc, which is listed in London, and a member of the International Advisory Board of Abertis Infraestructuras, S.A., a company listed in Spain. He was previously an Alternate Independent Non-executive Director of San Miguel Brewery Hong Kong Limited, a company listed in Hong Kong, and an Independent Non-executive Director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., a company dual listed in Hong Kong and Shanghai, and Sino Hotels (Holdings) Limited, a company listed in Hong Kong. Mr. LI is a member of the Anhui Provincial Committee of the Chinese People's Political Consultative Conference and a Counsellor of the Hong Kong United Youth Association. He is a board member of The Community Chest of Hong Kong, a member of the MPF Industry Schemes Committee of the Mandatory Provident Fund Schemes Authority, a Trustee of The University of Hong Kong's occupational retirement schemes, an Advisory Committee member of the Hong Kong Baptist University's School of Business and a Vice President of The Hong Kong Institute of Bankers' Council. Furthermore, Mr. LI serves as a member of the Election Committees responsible for electing the Chief Executive of the HKSAR and deputies of the HKSAR to the 13th National People's Congress. He also sits on the Judging Panel of the BAI Global Innovation Awards. He was previously a member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference, a member of the All-China Youth Federation and Deputy Chairman of the Beijing Youth Federation. Mr. LI holds a Master of Management degree from the Kellogg School of Management, Northwestern University in the US, and a Master of Arts degree and Bachelor of Arts degree in Law from the University of Cambridge in Britain. He is a member of The Law Society of England and Wales, and The Law Society of Hong Kong.

FAN Ergang

Independent Non-executive Director

Mr. FAN, aged 63, has been an Independent Non-executive Director of the Company since August 2013. Mr. FAN had been the General Manager of Legal Affairs Division of Industrial and Commercial Bank of China Limited ("ICBC"), the Party Secretary and Head of ICBC Inner Mongolia Branch and the Vice Chairman of ICBC Financial Leasing Co., Ltd., and was the Deputy Secretary-General and Head of Legal Work Committee of China Banking Association and an arbitrator (financial law) of China International Economic and Trade Arbitration Commission. Mr. FAN holds a Bachelor of Laws degree from China University of Political Science and Law (formerly The Peking College of Political Science and Law). He has extensive experience in financial and law fields, and is a senior economist, a senior legal counsel and a practicing lawyer in the People's Republic of China.

LAM Yiu Kin

Independent Non-executive Director

Mr. LAM, aged 63, has been an Independent Non-executive Director of the Company since August 2015. He is a member of the Audit Committee of the Company. Mr. LAM is an Independent Non-executive Director of Bestway Global Holding Inc., CITIC Telecom International Holdings Limited, Global Digital Creations Holdings Limited, Nine Dragons Paper (Holdings) Limited, Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd., Shougang Concord Century Holdings Limited, Vital Mobile Holdings Limited and WWPKG Holdings Company Limited, all of which are companies listed in Hong Kong, and Spring Asset Management Limited as the manager of Spring Real Estate Investment Trust (listed in Hong Kong), and was an Independent Non-executive Director of Royal Century Resources Holdings Limited and Mason Group Holdings Limited, both companies are listed in Hong Kong. Mr. LAM was a member of the Listing Committee and the Financial Reporting Advisory Panel of The Stock Exchange of Hong Kong Limited from 1997 to 2003, a committee member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") from 1994 to 2009, and an audit partner of PricewaterhouseCoopers from 1993 to 2013. He has over 40 years of experience in accounting, auditing and business consulting. Mr. LAM is a fellow member of the HKICPA, the Association of Chartered Certified Accountants, the Chartered Accountants of Australia and New Zealand and the Institute of Chartered Accountants in England & Wales. Mr. LAM obtained a higher diploma in accountancy from The Hong Kong Polytechnic University in 1975 and was conferred an Honorary Fellow by The Hong Kong Polytechnic University in 2002.

CHAN Ka Lok
Independent Non-executive Director

Prof. CHAN, aged 56, has been an Independent Non-executive Director of the Company since October 2016. He is a member of the Remuneration Committee of the Company. Prof. CHAN is currently the Dean of The Chinese University of Hong Kong ("CUHK") Business School. He is also a member of a number of committees, including the Hang Seng Index Advisory Committee, Hong Kong Housing Authority, Hong Kong Monetary Authority Financial Infrastructure Sub-Committee, Hong Kong Tracker Fund Supervisory Committee and Advisory Committee of the Securities and Futures Commission, and an Independent Non-executive Director of GF Securities Co., Ltd. (listed in Hong Kong and Shenzhen). Prof. CHAN has been Chairman of the Organising Committee of the "Outstanding Financial Management Planner Awards" of The Hong Kong Institute of Bankers since 2009. He was the Chair Professor of Finance and Acting Dean of the Hong Kong University of Science and Technology ("HKUST"). He was also Head of HKUST's Finance Department from 2003 to 2013 and the President of Asian Finance Association from 2008 to 2010. Prof. CHAN obtained his Bachelor of Social Science degree in Economics from CUHK and Doctor of Philosophy degree in Finance from Ohio State University in the USA.

Senior Management

CHAN Hang, Ken
Deputy Managing Director

Mr. CHAN, aged 60, is a Deputy Managing Director of the Company and a member of the Risk Management Committee of the Company. From 1998 to 2006, Mr. CHAN was the General Manager of the Corporate Development Department of the Company. He graduated from Xiamen University with a Bachelor Degree in Economics in 1983. He obtained his Master of Business Administration degree from Dalhousie University in Canada in 1985 and continued his education in the University of Washington in the USA. Before joining the Company in September 1998, he had held senior positions in a local bank and an international securities firm in Hong Kong. He has over 25 years of working experience in corporate strategic planning, management and finance. Mr. CHAN is responsible for the sales and marketing of the Company.

ZENG Xiaomin
Deputy Managing Director

Mr. ZENG, aged 58, has been appointed as a Deputy Managing Director of the Company since April 2016. Mr. ZENG was the Manager of General Affairs Office of Executive Department of China Shipping (Group) Company, Assistant to the General Manager and the General Manager of General Affairs Department and Enterprise Managing Department of China Shipping Terminal Development Co., Ltd. Mr. ZENG graduated from Shanghai Maritime University with Marine Navigation major. He is a senior economist. Mr. ZENG is responsible for the safety management and the operation and management related tasks in the Mainland.

GUAN Shuguang
Deputy Managing Director

Mr. GUAN, aged 59, has been appointed as a Deputy Managing Director of the Company since April 2016. He is a member of the Investment and Strategic Planning Committee of the Company. Mr. GUAN was the Deputy General Manager of Shanghai Port Engineering & Design Institute and joined China Shipping group in 2003 and was the Deputy General Manager of Jinzhou New Age Container Terminal Co., Ltd., Deputy General Manager of Dalian International Container Terminal Co., Ltd. (Preparatory), General Manager of Investment and Development Department of China Shipping Terminal Development Co., Ltd. and Assistant to the General Manager and the General Manager of Investment and Management Department of China Shipping Ports Development Co., Ltd. Mr. GUAN graduated from Shanghai Maritime University with International Shipping Economy major and obtained a Master of Economics degree. He is a senior engineer. Mr. GUAN is responsible for the capital investment planning, the provision of operation management services, and investment management in the Mainland.

ZHANG Dayu
Deputy Managing Director

Mr. ZHANG, aged 45, has been appointed as a Deputy Managing Director of the Company since April 2016. He is a member of the Investment and Strategic Planning Committee and Risk Management Committee of the Company. Mr. ZHANG was the Managing Director of China Shipping Malta Agency Co., Ltd. and the Managing Director of China Shipping Egypt Co., Ltd., the Deputy General Manager of Container Control Division of COSCO SHIPPING Development Co., Ltd., and General Manager of Overseas Business Department and Assistant General Manager of China Shipping Ports Development Co., Ltd. Mr. ZHANG graduated from Shanghai Maritime University with Marine Navigation major. Mr. ZHANG is responsible for the management of the overseas investment and business management of the Company.

HUNG Man, Michelle
General Counsel & Company Secretary

Ms. HUNG, aged 48, has served as the General Counsel of the Group and the Company Secretary of the Company since November 1996 and March 2001, respectively. Ms. HUNG is mainly responsible for all legal, corporate governance, compliance, company secretarial and related matters for the Company. She is currently a member of the Corporate Governance Committee and Risk Management Committee of the Company. She holds a Bachelor of Laws degree (Hons) from The University of Hong Kong. Ms. HUNG is currently a practicing solicitor of the High Court of the Hong Kong Special Administrative Region and is qualified in England and Wales. She is also a Fellow of The Hong Kong Institute of Chartered Secretaries. Ms. HUNG was named among the top 25 "in-house high flyers" and "the best in Asia" for three consecutive years (2006-2008) by Asian Legal Business Magazine, rewarded the "Asian Company Secretary of the Year Recognition Award" for two consecutive years (2013-2014) by Corporate Governance Asia, a corporate governance magazine, and named among the top 15 general counsels of the 2015 China's Top General Counsel Rankings by Asian Legal Business Magazine.

Note: As announced by the Company on 15 March 2018, Mr. LUI Sai Kit, Eddie resigned as the Financial Controller of the Company with effect from 15 March 2018.

Report of the Directors

The board of directors of the Company (the "Board") presents its report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 44 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segment is set out in note 6 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development and principal risks and uncertainties that the Group may be facing are provided in the Chairman's Statement on pages 10 to 13 and Financial Review on pages 42 to 49 of this annual report.

The financial risk management objectives and policies of the Group can be found in note 4 to the consolidated financial statements. There was no important event affecting the Group since the end of the financial year ended 31 December 2017.

An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Highlights on pages 8 to 9 of this annual report.

The environmental policies and performance and compliance with the relevant laws and regulations are provided in the 2017 Sustainability Report, which has been published on the same date of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated income statement on pages 133 to 134 of this annual report.

The directors declared an interim dividend of HK10.3 cents (equivalent to US1.316 cents) per share with a scrip dividend alternative, totalling HK$312,190,000 (equivalent to US$39,888,000), which was paid on 27 October 2017.

The directors recommend the payment of a final dividend of HK13.1 cents (equivalent to US1.684 cents) per share with a scrip dividend alternative, totalling HK$400,482,000 (equivalent to US$51,482,000), payable on 18 July 2018.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 239 of this annual report.

DONATIONS

Charitable and other donations made by the Group during the year amounted to US$622,000.

SHARES ISSUED IN THE YEAR

Details of the shares issued of the Company during the year are shown in note 19 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2017 calculated under the Companies Act of Bermuda amounted to US$2,804,814,000.

BORROWINGS

Details of the borrowings of the Group are set out in note 21 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEMES

Details of retirement benefit schemes of the Group are set out in notes 3.24 and 33 to the consolidated financial statements.

DIRECTORS

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

Mr. HUANG Xiaowen[2] (Chairman)
Mr. ZHANG Wei (張為)[1] (Vice Chairman and 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]
Prof. CHAN Ka Lok[3]

[1] Executive Director
[2] Non-executive Director
[3] Independent Non-executive Director

In accordance with Clauses 87(1) and (2) of the Bye-laws of the Company, Mr. ZHANG Wei (張為), Mr. FANG Meng, Mr. WANG Haimin, Mr. FAN Ergang and Mr. LAM Yiu Kin, being directors longest in office since their last re-election, shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received annual confirmation from each of the independent non-executive directors confirming their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management are set out on pages 94 to 103 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a director of the Company and the director's connected party had a material interests, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PERMITTED INDEMNITY PROVISIONS

The Bye-laws of the Company provide that the Directors of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty. Directors liability insurance is in place to protect the Directors of the Company or of its subsidiaries against any potential costs and liabilities arising from claims brought against the Directors.

SHARE OPTIONS

At a special general meeting of the Company held on 23 May 2003, the shareholders of the Company approved the adoption of a share option scheme (the "Share Option Scheme") and the termination of the share option scheme adopted by the shareholders of the Company on 30 November 1994.

At a special general meeting of the Company held on 5 December 2005, the shareholders of the Company approved the amendments to the Share Option Scheme. The definitions of "Participant" and "relevant company" in paragraph 1 of the Share Option Scheme were amended by deleting all references to COSCO (Hong Kong) Group Limited (now known as COSCO SHIPPING (Hong Kong) Co., Limited) ("COSCO SHIPPING (Hong Kong)") and replacing them by China COSCO Holdings Company Limited (now known as COSCO SHIPPING Holdings Co., Ltd.) ("COSCO SHIPPING Holdings"), an intermediate holding company of the Company, and paragraph 8(e) of the Share Option Scheme was changed to allow a grantee who ceases to be an employee or an executive director of the relevant company (as defined in the Share Option Scheme) by reason of voluntary resignation from his employment, directorship, secondment or nomination to exercise the option up to his entitlement at the date of cessation within a period of three months following the date of such cessation pursuant to paragraph 7.3(a) of the Share Option Scheme. These amendments came into effect on 28 February 2006 after the approval of the shareholders of COSCO SHIPPING Holdings at its general meeting held on the same date.

The following is a summary of the principal terms of the Share Option Scheme:

The Share Option Scheme was designed to attract, retain and motivate talented participants (the "Participants" or a "Participant") (as defined in note 1 below) to strive for future development and expansion of the Group and to provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as the Board might approve from time to time.

Under the Share Option Scheme, the Board might, at its discretion, invite any Participants to take up options. In determining the basis of eligibility of each Participant, the Board would mainly take into account the experience of the Participant on the Group's business, the length of service of the Participant with the Group or the length of business relationship the Participant has established with the Group and such other factors as the Board might at its discretion consider appropriate.

The maximum number of shares which might be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company should not in aggregate exceed 10% of the total number of shares in issue (i.e. 214,701,229 shares) as at the date of the adoption of the Share Option Scheme.

The maximum entitlement for any one Participant (including exercised, cancelled and outstanding options) in any twelve months' period should not exceed 1% of the total number of shares in issue.

The period under which an option must be exercised should be such period as the Board might in its absolute discretion determine at the time of grant, save that such period should not be longer than ten years from the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the Share Option Scheme. The minimum period for which an option must be held before it can be exercised was determined by the Board upon the grant of an option. The amount payable on acceptance of an offer of the grant of options was HK$1.00. The full amount of the exercise price for the subscription of shares must be paid upon exercise of an option.

The exercise price in relation to each option should be determined by the Board in its absolute discretion, but in any event should be at least the highest of (i) the closing price of the shares as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date when an option was offered; (ii) a price being the average of the closing prices of the shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date on which an option was offered; and (iii) the nominal value of a share.

The Share Option Scheme was valid and effective for a period of 10 years commencing from the date of adoption and was expired on 22 May 2013. No further options shall thereafter be granted under the Share Option Scheme. The options to subscribe for a total of 9,940,000 shares (representing approximately 0.33% of the existing issued shares of the Company) granted under the Share Option Scheme lapsed during 2017. As at 31 December 2017, there was no outstanding option.

Notes:

(1) As defined in the Share Option Scheme (as amended), "Participants" include:

(i) any employee of the Group (including any executive director of the Group);

(ii) any management of COSCO SHIPPING Holdings, or China Ocean Shipping Company Limited (formerly China Ocean Shipping (Group) Company)("COSCO"), both being intermediate holding companies of the Company; and

(iii) any person seconded or nominated by the Group to represent the Group's interest in any of the Group's associated companies or jointly controlled entities (as defined in note 2 below), or any other company or organisation.

As to whether a particular person falls within the definition of Participants, it shall be determined by the Board in its absolute discretion.

(2) Under the Share Option Scheme, associated companies and jointly controlled entities refer to those companies and/or enterprises which have defined and/or disclosed as associates and/or associated companies and joint ventures and/or jointly controlled entities of the Company in the latest audited financial statements of the Company.

Movements of the options, which were granted under the Share Option Scheme, during the year are set out below:

Category	Exercise Price HK$	Number of share options: Outstanding at 1 January 2017	Granted during the year	Exercised during the year	Transfer (to)/ from other categories during the year	Lapsed during the year	Outstanding at 31 December 2017	% of total number of issued shares	Exercisable period	Note
Director										
Dr. WONG Tin Yau, Kelvin	19.30	500,000	–	–	–	(500,000)	–	–	18.4.2007 -17.4.2017	(1), (2)
		500,000	–	–	–	(500,000)	–			
Continuous contract employees	19.30	8,310,000	–	–	–	(8,310,000)	–	–	(refer to note 1)	(1)
Others	19.30	1,130,000	–	–	–	(1,130,000)	–	–	(refer to note 1)	(1)
		9,440,000	–	–	–	(9,440,000)	–			
		9,940,000	–	–	–	(9,940,000)	–			

Notes:

(1) The share options were granted during the period from 17 April 2007 to 19 April 2007 under the Share Option Scheme at an exercise price of HK$19.30. The options are exercisable at any time within ten years from the commencement date which is the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the Share Option Scheme (the "Commencement Date"). The Commencement Date of the options was from 17 April 2007 to 19 April 2007.

(2) These options represent personal interest held by the relevant director as beneficial owner.

(3) No share options were granted, exercised or cancelled under the Share Option Scheme during the year ended 31 December 2017.

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

The interest of the Company's directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company as at 31 December 2017 under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long positions in shares of the Company

Name of director	Capacity	Nature of interest	Number of ordinary shares held	% of total number of issued shares of the Company
Mr. ZHANG Wei (張煒)	Beneficial owner	Personal	30,000	0.001%
Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	569,467	0.019%

(b) Long positions in underlying shares of equity derivatives of the Company

Share options were granted by the Company to the directors of the Company pursuant to the Share Option Scheme. Details of the directors' interest in share options granted by the Company are set out under the previous section headed "Share Options" of this report.

(c) Long positions in shares of associated corporations

Name of associated corporation	Name of director	Capacity	Nature of interest	Number of H shares held	% of total number of issued H shares of the relevant associated corporation
COSCO SHIPPING Holdings Co., Ltd.	Dr. FAN HSU Lai Tai, Rita	Beneficial owner	Personal	10,000	0.0004%
COSCO SHIPPING Energy Transportation Co., Ltd.	Mr. Adrian David LI Man Kiu	Beneficial owner	Personal	508,000	0.04%

Name of associated corporation	Name of director	Capacity	Nature of interest	Number of A shares held	% of total number of issued A shares of the relevant associated corporation
COSCO SHIPPING Development Co., Ltd.	Mr. FENG Boming	Beneficial owner	Personal	29,100	0.0004%
	Mr. DENG Huangjun	Interest of spouse	Family	38,000	0.0005%

(d) Long positions in underlying shares of equity derivatives of associated corporations

Movements of the share appreciation rights granted to the directors of the Company by an associated corporation during the year are set out below:

Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price HK$	Number of units of share appreciation rights: Outstanding at 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2017
COSCO SHIPPING Holdings Co., Ltd.	Mr. ZHANG Wei (張為)	Beneficial owner	Personal	9.540	75,000	–	–	(75,000)	–
	Mr. DENG Huangjun	Beneficial owner	Personal	9.540	260,000	–	–	(260,000)	–
	Mr. FENG Boming	Beneficial owner	Personal	9.540	35,000	–	–	(35,000)	–
	Mr. ZHANG Wei (張煒)	Beneficial owner	Personal	9.540	50,000	–	–	(50,000)	–
	Mr. WANG Haimin	Beneficial owner	Personal	9.540	75,000	–	–	(75,000)	–

Note:

The share appreciation rights were granted by COSCO SHIPPING Holdings, an associated corporation of the Company and a company listed on the Stock Exchange and the Shanghai Stock Exchange, in units with each unit representing one H share of COSCO SHIPPING Holdings on 4 June 2007 pursuant to the share appreciation rights plan adopted by COSCO SHIPPING Holdings (the "Plan"). Under the Plan, no shares of COSCO SHIPPING Holdings will be issued. The share appreciation rights are exercisable at HK$9.540 per unit at any time between 4 June 2009 and 3 June 2017. All share appreciation rights granted under the Plan lapsed during 2017.

Save as disclosed above, as at 31 December 2017, none of the directors or chief executive of the Company had any interest or short positions in any shares or underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2017, the directors namely Mr. HUANG Xiaowen, Mr. ZHANG Wei (張為), Mr. FANG Meng, Mr. DENG Huangjun, Mr. FENG Boming, Mr. ZHANG Wei (張煒), Mr. CHEN Dong, Mr. XU Zunwu and Mr. WANG Haimin held directorships and/or senior management positions in China COSCO Shipping Corporation Limited ("COSCO SHIPPING"), the ultimate holding company of the Company and its subsidiaries or associates and/or other companies which have interest in terminal operation and management business (the "Terminals Interest").

The Board is of the view that the Group is capable of carrying on its businesses independently of the Terminals Interest. When making decisions on the terminals business of the Group, the relevant directors, in the performance of their duties as directors of the Company, have acted and will continue to act in the best interest of the Group.

SUBSTANTIAL INTEREST IN THE SHARE CAPITAL OF THE COMPANY

So far as is known to any directors or chief executive of the Company, as at 31 December 2017, the interest of shareholders in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company or the Stock Exchange were as follows:

			Number of ordinary shares/Percentage of total number of issued shares as at 31 December 2017			
Name	**Capacity**	**Nature of interests**	**Long positions**	**%**	**Short positions**	**%**
COSCO Investments Limited	Beneficial owner	Beneficial interest	213,989,277	7.10	—	—
China COSCO (Hong Kong) Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,366,459,469	46.06	—	—
COSCO SHIPPING Holdings Co., Ltd.	Interest of controlled corporation	Corporate interest	1,366,459,469	46.06	—	—
China Ocean Shipping Company Limited	Interest of controlled corporation	Corporate interest	1,366,459,469	46.06	—	—
China COSCO Shipping Corporation Limited	Interest of controlled corporation	Corporate interest	1,366,459,469	46.06	—	—
Silchester International Investors LLP	Investment manager	Other interest	277,420,809	9.08	—	—

Note:

The 1,366,459,469 shares relate to the same batch of shares of the Company. COSCO Investments Limited ("COSCO Investments") is a wholly owned subsidiary of China COSCO (Hong Kong) Limited ("China COSCO (HK)"). Accordingly, the 213,989,277 shares of the Company held by COSCO Investments are also included as part of China COSCO (HK)'s interest in the Company. China COSCO (HK) is a wholly owned subsidiary of COSCO SHIPPING Holdings and it itself held 1,152,470,192 shares of the Company beneficially. Accordingly, China COSCO (HK)'s interest in relation to the 1,366,459,469 shares of the Company is also recorded as COSCO SHIPPING Holdings' interest in the Company. COSCO held 45.47% equity interest in COSCO SHIPPING Holdings as at 31 December 2017, and accordingly, COSCO is deemed to have the interest of 1,366,459,469 shares of the Company held by China COSCO (HK). COSCO is a wholly owned subsidiary of COSCO SHIPPING. Accordingly, COSCO's interest in relation to the 1,366,459,469 shares of the Company is also recorded as COSCO SHIPPING's interest in the Company.

As informed by China COSCO (HK), it was interested in a total of 1,433,989,072 shares (representing 46.91% of the total issued shares of the Company) as at 31 December 2017 because of the allotment of 49,228,060 scrip shares and the acquisition of 18,301,543 shares.

Save as disclosed above, as at 31 December 2017, the Company has not been notified of any other interest or short positions in the shares and underlying shares of the Company which had to be recorded in the register required to be kept under Section 336 of the SFO.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, as at the date of this report, there is sufficient public float of the shares of the Company with not less than 25% of the total number of issued shares of the Company held by the public as required under the Listing Rules.

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 in 2017.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company and there are no restrictions against such rights under the laws in Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

The percentage of the Group's purchases and revenues attributable to major suppliers and customers are as follows:

Percentage of purchases attributable to the Group's largest supplier, which is a subsidiary of COSCO SHIPPING	13%
Percentage of purchases attributable to the Group's five largest suppliers	36%
Percentage of revenue from sales of goods or rendering of services attributable to the Group's largest customer, which is a subsidiary of COSCO SHIPPING	15%
Percentage of revenue from sales of goods or rendering of services attributable to the Group's five largest customers	41%

None of the directors or their associates has interest in any of the suppliers or customers of the Group.

Save as disclosed above, to the knowledge of the directors, none of the shareholders owning more than 5% of the Company's shares has interest in any of the suppliers and customers of the Group.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest. The Company has fully complied with the code provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2017.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 60 to 93 of this annual report.

CONNECTED TRANSACTIONS

During the year, the Group conducted certain continuing related party transactions, as disclosed in note 40 (Related party transactions) of the audited consolidated financial statements of the Company for the year ended 31 December 2017, some of which constituted continuing connected transactions of the Group (exempted and non-exempted), in respect of which the Company has complied with the relevant applicable requirements under Chapter 14A of the Listing Rules:

(I) Connected Transactions

(1) Acquisition of interest in CSP Zeebrugge

On 11 September 2017, China Shipping Ports Development Co., Limited ("CSPD", a wholly owned subsidiary of the Company) as purchaser entered into a legally binding memorandum of understanding (the "MOU") with APM Terminals B.V. ("APM Terminals") as seller, pursuant to which APM Terminals conditionally agreed to sell and CSPD conditionally agreed to purchase approximately 76% of the issued share capital of APM Terminals Zeebrugge NV (now known as CSP Zeebrugge Terminal NV) ("CSP Zeebrugge") (the "Sale Shares") at a maximum aggregate consideration (including refinancing of the existing shareholder loans) of €35,000,000 (subject to adjustments) (the "Zeebrugge Acquisition"). The MOU sets out the conditions precedent to the signing of a share purchase agreement in relation to the Zeebrugge Acquisition (the "Conditions Precedent").

The share capital of CSP Zeebrugge was at that time owned as to approximately 24%, 51% and 25% by CSPD, APM Terminals and Shanghai International Port (Group) Co., Ltd. ("SIPG"), an independent third party, respectively. The Zeebrugge Acquisition was structured such that APM Terminals would first acquire from SIPG its approximately 25% shares in CSP Zeebrugge (the "SIPG Shares"), followed by the sale of the SIPG Shares together with the shares in the share capital of CSP Zeebrugge held by APM Terminals to CSPD or its affiliate immediately thereafter.

After fulfillment of the Conditions Precedent, CSPD as purchaser entered into a share purchase agreement with APM Terminals as seller in relation to the Zeebrugge Acquisition on 8 November 2017.

CSP Zeebrugge operates a container terminal located at the Port of Zeebrugge, which is the second largest port in Belgium. The Zeebrugge Acquisition is in line with the Company's strategy of "developing a comprehensive and well-balanced global terminals network" and "strengthening control and management of the terminals".

APM Terminals is an associate of APM Terminals Invest Company Limited, a substantial shareholder of a subsidiary of the Company, and is therefore a connected person of the Company. The Zeebrugge Acquisition constituted a connected transaction of the Company under the Listing Rules.

Completion of the Zeebrugge Acquisition took place on 30 November 2017 and CSP Zeebrugge has become a wholly-owned subsidiary of the Company on that date. The consideration paid by CSPD was €36,000,000.

(II) Continuing Connected Transactions

(1) Rental of office premises

On 28 November 2014, COSCO SHIPPING Ports Management Company Limited (formerly COSCO Pacific Management Company Limited) ("COSCO SHIPPING Ports Management") as tenant entered into a tenancy agreement (the "2014 Tenancy Agreement") with Wing Thye Holdings Limited ("Wing Thye") as landlord in respect of the leasing of Units 4901, 4902A and 4903 situated at 49th Floor of COSCO Tower, 183 Queen's Road Central, Hong Kong (the "Premises"). Pursuant to the 2014 Tenancy Agreement, COSCO SHIPPING Ports Management agreed to rent from Wing Thye the Premises for a term of three years commencing from 29 November 2014 at a monthly rental of HK$1,038,390 exclusive of government rent, rates and management fees. The monthly management fees payable to Wing Thye is HK$76,619.40 (subject to revision by the management company of the buildings of which the Premises form part from time to time). During the subsistence of the 2014 Tenancy Agreement, the maximum aggregate annual value of the rental and the management fee for the period from 29 November 2014 to 31 December 2014, for the two years ending 31 December 2015 and 2016 and for the period from 1 January 2017 to 28 November 2017 were HK$2,231,000, HK$13,400,000, HK$13,485,000 and HK$11,315,000 respectively.

On 28 November 2017, COSCO SHIPPING Ports Management as tenant entered into a new tenancy agreement with Wing Thye as landlord (the "2017 Tenancy Agreement") in respect of the leasing of the Premises with extension to include Unit No. 4902B on 49th Floor of COSCO Tower (the "Extended Unit"). Pursuant to the 2017 Tenancy Agreement, COSCO SHIPPING Ports Management agreed to rent from Wing Thye the Premises and the Extended Unit (collectively the "Extended Premises") for a term of three years commencing from 29 November 2017 at a monthly rental of HK$1,223,600 exclusive of government rent, rates and management fees. The monthly management fees payable to Wing Thye is HK$87,248 (subject to revision by the management company of the building of which the Extended Premises form part from time to time). During the subsistence of the 2017 Tenancy Agreement, the maximum aggregate annual value of the rental and the management fee for the period from 29 November 2017 to 31 December 2017, for the two years ending 31 December 2018 and 2019 and for the period from 1 January 2020 to 28 November 2020 are HK$1,480,000, HK$15,740,000, HK$15,840,000 and HK$14,540,000 respectively.

The Company intended to continue to occupy the Extended Premises on a long term basis as the head office of itself and its subsidiaries and as its principal place of business in Hong Kong. In negotiating the respective rentals under the 2014 Tenancy Agreement and the 2017 Tenancy Agreement, the directors of the Company had made reference to the professional opinion given by DTZ Cushman & Wakefield Limited (formerly DTZ Debenham Tie Leung Limited) ("DTZ"), an independent professional valuer. DTZ opined that the monthly rental agreed for the Premises and the Extended Premises as respectively provided in the 2014 Tenancy Agreement and the 2017 Tenancy Agreement were at market levels and were fair and reasonable.

Wing Thye is a wholly owned subsidiary of COSCO SHIPPING (Hong Kong) Co., Limited ("COSCO SHIPPING (Hong Kong)"). COSCO SHIPPING Ports Management is a wholly owned subsidiary of the Company. COSCO SHIPPING is a controlling shareholder of both the Company and COSCO SHIPPING (Hong Kong). Accordingly, Wing Thye is a connected person of the Company. The 2014 Tenancy Agreement and the 2017 Tenancy Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under the Listing Rules.

(2) Financial Services Master Agreement

On 25 August 2016, the Company entered into a financial services master agreement (the "Financial Services Master Agreement") with COSCO Finance Co., Ltd. ("COSCO Finance"). Under the Financial Services Master Agreement, COSCO Finance agreed to provide its services to the Group for deposit transactions (the "Deposit Transactions"), loan transactions (the "Loan Transactions"), clearing transactions (the "Clearing Transactions") and other financial services which COSCO Finance may from time to time offer (the "Further Financial Services") (collectively the "Transactions") to the Group for the period from 1 January 2017 to 31 December 2019 (both dates inclusive).

In respect of the Deposit Transactions, the rate of interest which will accrue on any deposit placed by the Group with COSCO Finance under the Financial Services Master Agreement will be determined with reference to: (a) market interest rates, being the interest rates set by independent third party commercial banks operating in the same or nearby service area in the PRC in their ordinary course of business on normal commercial terms for the same type of deposit services, determined in accordance with the principle of fairness and reasonableness; and (b) the interest rates offered by COSCO Finance to other parties of the COSCO SHIPPING Group (including COSCO SHIPPING and subsidiaries held by COSCO SHIPPING as to more than 51%, companies held by COSCO SHIPPING and/or its subsidiaries held by COSCO SHIPPING as to more than 51% (individually or jointly) as to more than 20%, companies held by COSCO SHIPPING and/or its subsidiaries held by COSCO SHIPPING as to more than 51% (individually or jointly) as to less than 20% with COSCO SHIPPING and/or its subsidiaries (individually or jointly) being the largest shareholder, and enterprise legal entities (事業單位法人) and social organisation legal entities (社會團體法人) under COSCO SHIPPING and/or its subsidiaries held by COSCO SHIPPING as to more than 51%) for the same type of deposit services. The caps of the daily aggregate amount of deposits placed by the Group with COSCO Finance (including the amount of any interest accrued thereon) for each of the three years ending 31 December 2017, 2018 and 2019 are RMB4,000,000,000. The maximum daily aggregate amount of deposits for the year ended 31 December 2017 was RMB1,609,324,000.

In respect of the Loan Transactions, the rate of interest which will accrue on any loan to be provided by COSCO Finance to the Group under the Financial Services Master Agreement will be determined with reference to: (a) market interest rates, being the interest rates set by independent third party commercial banks operating in the same or nearby service area in the PRC in their ordinary course of business on normal commercial terms for the same type of loan services, determined in accordance with the principle of fairness and reasonableness; and (b) the interest rates charged by COSCO Finance to other parties of the COSCO SHIPPING Group for the same type of loan services. The caps of daily aggregate outstanding amount of loans to be provided by COSCO Finance to the Group (including any interest accrued thereon) for each of the three years ending 31 December 2017, 2018 and 2019 are RMB4,000,000,000. The maximum daily aggregate outstanding amount of loans for the year ended 31 December 2017 was RMB522,967,000.

In respect of the Clearing Transactions, under the Financial Services Master Agreement, no service fee will be charged by COSCO Finance for any clearing services to be provided to members of the Group for each of the three years ending 31 December 2017, 2018 and 2019.

In respect of the Further Financial Services, any fee which COSCO Finance will charge members of the the Group under the Financial Services Master Agreement will be determined with reference to: (a) the handling fees charged by independent third party commercial banks in the PRC for the same type of services provided to the Group; and (b) the handling fees charged by COSCO Finance for the same type of services provided to other third party entities of the same credit rating for the same type of services. For the year ended 31 December 2017, the total amount of the aforesaid transactions was RMB20,000.

The deposit interest rates offered by COSCO Finance to the Group will be equal to or more favourable to the Group than those offered by independent third party commercial banks in the PRC for comparable deposits. The Financial Services Master Agreement is therefore expected to provide the Group with additional means of financing and improve the efficiency of the use of its funds through favourable interest income and costs of financing.

The Financial Services Master Agreement will not preclude the Group from using the services of other financial institutions as it thinks fit and appropriate for the benefit of the Group. Where required, the Group will solicit other reference quotations, where available, from independent third party financial institutions in respect of similar transactions for comparison and consideration.

COSCO Finance is a subsidiary of COSCO SHIPPING, a controlling shareholder of the Company, and is therefore a connected person of the Company. The Transactions constituted continuing connected transactions of the Group.

(3) Master agreements relating to shipping and terminal related services and container and related services transactions (together the "Shipping and Terminal and Container Related Services Master Agreements")

On 28 October 2015, certain subsidiaries of the Company entered into the following master agreements each for a term of three years from 1 January 2016 to 31 December 2018:

(1) COSCO Shipping Services and Terminal Services Master Agreement entered into between COSCO Ports (Holdings) Limited ("COSCO Ports", a wholly owned subsidiary of the Company), Piraeus Container Terminal S.A. ("PCT", a wholly owned subsidiary of the Company) and COSCO (as amended by an amendment agreement entered into between the Company, COSCO Ports, PCT and COSCO on 30 March 2016, pursuant to which, the Company became a party to the COSCO Shipping Services and Terminal Services Master Agreement in substitution of COSCO Ports and PCT) in respect of the following transactions:

(a) Provision of shipping related services by the Group to COSCO and its associates (the term as defined under the Listing Rules) (excluding the COSCO SHIPPING Holdings Group (as defined below)) (collectively the "Restricted COSCO Group"). The annual caps of the aggregate amount receivable by the Group from the Restricted COSCO Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB562,291,000, RMB705,513,000 and RMB881,877,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2017 was RMB64,865,000.

(b) Provision of terminal related services by the Restricted COSCO Group to the Group. The annual caps of the aggregate amount payable by the Group to the Restricted COSCO Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB124,590,000, RMB159,528,000 and RMB198,434,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2017 was RMB21,397,000.

It was agreed that the service fees payable by the relevant members of the Restricted COSCO Group shall be at rates no less favourable to the relevant members of the Group than those at which the relevant members of the Group charge other independent third party customers for the relevant services. It was also agreed that the service fees payable by the relevant members of the Group shall be at rates no less favourable to the relevant members of the Group than those which independent third party providers charge relevant members of the Group for the relevant services.

(2) China COSCO Shipping Services and Terminal Services Master Agreement entered into between COSCO Ports, PCT, COSCO SHIPPING Holdings and COSCO SHIPPING Lines Co., Ltd. ("COSCO SHIPPING Lines") (as amended by an amendment agreement entered into between the Company, COSCO Ports, PCT, COSCO SHIPPING Holdings and COSCO SHIPPING Lines on 30 March 2016, pursuant to which, the Company became a party to the China COSCO Shipping Services and Terminal Services Master Agreement in substitution of COSCO Ports and PCT) in respect of the following transactions:

(a) Provision of shipping related services by the Group to COSCO SHIPPING Holdings and COSCO SHIPPING Lines and their respective associates (excluding the Group, COSCO and its subsidiaries) (collectively the "COSCO SHIPPING Holdings Group"). The annual caps of the aggregate amount receivable by the Group from the COSCO SHIPPING Holdings Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB2,592,045,000, RMB2,920,650,000 and RMB3,294,169,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2017 was RMB632,777,000.

(b) Provision of terminal related services by the COSCO SHIPPING Holdings Group to the Group. The annual caps of the aggregate amount payable by the Group to the COSCO SHIPPING Holdings Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB2,500,000, RMB2,750,000 and RMB3,025,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2017 was RMB131,000.

It was agreed that the service fees payable by the relevant members of the COSCO SHIPPING Holdings Group shall be at rates no less favourable to the relevant members of the Group than those at which the relevant members of the Group charge other independent third party customers for the relevant services. It was also agreed that the service fees payable by the relevant members of the Group shall be at rates no less favourable to the relevant members of the Group than those at which independent third party providers charge relevant members of the Group for the relevant services.

(3) Maersk Line Shipping Services Master Agreement entered into between COSCO Ports, PCT and Maersk Line A/S (for and on behalf Maersk Line and its subsidiaries, including entities trading under the names of Maersk Line, Safmarine, Sealand, or any other entities as Maersk Line A/S shall designate with agreement of relevant members of the Group (as may be applicable) (collectively "MaerskLine")) (as amended by a novation agreement entered into between the Company, COSCO Ports, PCT and Maersk Line A/S on 1 June 2017, pursuant to which, all rights and obligations of COSCO Ports therein was novated to the Company) in respect of the provision of shipping related services by the Group to Maersk Line.

The annual caps of the aggregate amount receivable by the Group from Maersk Line for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB1,598,518,000, RMB1,747,734,000 and RMB1,914,560,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2017 was RMB353,211,000.

The terms on pricing under the Maersk Line Shipping Services Master Agreement shall be at rates no less favourable to members of the Group than that at which members of the Group charge(s) independent third parties for the relevant services.

(4) Guangzhou Port Company Container Terminal Services Master Agreement entered into between COSCO Ports, Guangzhou South China Oceangate Container Terminal Company Limited ("GZ South China", a subsidiary of the Company) and Guangzhou Port Holdings Company Limited ("GZ Port Company") in respect of the following transactions:

(a) Provision of container terminal related services by GZ South China to GZ Port Company and its subsidiaries, branches and associates excluding GZ South China (collectively the "GZ Port Company Group") and excluding any service providing party of the GZ Port Holding Group under the Guangzhou Port Holding Container Terminal Services Master Agreement. The annual caps of the aggregate amount receivable by GZ South China from the GZ Port Company Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB49,220,000, RMB58,522,000 and RMB70,069,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2017 was RMB7,842,000.

(b) Provision of container terminal related services by the GZ Port Company Group to GZ South China (but excluding any service providing party of the GZ Port Holding Group under the Guangzhou Port Holding Container Terminal Services Master Agreement). The annual caps of the aggregate amount payable by GZ South China to the GZ Port Company Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB325,856,000, RMB369,467,000 and RMB421,114,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2017 was RMB24,047,000.

(c) The provision of high-frequency wireless communication services at Guangzhou Port by GZ Port Company Group to GZ South China. The annual caps of the aggregate amount payable by GZ South China to the GZ Port Company Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB4,000,000 RMB6,000,000 and RMB9,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2017 was RMB621,000.

It was agreed that the terms for the provision of services by GZ South China to GZ Port Company Group and the provision of services by GZ Port Company Group to GZ South China shall be no less favourable to GZ South China (as service providing party or as service receiving party) than terms available to GZ South China from independent third parties for the relevant services.

(5) Guangzhou Port Holding Container Terminal Services Master Agreement entered into between COSCO Ports, GZ South China and Guangzhou Port Group Company Limited ("GZ Port Holding") in respect of the provision of container terminal related services by GZ Port Holding and its subsidiaries, branches and associates (but excluding GZ Port Company and GZ South China) (collectively the "GZ Port Holding Group") to GZ South China.

The annual caps of the aggregate amount payable by GZ South China to GZ Port Holding Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB34,650,000, RMB41,515,000 and RMB47,067,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2017 was RMB16,691,000.

It was agreed that the terms (including without limitation, the service fees) for the provision of services by members of the GZ Port Holding Group will be no less favourable to GZ South China (as service receiving party) than terms available to GZ South China from independent third parties for the relevant services.

(6) Xiamen Container Terminal Services Master Agreement entered into between COSCO Ports, Xiamen Ocean Gate Container Terminal Co., Ltd. ("Xiamen Ocean Gate", a subsidiary of the Company) and Xiamen Haicang Investment Group Co., Ltd. ("Xiamen Haicang Holding") in respect of the following transactions:

(a) Provision of container terminal related services by Xiamen Haicang Holding and its subsidiaries, branches and associates (collectively the "Xiamen Haicang Group") to Xiamen Ocean Gate. The annual caps of the aggregate amount payable by Xiamen Ocean Gate to the Xiamen Haicang Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB46,000,000, RMB57,000,000 and RMB72,000,000 respectively. The total amount for the aforesaid transactions for the year ended 31 December 2017 was RMB11,976,000.

(b) Provision of container terminal related services by Xiamen Ocean Gate to the members of the Xiamen Haicang Group. The annual caps of the aggregate amount payable by the Xiamen Haicang Group to Xiamen Ocean Gate for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB20,000,000, RMB27,200,000 and RMB37,800,000 respectively. The total amount for the aforesaid transactions for the year ended 31 December 2017 was RMB632,000.

It was agreed that the terms (including without limitation, the service fees) for the provision of services by the relevant members of the Xiamen Haicang Group shall be no less favourable to Xiamen Ocean Gate (as service receiving party) than terms available to Xiamen Ocean Gate from independent third parties for the relevant services. It was also agreed that the terms (including without limitation, the service fees) for the provision of services by Xiamen Ocean Gate shall be no less favourable to Xiamen Ocean Gate (as service providing party) than terms available to it from independent third parties for the relevant services.

(7) COSCON Container Services Master Agreement entered into between Plangreat Limited ("Plangreat", a wholly owned subsidiary of the Company), COSCO and COSCO SHIPPING Lines in respect of the provision of container related services by Plangreat and its subsidiaries to the COSCO Group (excluding the Group).

The annual caps of the aggregate amount receivable by Plangreat and its subsidiaries from the COSCO Group (excluding the Group) for the three years ended 31 December 2016, 2017 and 2018 are US$2,151,000, US$2,366,000 and US$2,603,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2017 was US$3,000.

It was agreed that the service fees payable by the relevant members of the COSCO Group (excluding the Group) shall be at rates no less favourable to Plangreat and its subsidiaries than those at which Plangreat and its subsidiaries charge other independent third party customers for the relevant services.

(8) Nansha Diesel Oil Purchase Master Agreement entered into between COSCO Ports, GZ South China and China Marine Bunker Guangzhou Co., Ltd. ("CM Supply") in respect of the purchase of diesel oil by GZ South China from CM Supply.

The annual caps of the aggregate amount payable by GZ South China to CM Supply for the three years ended 31 December 2016, 2017 and 2018 are RMB30,000,000, RMB33,000,000 and RMB36,300,000 respectively. For the year ended 31 December 2017, no such purchases of diesel oil were made by GZ South China from CM Supply.

It was agreed that the terms for the supply of diesel oil by CM Supply shall be no less favourable to GZ South China (as purchaser) than terms available to GZ South China from independent third parties for the relevant transactions.

(9) Xiamen Diesel Oil Purchase Master Agreement entered into between COSCO Ports, Xiamen Ocean Gate and China Marine Bunker Supply Fujian Co., Ltd. ("Chimbusco Fujian") in respect of the purchase of diesel oil by Xiamen Ocean Gate and its subsidiaries (collectively, the "Xiamen Ocean Gate Group") from Chimbusco Fujian.

The annual caps of the aggregate amount payable by Xiamen Ocean Gate Group to Chimbusco Fujian for the three years ended 31 December 2016, 2017 and 2018 are RMB20,000,000, RMB24,000,000 and RMB28,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2017 was RMB1,320,000.

It was agreed that the terms (including without limitation, the prices) for the supply of diesel oil by Chimbusco Fujian shall be at rates no less favourable to the members of the Xiamen Ocean Gate Group (as purchaser) than terms available to members of the Xiamen Ocean Gate Group from independent third parties for the relevant transactions.

(10) Yangzhou Terminal Services Master Agreement entered into between COSCO Ports, Yangzhou Yuanyang International Ports Co., Ltd. ("Yangzhou Yuanyang", a subsidiary of the Company) and Yangzhou Port of Jiangsu Province Group Co., Ltd. ("Yangzhou Port Holding") in respect of the provision of terminal related services by Yangzhou Port Holding and its subsidiaries, branches and associates (collectively the "Yangzhou Port Group") to Yangzhou Yuanyang.

The annual caps of the aggregate amount payable by Yangzhou Yuanyang to the Yangzhou Port Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB159,195,000, RMB190,714,000 and RMB228,506,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2017 was RMB44,388,000.

It was agreed that the terms (including without limitation, the service fees) for the provision of services by the Yangzhou Port Group shall be no less favourable to Yangzhou Yuanyang (as service receiving party) than terms available to the Yangzhou Yuanyang from independent third parties for the relevant services.

Since COSCO SHIPPING, COSCO and COSCO SHIPPING Holdings are controlling shareholders of the Company, members of the Restricted COSCO Group and the COSCO SHIPPING Group (including COSCO SHIPPING, COSCO, COSCO SHIPPING Holdings and COSCO SHIPPING Lines) are connected persons of the Company.

Maersk Line A/S is an associate of a substantial shareholder of subsidiary of the Company, and accordingly Maersk Line A/S and members of the Maersk Line are connected persons of the Company.

GZ Port Company directly and GZ Port Holding indirectly hold a 41% equity interest in GZ South China, a subsidiary of the Company. Accordingly, members of the GZ Port Holding Group and GZ Port Company Group are connected persons of the Company.

Xiamen Haicang Holding has a 30% equity interest in Xiamen Ocean Gate which is a subsidiary of the Company. Therefore, members of the Xiamen Haicang Group (including Xiamen Haicang Holding) are connected persons of the Company.

CM Supply is owned as to 50% and is treated as a subsidiary of COSCO SHIPPING and hence is a connected person of the Company.

Chimbusco Fujian is owned as to 50% by CM Supply and hence is an associate of COSCO SHIPPING. Therefore, Chimbusco Fujian is a connected person of the Company.

Yangzhou Port Holding has a 40% equity interest in Yangzhou Yuanyang, a subsidiary of the Company. Accordingly, members of the Yangzhou Port Group (including Yangzhou Port Holding) are connected persons of the Company.

The continuing connected transactions under agreements numbered (1) and (2) above were subject to the reporting, annual review, announcement and independent shareholders' approval requirements and were approved by the independent shareholders of the Company at the special general meeting held on 26 November 2015 ("2015 SGM"), whilst the transactions under agreements numbered (3) to (6) were exempted from the independent shareholders' approval requirement (so far as applicable) under Rule 14A.101 of the Listing Rules.

With respect to the continuing connected transactions under agreements numbered (7) to (9), they were subject to the reporting, annual review and announcement requirements, but were exempt from the independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

In addition, the transactions under agreement numbered (10) did not constitute continuing connected transactions of the Group for the year ended 31 December 2017, since members of the Yangzhou Port Group constituted persons connected with insignificant subsidiaries under Rule 14A.09.

In order to streamline the organisation of the Group, COSCO Ports was dissolved on 9 June 2017. Before the dissolution, COSCO Ports had transferred its shareholdings in GZ South China, Xiamen Ocean Gate and Yangzhou Yuanyang to the Company and ceased to be the intermediate holding company of the aforesaid companies. The subsisting transactions entered into by GZ South China, Xiamen Ocean Gate and its subsidiaries and Yangzhou Yuanyang with the relevant connected parties continued to be governed by the agreements numbered (4) to (6) and (8) to (10) accordingly.

(4) Master agreement relating to finance lease arrangements (the "Finance Leasing Master Agreement")

On 28 October 2015, COSCO Ports entered into the Finance Leasing Master Agreement with Florens Capital Management Company Limited ("Florens Capital Management", a then non-wholly owned subsidiary of the Company and owned as to 50% by COSCO) for a term of three years from 1 January 2016 to 31 December 2018 in respect of the provision of the Finance Leasing (as defined below) by Florens Capital Management and its subsidiary(ies) (collectively the "Florens Capital Management Group") to the COSCO Ports Group.

In order to streamline the organisation of the Group, COSCO Ports was dissolved on 9 June 2017. In March 2016, the Company also disposed of all its equity stake in Florens Capital Management to a subsidiary of COSCO SHIPPING (a controlling shareholder of the Company), and thus Florens Capital Management ceased to be a connected subsidiary of Company but continues to be a connected person of the Company by virtue of it being an indirect subsidiary of COSCO SHIPPING.

Accordingly, the Finance Leasing transactions entered into between the companies which were previously held by COSCO Ports (and now held directly by the Company) with Florens Capital Management Group continued to be governed by the Finance Leasing Master Agreement.

Finance Leasing refers to the provision of finance leasing on any machinery, equipment or other property related to shipping and the operation of terminal to be leased to the members of the Group by the members of the Florens Capital Management Group or to be sold by the members of the Group to, and then leased back from, members of the Florens Capital Management Group (the "Leasing Equipment") by any member of the Florens Capital Management Group to any member of the Group pursuant to the Finance Leasing Master Agreement and such other related services as may be agreed between the relevant member of the Florens Capital Management Group and the relevant member of the Group.

The lease method includes sale and leaseback pursuant to which the lessor (a member of the Florens Capital Management Group) shall purchase from the lessee (a member of the Group) the Leasing Equipment which will be leased back to the lessee by the lessor; finance leasing arrangement involving the execution of an entrusted purchase agreement for the intended purchase of Leasing Equipment by the lessee and the subsequent provision of finance lease services to the lessee and the making of lease payments to the lessor; and finance lease arrangement involving the leasing of Leasing Equipment acquired by with the option for the lessee to purchase the Leasing Equipment.

The total consideration payable by the relevant members of the Group for the provision of the Financial Leasing by members of Florens Capital Management Group, including the amounts of principal lease payments and interest, handling fees and exercise price of purchase options, will be at rates no less favourable to the relevant members of the Group than those available to the Group from other independent third party for the relevant Finance Leasing.

The annual caps of the aggregate amount payable by the Group to the Florens Capital Management Group for such services for the three years ended 31 December 2016, 2017 and 2018 are US$120,000,000, US$140,000,000 and US$200,000,000 respectively. No new Financial Leasing was arranged between members of the Group and members of the Florens Capital Management Group for the year ended 31 December 2017.

All services under the Finance Leasing Master Agreement was provided by Florens (Tianjin) Finance Leasing Co., Ltd. ("Tianjin Co") (previously a wholly owned subsidiary of Florens Capital Management and which had been fully disposed of by Florens Capital Management to Oriental Fleet International Company Limited, which is an indirect wholly owned subsidiary of COSCO SHIPPING) to the Group, the terms of which are acknowledged by Tianjin Co, Florens Capital Management and the Company to continue to be governed by the Finance Leasing Master Agreement. Since Tianjin Co continues to be a subsidiary of COSCO SHIPPING, which is a controlling shareholder of the Company, it is a connected person of the Company. Accordingly, the transactions with Tianjin Co constituted continuing connected transactions of the Company under the Listing Rules.

The transactions under the Finance Lease Master Agreement constituted continuing connected transactions and a disclosable transaction of the Company, the transactions under the agreement were approved by the independent shareholders of the Company at the 2015 SGM.

(5) Concession Agreement

On 25 November 2008, PCT as concessionaire and the Company as the sole shareholder of PCT entered into a concession agreement with Piraeus Port Authority S.A. ("PPA") as grantor, which was further amended by an amendment agreement dated 27 November 2014 that became effective on 20 December 2014 (the "Concession Agreement").

Pursuant to the Concession Agreement, in consideration of the payments contemplated thereunder (which include, among others, two fixed annual fees, and a variable annual concession fee based on the aggregate revenue of PCT for pier 2 of the Piraeus Port ("Pier 2") and pier 3 of the Piraeus Port ("Pier 3"), including, following construction of the western part of Pier 3, the turnover generated by the western part of Pier 3), (a) PPA agreed to grant a concession to PCT, (i) for the development, operation and utilisation of Pier 2 and (ii) for the construction, operation and ultilisation of the eastern part of Pier 3 and the western part of Pier 3; and (b) PCT has agreed to construct and put into operation, on behalf of PPA, a new oil pier on the southern part of Pier 3 (at PPA's costs).

The concession is for an initial term of 30 years (which commenced on 1 October 2009), with a mandatory extension for a term of 5 years subject to PCT's fulfillment of its obligations to construct the eastern part of Pier 3 in accordance with the timetable agreed in the Concession Agreement. The estimated total consideration for the 35-year term of the Concession is €831,200,000.

In view of the commercial and strategic importance of the Piraeus Port, and the growth potential of the Piraeus Port Container Terminal, the Concession Agreement represents a good opportunity for the Company to invest in a major container outside China and is in line with the Company's strategy to become a leading global port operator.

PPA became a subsidiary of COSCO SHIPPING (Hong Kong) on 10 August 2016. COSCO SHIPPING is a controlling shareholder of both the Company and COSCO SHIPPING (Hong Kong). Accordingly, PPA is a connected person of the Company. The continuing transactions under the Concession Agreement constituted continuing connected transactions of the Company under the Listing Rules since 10 August 2016.

Opinion from the independent non-executive directors on the continuing connected transactions

Pursuant to Rule 14A.55 of the Listing Rules, Dr. FAN HSU Lai Tai, Rita, Mr. Adrian David LI Man Kiu, Mr. FAN Ergang, Mr. LAM Yiu Kin and Prof. CHAN Ka Lok, independent non-executive directors of the Company, have reviewed the above continuing connected transactions and opined that:

(i) the rental of office premises transaction and the transactions entered into by the Company, COSCO Ports, PCT, GZ South China, Yangzhou Yuanyang, Plangreat and Xiamen Ocean Gate under the Financial Services Master Agreement, the Shipping and Terminal and Container Related Services Master Agreements, the Finance Leasing Master Agreement and the Concession Agreement were:

- entered into in the ordinary and usual course of the Group's businesses;
- entered into on normal commercial terms or terms no less favourable to the Group than terms available from/to independent third parties; and
- entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Report from the auditor on the continuing connected transactions

For the purposes of Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to report on the above continuing connected transactions that are subject to annual review for the year ended 31 December 2017 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the such continuing connected transactions, in accordance with Rule 14A.56 of Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

In relation to the financial assistance granted by the Group to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 31 December 2017 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	US$'000
Non-current assets	1,562,996
Current assets	400,241
Current liabilities	(308,546)
Non-current liabilities	(999,026)
Net assets	655,665
Share capital	116,173
Reserves	495,836
Non-controlling interest	43,656
Capital and reserves	655,665

As at 31 December 2017, the Group's attributable interests in these affiliated companies amounted to US$567,599,000.

AUDIT COMMITTEE

As at the date of this report, the Audit Committee of the Company consists of three independent non-executive directors.

The Audit Committee reviews the systems of internal controls throughout the Group, the completeness and accuracy of its financial statements and liaises on behalf of the Board with external auditor and the Group's internal auditor. During the year, the Audit Committee members met regularly with management, external auditor and the Group's internal auditor and reviewed the internal and external audit reports and the interim and annual consolidated financial statements of the Group.

AUDITOR

The consolidated financial statements for the year have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

ZHANG Wei
Vice Chairman and Managing Director

Hong Kong, 26 March 2018

Independent Auditor's Report

To the Shareholders of COSCO SHIPPING Ports Limited
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of COSCO SHIPPING Ports Limited (the "Company") and its subsidiaries (the "Group") set out on pages 131 to 238 which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

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

- Accounting related to major acquisitions of an associate and a subsidiary;
- Recoverability of carrying amounts of terminal assets, investments in joint ventures and associates.

Key Audit Matter	How our audit addressed the Key Audit Matter
Accounting related to major acquisitions of an associate and a subsidiary Refer to notes 3.1(b), 26, and 41 to the consolidated financial statements. During the year ended 31 December 2017, the Group completed a number of acquisitions in terminal operations. Among those acquisitions, the acquisition of an associate, Qingdao Port International Co., Ltd. ("QPI"); and the acquisition of a subsidiary, Noatum Port Holdings, S.L.U. ("NPH") are considered to be significant. For the acquisition of QPI at a consideration of approximately US$844 million, the Group's share of fair value of identifiable net assets amounted to approximately US$625 million and the goodwill included in investment in associates arising from the acquisition amounted to approximately US$219 million; whereas for the acquisition of NPH at a consideration of approximately US$240 million, the total fair value of identifiable net assets acquired amounted to approximately US$110 million and the goodwill arising from the acquisition amounted to approximately US$130 million. Management engaged external valuers to value the assets and liabilities acquired in the acquisitions, including the identification and valuation of intangible assets. Accounting for the acquisitions is an area of focus because of (a) the significance of the acquisitions, (b) critical accounting estimates and judgements involved in the identification and valuation of intangible assets acquired, in particular for those amounts valued by income approach, and (c) valuation of the assets and liabilities that are recognised. When determining the fair value of assets and liabilities recognised in the acquisitions, valuations based on discounted cash flow model were primarily used. Key assumptions used include discount rates, revenue growth rates and gross margins. Any significant changes in these key assumptions may give rise to material changes in the fair value of the acquired assets and liabilities including intangible assets, which directly impact the goodwill recognised.	We performed the following procedures to assess the key assumptions used in assessing the fair value of the assets and liabilities, which are determined based on income approach, acquired in the acquisitions: • obtained and reviewed relevant contracts related to the acquisitions and evaluated management's process to identify intangible assets; • assessed the competence, capabilities and objectivity of management's external valuers; • obtained the valuation reports and discussed with the external valuers on the methodologies and key assumptions used; • involved our internal valuation experts to evaluate the methodologies used to determine the fair values of assets and liabilities recognised (including the valuation of intangible assets acquired), and benchmarked the discount rates applied to other comparable companies in the same industry; and • assessed the reasonableness of key assumptions such as revenue growth rates and gross margins applied by management by comparing them with economic and industry forecasts to assess the reasonableness of management forecasts. We found the key assumptions as stated above to be supported by the evidence obtained.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of carrying amounts of terminal assets, investments in joint ventures and associates Refer to notes 3.8, 5(a), 7, 11 and 12 to the consolidated financial statements. The Group is involved in terminals operation through subsidiaries, investments in joint ventures and associates in Hong Kong, Mainland China, Spain, Italy, Greece, Belgium and other countries. As at 31 December 2017, there were terminal assets with a total carrying value of property, plant and equipment of approximately US$2,980 million, investments in joint ventures with a total carrying amount of US$1,197 million, and investments in associates with a total carrying amount of US$2,579 million. Management performed assessment at the end of each reporting period whether there is any indication that the terminal assets, investments in joint ventures and associates may be impaired. Should indication of impairment exists, an impairment assessment will be performed accordingly. The recoverable amounts of the terminal assets, investments in joint ventures and associates are assessed by value-in-use calculations which are based on future discounted cash flows on a cash generating unit basis. Management has concluded that there was no impairment in respect of the terminal assets, investments in joint ventures and associates as at 31 December 2017. This area is significant to our audit because of the significance of the carrying amounts of the assets and the significant management judgement involved in determining the value-in-use prepared based on future discounted cash flows. For terminals assets, investments in joint ventures and associates, the judgement focuses on revenue growth rates, gross margins and discount rates. All these factors are with estimation uncertainties and may impact the results of the impairment assessment.	We obtained an understanding on the Group's policies and procedures to identify impairment indicators of terminal assets, investments in joint ventures and associates, and performed the following procedures in relation to management's impairment assessment: • evaluated the internal sources and external sources of information to identify impairment indications, if any; • evaluated the appropriateness of the value-in-use model adopted for the impairment assessments; • compared the current year's actual results with prior year's budgets to consider whether any past forecast included any assumptions, with hindsight, had been aggressive; • assessed the reasonableness of key assumptions such as revenue growth rates and gross margin by comparing to commercial contracts, available market reports and historical trend analyses; • assessed the discount rates used with the assistance of our internal experts by making reference to comparable companies within the same industry; • reconciled input data to supporting evidence, such as approved budgets, inflation rates, strategic plans and market data; and • evaluated management's sensitivity analysis around the key assumptions, to ascertain the extent of change in those assumptions that either individually or collectively would be required for the terminal assets, joint ventures and associates to be impaired, where applicable. Based on the audit procedures performed, we found the key judgements and assumptions used in the impairment identification and assessment to be supported by the available evidence.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Independent Auditor's Report

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

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

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Pong Fei Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2018

Consolidated Balance Sheet

As at 31 December 2017

	Note	2017 US$'000	2016 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**2,980,498**	2,367,602
Investment properties	8	**8,410**	8,135
Land use rights	9	**278,706**	201,804
Intangible assets	10	**451,859**	5,435
Joint ventures	11	**1,196,648**	1,409,044
Loans to joint ventures	11	**1,672**	60,239
Associates	12	**2,579,493**	1,405,835
Loans to associates	12	**158,539**	114,944
Available-for-sale financial assets	13	**276,553**	156,939
Deferred income tax assets	14	**108,277**	11
Other non-current assets	15	**61,283**	60,960
		8,101,938	5,790,948
Current assets			
Inventories	16	**10,942**	9,951
Trade and other receivables	17	**271,430**	148,015
Current income tax recoverable		**3,370**	442
Restricted bank deposits	38(c)	**6,333**	2,868
Cash and cash equivalents	38(c)	**560,067**	834,232
		852,142	995,508
Total assets		**8,954,080**	6,786,456
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	19	**39,254**	38,728
Reserves		**5,149,313**	4,316,133
		5,188,567	4,354,861
Non-controlling interests		**656,807**	410,943
Total equity		**5,845,374**	4,765,804

Consolidated Balance Sheet

As at 31 December 2017

	Note	2017 US$'000	2016 US$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	14	**133,439**	52,914
Long term borrowings	21	**1,823,770**	1,071,406
Loans from non-controlling shareholders of subsidiaries	22(a)	**53,012**	–
Loans from a fellow subsidiary	22(b)	**20,293**	28,805
Derivative financial instruments	25	**6,527**	–
Other long term liabilities	23	**39,886**	31,584
		2,076,927	1,184,709
Current liabilities			
Trade and other payables	24	**502,440**	395,955
Current income tax liabilities		**15,925**	8,403
Current portion of long term borrowings	21	**33,858**	256,609
Short term borrowings	21	**476,721**	174,976
Derivative financial instruments	25	**2,835**	–
		1,031,779	835,943
Total liabilities		**3,108,706**	2,020,652
Total equity and liabilities		**8,954,080**	6,786,456

On behalf of the Board

ZHANG Wei
Vice Chairman and Managing Director

WONG Tin Yau, Kelvin
Executive Director and Deputy Managing Director

The accompanying notes on pages 140 to 238 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the Year Ended 31 December 2017

	Note	2017 US$'000	2016 US$'000
Continuing operations:			
Revenues	6	**634,710**	556,377
Cost of sales		**(425,435)**	(357,294)
Gross profit		**209,275**	199,083
Administrative expenses		**(114,290)**	(84,871)
Other operating income	27	**40,274**	16,704
Other operating expenses		**(5,056)**	(36,276)
Gain on remeasurement of previously held interest of an available-for-sale financial asset at fair value upon further acquisition to become an associate	26	**38,434**	–
Gain on disposal of a joint venture	26	**283,961**	–
Operating profit	28	**452,598**	94,640
Finance income	29	**12,668**	14,867
Finance costs	29	**(55,976)**	(52,142)
Operating profit (after finance income and costs)		**409,290**	57,365
Share of profits less losses of			
– joint ventures	11	**86,531**	112,081
– associates	12	**150,037**	88,161
Profit before income tax from continuing operations		**645,858**	257,607
Income tax expenses	30	**(94,709)**	(48,170)
Profit for the year from continuing operations		**551,149**	209,437
Discontinued operation:			
Gain on disposal of a subsidiary	39	**–**	59,021
Profit for the year from discontinued operation	39	**–**	7,526
		–	66,547
Profit for the year		**551,149**	275,984

Consolidated Income Statement

For the Year Ended 31 December 2017

	Note	2017 US$'000	2016 US$'000
Profit attributable to:			
Equity holders of the Company		**512,454**	247,031
Non-controlling interests		**38,695**	28,953
		551,149	275,984
Earnings per share for profit attributable to equity holders of the Company			
Basic			
– from continuing operations	31	**US16.93 cents**	US6.08 cents
– from discontinued operation	31	**–**	US2.22 cents
		US16.93 cents	US8.30 cents
Diluted			
– from continuing operations	31	**US16.93 cents**	US6.08 cents
– from discontinued operation	31	**–**	US2.22 cents
		US16.93 cents	US8.30 cents

The accompanying notes on pages 140 to 238 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2017

	2017 US$'000	2016 US$'000
Profit for the year	**551,149**	275,984
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
Share of other comprehensive income of an associate		
– other reserves	**9,451**	–
Items that may be reclassified to profit or loss		
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates	**255,745**	(209,919)
Release of investment revaluation reserve upon impairment loss of an available-for-sale financial asset	–	19,800
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)**	–
Release of reserve upon remeasurement of equity investments	**(1,414)**	–
Release of reserve upon further acquisition of an associate to become a subsidiary	**3,975**	–
Release of reserves upon disposal of or dissolution of subsidiaries	–	(598)
Fair value gain/(loss) on available-for-sale financial assets, net of tax	**151,055**	(4,920)
Cash flow hedges, net of tax		
– fair value gain	**243**	–
– transfer to consolidated income statement	**399**	–
Share of other comprehensive income of joint ventures and associates		
– exchange reserve	**10,174**	(4,447)
– other reserves	**(497)**	2,368
Other comprehensive income/(loss) for the year, net of tax	**379,202**	(194,520)
Total comprehensive income for the year	**930,351**	81,464
Total comprehensive income attributable to:		
Equity holders of the Company	**858,150**	80,481
Non-controlling interests	**72,201**	983
	930,351	81,464
Total comprehensive income attributable to equity holders of the Company arising from:		
Continuing operations	**858,150**	14,985
Discontinued operation	–	65,496
	858,150	80,481

The accompanying notes on pages 140 to 238 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes In Equity

For the Year Ended 31 December 2017

	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Capital reserve US$'000	Contributed surplus US$'000	Investment revaluation reserve US$'000	Properties revaluation reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained profits US$'000	Total reserves US$'000	Non-controlling interests US$'000	Total US$'000
At 1 January 2017	38,728	1,694,406	6,321	(232,154)	115	4,732	10,699	(192,369)	63,576	2,960,807	4,316,133	410,943	4,765,804
Profit for the year	–	–	–	–	–	–	–	–	–	512,454	512,454	38,695	551,149
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates	–	–	–	–	–	–	–	225,495	–	–	225,495	30,250	255,745
Release of investment revaluation reserve of an available-for-sale financial asset at fair value upon further acquisition to become an associate	–	–	–	–	–	(38,434)	–	–	–	–	(38,434)	–	(38,434)
Release of reserve upon disposal of a joint venture	–	–	–	–	–	–	–	(11,495)	–	–	(11,495)	–	(11,495)
Release of reserve upon remeasurement of equity investments	–	–	–	–	–	–	–	(1,328)	(86)	–	(1,414)	–	(1,414)
Release of reserve upon further acquisition of an associate to become a subsidiary	–	–	–	–	–	–	–	3,975	–	–	3,975	–	3,975
Fair value gain on available-for-sale financial assets, net of tax	–	–	–	–	–	151,055	–	–	–	–	151,055	–	151,055
Cash flow hedges, net of tax	–	–	–	–	–	–	–	–	290	–	290	352	642
Share of other comprehensive income of joint ventures and associates	–	–	–	(115)	–	(650)	–	7,269	9,720	–	16,224	2,904	19,128
Total comprehensive income for the year	–	–	–	(115)	–	111,971	–	223,916	9,924	512,454	858,150	72,201	930,351
Issue of shares on settlement of scrip dividends	526	45,279	–	–	–	–	–	–	–	–	45,279	–	45,805
Transfer of reserve upon lapse of share options	–	–	(6,321)	–	–	–	–	–	–	6,321	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	184,546	184,546
Transfer of an available-for-sale financial asset by the Company to National Social Security Fund	–	–	–	–	–	–	–	–	–	(201)	(201)	–	(201)
Deemed disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(236)	(236)
Capital injection from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	1,684	1,684
Dividends paid to equity holders of the Company													
– 2016 final	–	–	–	–	–	–	–	–	–	(30,160)	(30,160)	–	(30,160)
– 2017 interim	–	–	–	–	–	–	–	–	–	(39,888)	(39,888)	–	(39,888)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(12,331)	(12,331)
	526	45,279	(6,321)	(115)	–	111,971	–	223,916	9,924	448,526	833,180	245,864	1,079,570
At 31 December 2017	39,254	1,739,685	–	(232,269)	115	116,703	10,699	31,547	73,500	3,409,333	5,149,313	656,807	5,845,374
Representing:													
Share capital	39,254	–	–	–	–	–	–	–	–	–	–		
Reserves	–	1,739,685	–	(232,269)	115	116,703	10,699	31,547	73,500	3,357,851	5,097,831		
2017 final dividend proposed	–	–	–	–	–	–	–	–	–	51,482	51,482		
	39,254	1,739,685	–	(232,269)	115	116,703	10,699	31,547	73,500	3,409,333	5,149,313		

Consolidated Statement of Changes In Equity

For the Year Ended 31 December 2017

	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Capital reserve US$'000	Contributed surplus US$'000	Investment revaluation reserve US$'000	Properties revaluation reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained profits US$'000	Total reserves US$'000	Non-controlling interests US$'000	Total US$'000
At 1 January 2016, as previously reported	38,090	1,643,261	8,254	2,297	115	3,898	9,466	34,562	56,386	3,066,535	4,824,774	309,996	5,172,860
Adoption of merger accounting	–	–	–	928,175	–	(14,046)	–	(39,937)	7,529	104,496	986,217	107,999	1,094,216
At 1 January 2016, as restated	38,090	1,643,261	8,254	930,472	115	(10,148)	9,466	(5,375)	63,915	3,171,031	5,810,991	417,995	6,267,076
Profit for the year	–	–	–	–	–	–	–	–	–	247,031	247,031	28,953	275,984
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates	–	–	–	–	–	–	–	(181,172)	–	–	(181,172)	(28,747)	(209,919)
Release of investment revaluation reserve upon impairment loss of an available-for-sale financial asset	–	–	–	–	–	19,800	–	–	–	–	19,800	–	19,800
Fair value loss on available-for-sale financial assets	–	–	–	–	–	(4,920)	–	–	–	–	(4,920)	–	(4,920)
Release of reserves upon disposal of and dissolution of subsidiaries	–	–	–	(809)	–	–	(1,963)	(598)	(447)	3,219	(598)	–	(598)
Fair value adjustment upon transfer from property, plant and equipment to investment properties	–	–	–	–	–	–	793	–	–	–	793	–	793
Reversal of deferred tax upon transfer from investment properties to property, plant and equipment	–	–	–	–	–	–	2,403	–	–	–	2,403	–	2,403
Share of other comprehensive income of joint ventures and associates	–	–	–	2,260	–	–	–	(5,224)	108	–	(2,856)	777	(2,079)
Total comprehensive income/ (loss) for the year	–	–	–	1,451	–	14,880	1,233	(186,994)	(339)	250,250	80,481	983	81,464
Issue of shares on settlement of scrip dividends	638	51,145	–	–	–	–	–	–	–	–	51,145	–	51,783
Transfer of reserve upon lapse of share options	–	–	(1,933)	–	–	–	–	–	–	1,933	–	–	–
Distribution (note 32(a))	–	–	–	(1,164,077)	–	–	–	–	–	–	(1,164,077)	–	(1,164,077)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(5,702)	(5,702)
Capital injection from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	8,602	8,602
Dividends paid to equity holders of the Company													
– Conditional special cash dividend	–	–	–	–	–	–	–	–	–	(306,059)	(306,059)	–	(306,059)
– 2015 final	–	–	–	–	–	–	–	–	–	(87,454)	(87,454)	–	(87,454)
– 2016 interim	–	–	–	–	–	–	–	–	–	(68,894)	(68,894)	–	(68,894)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(10,935)	(10,935)
	638	51,145	(1,933)	(1,162,626)	–	14,880	1,233	(186,994)	(339)	(210,224)	(1,494,858)	(7,052)	(1,501,272)
At 31 December 2016	38,728	1,694,406	6,321	(232,154)	115	4,732	10,699	(192,369)	63,576	2,960,807	4,316,133	410,943	4,765,804
Representing:													
Share capital	38,728	–	–	–	–	–	–	–	–	–	–		
Reserves	–	1,694,406	6,321	(232,154)	115	4,732	10,699	(192,369)	63,576	2,930,647	4,285,973		
2016 final dividend proposed	–	–	–	–	–	–	–	–	–	30,160	30,160		
	38,728	1,694,406	6,321	(232,154)	115	4,732	10,699	(192,369)	63,576	2,960,807	4,316,133		

The accompanying notes on pages 140 to 238 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the Year Ended 31 December 2017

	Note	2017 US$'000	2016 US$'000
Cash flows from operating activities			
Cash generated from operations	38(a)	**316,929**	313,542
Interest received		**10,556**	16,161
Tax refunded		**457**	3,255
Tax paid		**(75,042)**	(32,199)
Net cash generated from operating activities		**252,900**	300,759
Cash flows from investing activities			
Dividends received from joint ventures		**62,199**	73,645
Dividends received from associates		**114,891**	65,999
Dividends received from listed and unlisted available-for-sale financial assets		**1,036**	4,245
Net cash paid for purchase of subsidiaries	41	**(302,096)**	–
Purchase of property, plant and equipment, land use rights and intangible assets		**(198,483)**	(440,681)
Investments in joint ventures		**(22,601)**	(6,654)
Investments in associates	12(c)	**(385,832)**	(46,194)
Loans advanced to associates		**(37,061)**	(94,501)
Proceed on disposal of a subsidiary		**–**	1,406,597
Repayment of loans to joint ventures		**2,980**	421
Repayment of loan to an associate		**–**	900
Proceeds from disposal of property, plant and equipment		**1,557**	1,565
Stamp duty on disposal of a joint venture		**(696)**	–
Deemed disposal of a subsidiary		**(300)**	–
Compensation received for loss of containers		**–**	2,370
Decrease/(increase) in restricted bank balance		**6,109**	(1,848)
Net cash (used in)/generated from investing activities		**(758,297)**	965,864

Consolidated Cash Flow Statement

For the Year Ended 31 December 2017

	Note	2017 US$'000	2016 US$'000
Cash flows from financing activities			
Loans drawn down		**763,520**	1,408,885
Loans repaid		**(449,635)**	(1,160,947)
Loans from non-controlling shareholders of subsidiaries		**51,497**	66,311
Repayment of loans from a non-controlling shareholder of a subsidiary		**(59,196)**	–
Repayment of loans from a fellow subsidiary		**(11,109)**	(37,921)
Consideration paid for acquisition of a subsidiary		**–**	(1,161,963)
Loan from an associate		**14,799**	–
Dividends paid to equity holders of the Company		**(24,301)**	(410,609)
Dividends paid to non-controlling shareholders of subsidiaries		**(10,651)**	(10,935)
Interest paid		**(55,402)**	(57,409)
Other incidental borrowing costs paid		**(10,759)**	(5,996)
Capital injection from non-controlling shareholders of subsidiaries		**41,216**	8,602
Net cash generated from/(used in) financing activities		**249,979**	(1,361,982)
Net decrease in cash and cash equivalents		**(255,418)**	(95,359)
Cash and cash equivalents at 1 January		**834,232**	923,171
Exchange differences		**(18,747)**	6,420
Cash and cash equivalents at 31 December	38(c)	**560,067**	834,232

The accompanying notes on pages 140 to 238 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

COSCO SHIPPING Ports Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in the businesses of managing and operating terminals and their related businesses. The Company is a limited liability company incorporated in Bermuda with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The intermediate holding company of the Company is COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings"), a company established in the People's Republic of China (the "PRC") with its H-Shares and A-Shares listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange respectively. The immediate holding company and ultimate holding company of COSCO SHIPPING Holdings are China Ocean Shipping Company Limited (formerly known as China Ocean Shipping (Group) Company) ("COSCO") and China COSCO Shipping Corporation Limited ("COSCO SHIPPING"), state-owned enterprises established in the PRC, respectively.

These consolidated financial statements have been approved for issue by the Board of Directors on 26 March 2018.

2 BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2017 have been prepared in accordance with Hong Kong Financial Reporting Standards ("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 all applicable HKFRS issued by the HKICPA. The consolidated financial statements have been prepared under the historical cost convention except that, available-for-sale financial assets, derivative financial instruments and investment properties are carried at fair value.

As at 31 December 2017, the Group had net current liabilities of US$179,637,000. Taking into account the available unutilised banking 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 consolidated financial statements.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION (CONTINUED)

(a) Adoption of amendments and improvements to existing standards

In 2017, the Group has adopted the following amendments and improvements to existing standards issued by the HKICPA which are mandatory for the financial year ended 31 December 2017:

Amendments	
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

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

(b) New standards, interpretations, amendments and improvements to existing standards that are not yet effective for the year ended 31 December 2017 and have not been early adopted by the Group

The HKICPA has issued the following new standards, interpretations, amendments and improvements to existing standards which are not yet effective for the year ended 31 December 2017 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
New standards, interpretations and amendments		
HKAS 40 Amendment	Transfers of Investment Property	1 January 2018
HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 Amendment	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 9 Amendment	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 Amendment	Clarifications to HKFRS 15	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
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements 2014 – 2016		
HKAS 28 Amendment	Investments in Associates and Joint Ventures	1 January 2018
HKFRS 1 Amendment	First time adoption of HKFRS	1 January 2018

2 BASIS OF PREPARATION (CONTINUED)

(b) New standards, interpretations, amendments and improvements to existing standards that are not yet effective for the year ended 31 December 2017 and have not been early adopted by the Group (Continued)

The Group will apply the above new standards, interpretations, amendments and improvements to existing standards as and when they become effective. The Group has already commenced an assessment of the related impact of these new standards, interpretations, amendments and improvements to the existing standards to the Group, certain of them will give rise to change in presentation, disclosure and measurements of certain items in the financial statements.

Other than the new standards below, there are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

HKFRS 9 Financial Instruments

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 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 ("FVOCI") 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.

However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. During the 2017 financial year, US$38,434,000 of such gains were recognised in profit or loss in relation to the disposal of an available-for-sale financial asset upon step acquisition.

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 hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of HKFRS 9.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION (CONTINUED)

(b) New standards, interpretations, amendments and improvements to existing standards that are not yet effective for the year ended 31 December 2017 and have not been early adopted by the Group (Continued)

HKFRS 9 Financial Instruments (Continued)

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 FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects the loss allowance for trade debtors will not significantly different from the amount recognised under their current credit loss provision practice.

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 9 must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

HKFRS 15 Revenue from Contracts with Customers

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 and related literature. 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 application of HKFRS 15 may further result in the identification of separate performance obligations which could affect the timing of the recognition of revenue going forward.

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

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt HKFRS 15 the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

2 BASIS OF PREPARATION (CONTINUED)

(b) New standards, interpretations, amendments and improvements to existing standards that are not yet effective for the year ended 31 December 2017 and have not been early adopted by the Group (Continued)

HKFRS 16 Leases

HKFRS 16 Leases was issued in May 2016. It will result in almost all leases being recognised 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 recognised. 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 reporting date, the Group has non-cancellable operating lease commitments of US$5,033,789,000. Payments for short-term and low value leases will be recognised on a straight-line basis as an expense in profit or loss.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

HKFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

3.1 Group accounting

(a) Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

(b) Acquisition method for non-common control combination

The Group applies the acquisition method of accounting to account for business combinations, other than the common control combinations (note 3.1(a)). The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Group accounting (Continued)

(b) Acquisition method for non-common control combination (Continued)

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated income statement.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated income statement.

(c) Subsidiaries

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Group accounting (Continued)

(d) Changes in ownership interests in subsidiaries without change of control

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

(e) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as joint ventures, associates or financial assets. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement.

(f) Joint ventures/associates

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures, which are accounted for using the equity method.

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investment in a joint venture/an associate is accounted for using the equity method from the date on which it becomes a joint venture/an associate. The investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's investment in joint ventures/associates includes goodwill identified on acquisition. The measurement of goodwill is the same as that of goodwill arising from the acquisition of subsidiaries. Appropriate adjustments to the Group's share of the profits or losses after acquisition are made to the consolidated financial statements based on the fair values of the assets and liabilities acquired at date of acquisition.

The initial accounting on the acquisition of a joint venture and an associate involve identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Group accounting (Continued)

(f) Joint ventures/associates (Continued)

When the Group increases its interest in an existing associate and continues to have significant influence without obtaining control, the cost of acquiring the additional interest is added to the carrying value of the associate. Goodwill arising on the purchase of the additional interest is calculated by comparing the cost and the fair value of net assets acquired at the date the additional interest is acquired. There is no step up of the previously held interest to fair value as there is no change in status of the investment.

The cost of an associate acquired in stages is measured as the sum of the consideration paid for each purchase plus a share of the associate's profits and other comprehensive income, and such share of profits and other comprehensive income is recorded through other comprehensive income. Any other comprehensive income recognised in prior periods in relation to the previously held stake in the acquired associate is reversed through other comprehensive income. Goodwill arising on each purchase is calculated by comparing the cost and the fair value of net assets acquired at the date the interest is acquired. Acquisition-related costs are treated as part of the investment in the associate.

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

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in consolidated statement of comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture/associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture/associate and its carrying value and recognises the amount adjacent to 'share of profits less losses of joint ventures/associates' in the consolidated income statement.

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

Gain or losses on disposal or dilution of equity interest in joint ventures/associates are recognised in consolidated income statement.

The Group ceases to use the equity method from the date investments cease to be joint ventures/associates that is the date on which the Group ceases to have significant influence over the joint ventures/associates or on the date they are classified as held for sale.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Group accounting (Continued)

(g) Balances with subsidiaries, joint ventures and associates

Balances with subsidiaries, joint ventures and associates are split into its financial assets/liabilities and equity components at initial recognition. The financial asset/liability component is initially stated at fair value and subsequently carried at amortised cost. The equity component is recognised at cost.

3.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, is identified as the executive directors of the Company.

3.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences relating to the changes in amortised cost are recognised in the consolidated income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the investment revaluation reserve in other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Foreign currency translation (Continued)

(c) Group companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to the consolidated income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Related exchange differences are recognised in other comprehensive income.

3.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (Continued)

Leasehold land classified as finance lease commences depreciation from the time when the land interest becomes available for its intended use. Depreciation on leasehold land classified as finance lease and depreciation on other property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to the residual values of respective property, plant and equipment over their estimated useful lives, as follows:

Containers	15 years
Leasehold land classified as finance lease	Remaining period of the lease
Buildings	25 to 50 years
Leasehold improvements	5 years or the remaining period of the lease, whichever is shorter
Other property, plant and equipment	5 to 35 years

Other property, plant and equipment includes plant and machinery with estimated useful lives ranged from 5 to 35 years, furniture, fixtures and equipment and motor vehicles with estimated useful lives ranged from 5 to 10 years.

No depreciation is provided for construction in progress. Construction in progress is transferred to relevant categories of property, plant and equipment upon the completion of the related construction works and depreciation will then be commenced accordingly.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss on disposal of property, plant and equipment is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

3.5 Land use rights

Land use rights classified as operating lease represent prepaid operating lease payments for land less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the remaining lease term.

3.6 Investment properties

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

Investment property comprises leasehold land and buildings. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Investment properties (Continued)

Investment properties are measured initially at cost, including related transaction costs. After initial recognition, investment properties are carried at fair value representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Change in fair value is recognised in the consolidated income statement. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purpose.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in other comprehensive income as properties revaluation reserve under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated income statement. Properties revaluation reserve, including any previously recognised, shall remain and be transferred to retained profits upon disposal of properties.

3.7 Intangible assets

(a) Goodwill

Goodwill arises on acquisition of subsidiaries, joint ventures and associates represents the excess of the aggregate of the consideration transferred and the fair value of the non-controlling interest over the fair value of the Group's interest in the net identifiable assets, liabilities and contingent liabilities of the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Intangible assets (Continued)

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 5 years on a straight-line basis.

Costs associated with developing or maintaining computer software programmes which do not generate economic benefits exceeding costs beyond one year are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer systems under development are transferred to computer software upon the completion of the respective development and amortisation will then be commenced accordingly over the estimated useful lives of 5 years on a straight-line basis.

(c) Concession rights

Concession rights primarily resulted from the entering of agreement for the right to construct, operate, manage and develop terminals. Concession rights are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line basis over the period of operation of approximately 23 to 32 years.

(d) Customer relationships

Customer relationships, which are acquired in a business combination, are recognised at fair value at the acquisition date. Customer relationships are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationships, ranging from approximately 12 to 20 years.

3.8 Impairment of non-financial assets

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Discontinued operations

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 3.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

3.10 Available-for-sale financial assets

The Group classifies its investments as available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

Available-for-sale financial assets are non-derivatives that are either designed in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the balance sheet date.

Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the consolidated income statement as gains or losses from investments.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market input and relying as little as possible on entity-specific input.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Offsetting financial instruments

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

3.12 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Financial assets classified as available-for-sales

The Group assesses at each balance sheet date whether there is objective evidence that available-for-sale financial assets are impaired. A significant or prolonged decline in the fair value of the equity securities below its cost is considered as an indicator that the securities are impaired. If any such evidence exists the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement) is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of the derivative financial instruments used for hedging purposes are disclosed in note 25. Movements in the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Inventories

Inventories include resaleable containers and consumable parts for terminal operations. Inventories are stated at the lower of cost and net realisable value. Costs are calculated on weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

3.15 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3.16 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

3.17 Assets under leases

Leases in which a significant portion of the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases, including leases which transfer ownership of the asset to the lessee at the end of lease term.

(a) Leases – where the Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor) are expensed in the consolidated income statement on a straight-line basis over the lease periods.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current liabilities. The finance charges are charged to profit or loss over the lease periods. Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(b) Leases – where the Group is the lessor

When the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 3.4 above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in notes 3.25(c) below.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.19 Trade and other payables

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

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

3.20 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurred because a specified debtor failed to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair value, and subsequently measured at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the balance sheet date.

3.21 Share capital

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.23 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

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

3.24 Employee benefits

(a) Retirement benefit costs

The Group contributes to defined contribution retirement schemes. The assets of the schemes are held separately from those of the Group in independently administered funds.

Pursuant to the relevant regulations of the government authorities in different territories where the Group has employees, the Group participates in respective government benefit schemes whereby the Group is required to contribute to the schemes for the retirement benefits of eligible employees. The government authorities of the respective countries are responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the schemes is to pay the ongoing contributions required by the schemes.

Contributions made to the schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums that are determined with reference to salary scale as stipulated under the requirements of the respective countries.

The Group's contributions to the aforesaid defined contribution retirement schemes are charged to the consolidated income statement as incurred.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24 Employee benefits (Continued)

(b) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(d) Share-based compensation

The Company operates an equity-settled, share-based compensation plan and provides equity compensation benefit, in the form of share options, to the directors of the Company and employees of the Group and COSCO. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become vested. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become vested. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

3.25 Recognition of revenues and income

The Group recognises revenues and income on the following bases:

(a) Revenues from terminal operations

Revenues from terminal operations are recognised when the services rendered are complete and the vessel leaves the berth.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25 Recognition of revenues and income (Continued)

(b) Revenues from container handling, transportation and storage

Revenues from container handling and transportation are recognised when the services are rendered. Revenues from container storage are recognised on a straight-line basis over the period of storage.

(c) Operating lease rental income from investment properties

Operating lease rental income from investment properties is recognised on a straight-line basis over the period of each lease and is recognised in the consolidated income statement within other operating income.

(d) Interest income

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

(e) Dividend income

Dividend income is recognised when the right to receive payment is established and is recognised in the consolidated income statement within other operating income.

(f) Income on sale of investments

Income on sale of investments is recognised when the risks and rewards associated with ownership of the related investment have been transferred to the purchaser.

3.26 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset, until such time as the asset is substantially ready for its intended use or sale.

All other borrowing costs are charged to the consolidated income statement in the period in which they are incurred.

3.27 Government subsidy

Government subsidy relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

3.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders/directors.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.29 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Contingent liabilities other than those acquired from business combination are not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under direction by the Boards of Directors. The directors and management identify, evaluate and hedge financial risks in close co-operation with the Group's operating units. The Group has principles for overall risk management, such as foreign exchange risk, interest rate risk, credit risk and use of derivative financial instruments.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Renminbi and Euro. Foreign exchange risk mainly arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The foreign exchange risk faced by the Group primarily arises from non-functional currency bank balances, receivable and payable balances and borrowings (collectively "Non-Functional Currency Items"). Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

With all other variables held constant, if the currencies of Non-Functional Currency Items had weakened/strengthened by 5% against the US dollar, the Group's profit after income tax for the year would have been increased/decreased by US$4,493,000 (2016: increased/decreased by US$3,429,000) as a result of the translation of those Non-Functional Currency Items.

(ii) Price risk

The Group is exposed to price risk for its available-for-sale investment. Management monitors the market conditions and securities price fluctuations and response so as to minimise adverse effects on the Group's financial performance.

(iii) Cash flow and fair value interest rate risk

Other than bank balances and loans to joint ventures and associates (collectively "Interest Bearing Assets"), the Group has no significant interest bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from loan from a joint venture, loans from non-controlling shareholders of subsidiaries, loans from a fellow subsidiary, long term and short term borrowings (collectively "Interest Bearing Liabilities"). Borrowings are primarily issued at variable rates which therefore expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Generally, the Group raises long term and short term borrowings at floating rates as well as fixed rates, based upon the capital market conditions and the Group's internal requirements. Interest rate swaps with financial institutions are used to achieve the optimum ratio between fixed and floating rates and to manage the related interest rate exposure.

With all other variables held constant, if the interest rate had increased/decreased by 50 basis-points, the corresponding increase/decrease in net finance costs (representing interest expenses on Interest Bearing Liabilities net of interest income on the Interest Bearing Assets) would have been approximately US$4,584,000 (2016: US$1,643,000).

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(b) Credit risk

The Group's maximum exposure to credit risk in relation to financial assets at the reporting date is the carrying amounts of bank balances and cash, trade and other receivables and loans to joint ventures and associates.

There is no concentration of credit risk with respect to trade receivables from third party customers as the Group has a large number of customers which are internationally dispersed. No individual third party customers accounted for greater than 10% of the Group's revenue. The Group limits its exposure to credit risk through performing credit reviews and monitoring the financial strength of its major customers and generally does not require collateral on trade receivables.

Customer lease out limit is assessed by the credit and risk management department with reference to their financial positions, historical credit references and other factors. This limit will be reviewed and adjusted, if circumstances required, to comply with the Group's credit and risk management policy.

No credit limits were exceeded during the year, and management does not expect any significant losses from non-performance by these relevant parties.

In addition, the Group monitors the exposure to credit risk in respect of the financial assistance provided to subsidiaries, joint ventures and associates through exercising control or influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

For bank balances and cash, the Group has limited its credit exposure by restricting their selection of financial institutions on those reputable local banks or state-owned banks with sound credit ratings. As at 31 December 2017, approximately 58% (31 December 2016: 48%) of the Group's bank balances were placed with state-owned and listed banks. Management considers theses balances are subject to low credit risk.

No other financial assets carry a significant exposure to credit risk.

(c) Liquidity risk

The Group's cash management policy is to regularly monitor its current and expected liquidity positions to ensure adequate funds are available for its short term and long term requirements.

The table below analyses the Group's non-derivative and derivative financial liabilities which will be settled into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
At 31 December 2017				
Bank and other borrowings	**567,530**	**125,088**	**950,131**	**945,998**
Loans from non-controlling shareholders of subsidiaries	**113,828**	**47,730**	**–**	**–**
Loans from a fellow subsidiary	**10,823**	**9,934**	**9,913**	**1,440**
Trade and other payables	**391,337**	**–**	**–**	**–**
Financial guarantee contracts	**2,449**	**–**	**–**	**6,777**
Derivative financial instrument	**2,836**	**2,747**	**3,779**	**–**
At 31 December 2016				
Bank and other borrowings	470,848	68,758	527,451	617,152
Loans from non-controlling shareholders of subsidiaries	169,932	–	–	–
Loans from a fellow subsidiary	9,719	7,340	17,150	5,755
Trade and other payables	228,513	–	–	–
Financial guarantee contracts	2,306	–	–	6,804

4.2 Capital management

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

The Group monitors capital on the basis of the net debt (total bank borrowings less cash and cash equivalents and restricted bank deposits) to total equity ratio. The Group aims to maintain a manageable net debt to total equity ratio. As at 31 December 2017, the net debt-to-total equity ratio is 30.2% (2016: 14.0%).

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

Notes to the Consolidated Financial Statements

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation

The Group's financial instrument that is measured at fair value is disclosed by levels of the following fair value measurement hierarchy:

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

The following table presents the Group's financial instrument that is measured at fair value at 31 December 2017 and 2016:

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
As at 31 December 2017				
Available-for-sale financial assets	**245,534**	**–**	**31,019**	**276,553**
Derivative financial instruments – interest rate swap	**–**	**9,362**	**–**	**9,362**
	245,534	**9,362**	**31,019**	**285,915**

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
As at 31 December 2016				
Available-for-sale financial assets	55,846	–	101,093	156,939

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

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation (Continued)

As at 31 December 2017, the fair value of unlisted available-for-sale financial assets is determined by the valuation performed by management using valuation techniques (including price/book multiple method and direct market quote). A discount rate of 20% is applied to compute the fair value on top of market price/book multiples. These available-for-sale financial assets are included in level 3 (note 13).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. For the year ended 31 December 2017, the Group transferred an available-for-sale financial asset amounting US$230,574,000 from level 3 to level 1 as the available-for-sale financial asset had become listed. Its fair value is based on quoted market price traded in active markets at the balance sheet date (2016: Nil).

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Description Equity security:	Fair value at 31 December 2017 US$'000	Valuation techniques	Unobservable input	Range (weighted average)
Port industry	31,019	Market comparable companies	price/book multiples (a)	1.21-1.87 (1.54)
			discount for lack of marketability (b)	20%

Description Equity security:	Fair value at 31 December 2016 US$'000	Valuation techniques	Unobservable input	Range (weighted average)
Port industry	101,093	Market comparable companies	price/book multiples (a)	1.21-1.56 (1.34)
			discount for lack of marketability (b)	20%

(a) Represents amounts used when the entity has determined that market participants would use such multiples when pricing the investment.

(b) Represents amounts used when the entity has determined that market participants would take into account the discount when pricing the investment.

The carrying amounts of receivables and payables are assumed to approximate their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments.

Notes to the Consolidated Financial Statements

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Impairment of terminal assets, investments in joint ventures and associates

Management determines whether terminal assets, investments in joint ventures and associates have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, according to their recoverable amounts determined by the cash-generating units based on value-in-use calculations. The determination of impairment indication requires significant judgement, and the calculations require the use of estimates which are subject to change of economic environment in future.

(b) Acquisition of subsidiaries

The initial accounting on the acquisition of subsidiaries involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities or businesses. The fair values of identifiable net assets are determined by using financial models or by reference to the valuation performed by independent professional valuer. Any changes in the assumptions used and estimates made in determining the fair values will impact the carrying amount of these assets and liabilities.

(c) Acquisition of associates

The initial accounting on the acquisition of associates involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities. The fair values of identifiable net assets are determined by using financial models or by reference to the valuation performed by independent professional valuer. Any changes in the assumptions used and estimates made in determining the fair values will impact the carrying amount of these assets and liabilities.

(d) Assessment of goodwill impairment

The Group tests annually whether goodwill have suffered any impairment and when there is indication that they may be impaired, in accordance with the accounting policy stated in note 3. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations which require the use of assumptions. These calculations require the use of estimates. The key assumptions and sensitivity test was disclosed in note 10.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(e) Income taxes

Deferred income tax liabilities have not been established for the withholding taxation that would be payable on the undistributed profits of certain subsidiaries which were under certain jurisdictions as the directors consider that the timing of the reversal of related temporary differences can be controlled (note 14).

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises or writes back liabilities for anticipated tax issues based on estimates of whether additional taxes will be due or reversal to be made. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(f) Fair value of available-for-sale financial assets

If information on current or recent prices of available-for-sale financial assets is not available, the fair values of available-for-sale financial assets are determined using valuation techniques (including price/book multiple model). The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

6 REVENUES AND SEGMENT INFORMATION

Revenues recognised during the year are as follows:

	2017 **US$'000**	2016 US$'000
Continuing operations		
Terminal operations income	**634,710**	553,918
Container handling, transportation and storage income	**–**	2,459
Turnover	**634,710**	556,377
Discontinued operation		
Container leasing, management, sale and related businesses	**–**	73,073

Notes to the Consolidated Financial Statements

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(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 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	Others	Elimination	Total
	US$'000	US$'000	US$'000	US$'000
At 31 December 2017				
Segment assets	**8,545,420**	**1,002,062**	**(593,402)**	**8,954,080**
Segment assets include:				
Joint ventures	**1,196,648**	**–**	**–**	**1,196,648**
Associates	**2,579,493**	**–**	**–**	**2,579,493**
Available-for-sale financial assets	**276,553**	**–**	**–**	**276,553**
At 31 December 2016				
Segment assets	5,971,235	1,384,015	(568,794)	6,786,456
Segment assets include:				
Joint ventures	1,409,044	–	–	1,409,044
Associates	1,405,835	–	–	1,405,835
Available-for-sale financial assets	156,939	–	–	156,939

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(a) Operating segments (Continued)

Segment revenues, results and other information

	Continuing operations			
	Terminals and related businesses US$'000	Others US$'000	Elimination US$'000	Total US$'000
Year ended 31 December 2017				
Revenues – total sales	634,710	–	–	634,710
Segment profit/(loss) attributable to equity holders of the Company	573,288	(60,834)	–	512,454
Segment profit/(loss) attributable to equity holders of the Company includes:				
Finance income	1,052	31,235	(19,619)	12,668
Finance costs	(47,249)	(28,477)	19,750	(55,976)
Share of profits less losses of				
– joint ventures	86,531	–	–	86,531
– associates	150,037	–	–	150,037
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	(81,977)	(12,732)	–	(94,709)
Depreciation and amortisation	(105,367)	(1,473)	–	(106,840)
Other non-cash (expenses)/income	(562)	16	–	(546)
Additions to non-current assets	(202,624)	(1,925)	–	(204,549)
Additions arising from business combination	(679,508)	–	–	(679,508)

Notes to the Consolidated Financial Statements

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(a) Operating segments (Continued)

Segment revenues, results and other information (Continued)

	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)

6 REVENUES AND 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.

	2017 US$'000	2016 US$'000
Continuing operations		
Terminals and related businesses		
– Mainland China (excluding Hong Kong)	**405,611**	377,692
– Europe	**229,099**	176,226
– Others	–	2,459
	634,710	556,377
Discontinued operation		
Container leasing, management, sale and related businesses		
– unallocated	–	73,073

(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 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.

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, Egypt, Greece, the Netherlands, Italy, Taiwan, Turkey, Spain, Abu Dhabi and Belgium.

Notes to the Consolidated Financial Statements

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(b) Geographical information (Continued)

(ii) Non-current assets (Continued)

	2017 US$'000	2016 US$'000
Mainland China (excluding Hong Kong)	**5,280,695**	4,004,652
Europe	**1,291,505**	546,603
Others	**984,697**	907,560
	7,556,897	5,458,815

7 PROPERTY, PLANT AND EQUIPMENT

	Containers US$'000	Buildings outside Hong Kong US$'000	Leasehold improvements US$'000	Other property, plant and equipment US$'000	Construction in progress US$'000	Total US$'000
Cost						
At 1 January 2017	60	1,563,994	5,568	998,910	338,472	2,907,004
Exchange differences	–	121,767	392	102,514	24,656	249,329
Additions	–	7,508	125	19,558	166,040	193,231
Acquisition of subsidiaries (note 41)	–	56,122	95	192,876	71,216	320,309
Disposals	–	(192)	–	(7,805)	–	(7,997)
Deemed disposal of a subsidiary	(60)	(11)	–	(357)	–	(428)
Transfers	–	166,753	51	9,569	(176,373)	–
At 31 December 2017	–	1,915,941	6,231	1,315,265	424,011	3,661,448
Accumulated depreciation						
At 1 January 2017	57	230,341	3,131	305,873	–	539,402
Exchange differences	–	18,538	250	33,679	–	52,467
Depreciation charge for the year	–	45,230	431	49,869	–	95,530
Disposals	–	(3)	–	(6,081)	–	(6,084)
Deemed disposal of a subsidiary	(57)	(11)	–	(297)	–	(365)
Transfer	–	262	–	(262)	–	–
At 31 December 2017	–	294,357	3,812	382,781	–	680,950
Net book value						
At 31 December 2017	–	1,621,584	2,419	932,484	424,011	2,980,498

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Containers	Generator sets	Leasehold land and buildings in Hong Kong	Buildings outside Hong Kong	Leasehold improvements	Other property, plant and equipment	Construction in progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost								
At 1 January 2016	2,371,530	8,499	23,056	1,506,153	6,058	960,421	439,756	5,315,473
Exchange differences	107	–	–	(99,446)	(335)	(60,209)	(23,770)	(183,653)
Additions	319,972	–	–	2,845	387	83,529	79,367	486,100
Disposals	(15,710)	(75)	–	(45)	(76)	(5,315)	–	(21,221)
Disposal of a subsidiary	(2,675,839)	(8,424)	(19,973)	(123)	(514)	(1,915)	–	(2,706,788)
Transfer (to) and from investment properties (note 8)	–	–	(3,083)	20,176	–	–	–	17,093
Transfers	–	–	–	134,434	48	22,399	(156,881)	–
At 31 December 2016	60	–	–	1,563,994	5,568	998,910	338,472	2,907,004
Accumulated depreciation								
At 1 January 2016	596,312	5,537	5,848	200,389	3,439	284,686	–	1,096,211
Exchange differences	28	–	–	(14,267)	(172)	(18,942)	–	(33,353)
Depreciation charge for the year	34,342	157	35	44,344	370	46,098	–	125,346
Disposals	(4,723)	(47)	–	(31)	(5)	(4,354)	–	(9,160)
Disposal of a subsidiary	(625,902)	(5,647)	(5,676)	(94)	(501)	(1,615)	–	(639,435)
Transfer to investment properties (note 8)	–	–	(207)	–	–	–	–	(207)
At 31 December 2016	57	–	–	230,341	3,131	305,873	–	539,402
Net book value								
At 31 December 2016	3	–	–	1,333,653	2,437	693,037	338,472	2,367,602

Notes:

(a) As at 31 December 2017, certain other property, plant and equipment with an aggregate net book value of US$157,298,000 (2016: US$103,928,000) were pledged as security for banking facilities granted to the Group (note 21(g)).

(b) During 2016, the Group transferred buildings within Hong Kong with an aggregate net book value of US$2,876,000 to investment properties at the time of commencement of leases. On the other hand, the Group transferred buildings outside Hong Kong with an aggregate net book value of US$20,176,000 from investment properties at the time of termination of leases. There is no transfer to/from investment properties during 2017.

(c) During the year, interest expenses of US$5,670,000 (2016: US$6,038,000) was capitalised in construction in progress (note 29).

(d) Terminal buildings and equipment under finance leases with costs of approximately US$54,879,000 (2016: US$80,428,000) as at 31 December 2017 are accounted for as property, plant and equipment. As at 31 December 2017, the balance of approximately US$30,608,000 (2016: US$38,061,000) in respect of such finance lease arrangements was included in loans from a fellow subsidiary (note 22 (b)).

Notes to the Consolidated Financial Statements

8 INVESTMENT PROPERTIES

	2017 **US$'000**	2016 US$'000
At 1 January	**8,135**	28,860
Exchange differences	**275**	(525)
Disposal of a subsidiary	–	(3,693)
Transfer from/(to) property, plant and equipment, net (note 7)	–	(17,300)
Revaluation surplus (note a)	–	793
At 31 December	**8,410**	8,135

Notes:

(a) The investment properties as at 31 December 2017 and 2016 were revalued on an open market value basis by DTZ Cushman & Wakefield Limited and China Tong Cheng Assets Appraisals Company Limited, independent professional property valuers who hold recognised relevant professional qualifications and have recent experiences in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

(b) The Group's interests in investment properties are office units situated in PRC on leases of 50 years and a residential property in Hong Kong on leases of over 50 years respectively.

(c) The valuations are derived using income capitalisation method.

Valuations are derived by income capitalisation method. Income capitalisation method is based on the capitalisation of the net rental income derived from the existing leases and/or achievable in existing market with reversionary income potential by adopting appropriate capitalisation rates. Capitalisation is estimated by valuer based on the risk profile of the properties being valued. The higher the rates, the lower the fair value. Prevailing market rents are estimated based on recent lettings within the subject properties and other comparable properties. The lower the rents, the lower the fair value. As at 31 December 2017, capitalisation rate of 7.5% and 2% is used in the income capitalisation method for the PRC office units and Hong Kong residential property respectively.

(d) There were no changes to the valuation techniques during the year.

9 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2017 US$'000	2016 US$'000
At 1 January	201,804	220,819
Exchange differences	14,071	(13,894)
Additions	5,567	–
Acquisition of subsidiaries (note 41)	62,464	–
Amortisation	(5,200)	(5,021)
Disposal of a subsidiary	–	(100)
At 31 December	278,706	201,804

10 INTANGIBLE ASSETS

	Computer software		Computer systems under development		Concession rights		Customer relationships		Goodwill		Total	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Cost												
At 1 January	10,309	25,833	867	1,019	–	–	–	–	301	322	11,477	27,174
Exchange differences	2,172	(459)	197	(26)	18,390	–	–	–	8	(21)	20,767	(506)
Additions	4,488	986	1,041	236	222	–	–	–	–	–	5,751	1,222
Acquisition of subsidiaries (note 41)	325	–	2,225	–	246,818	–	47,367	–	136,446	–	433,181	–
Write-off	(22)	(13)	–	–	–	–	–	–	–	–	(22)	(13)
Deregistration/disposal of a subsidiary	–	(16,400)	–	–	–	–	–	–	(309)	–	(309)	(16,400)
Transfer	1,889	362	(1,889)	(362)	–	–	–	–	–	–	–	–
At 31 December	19,161	10,309	2,441	867	265,430	–	47,367	–	136,446	301	470,845	11,477
Accumulated amortisation												
At 1 January	6,042	19,929	–	–	–	–	–	–	–	–	6,042	19,929
Exchange differences	1,480	(281)	–	–	6,979	–	–	–	–	–	8,459	(281)
Amortisation for the year	1,375	1,343	–	–	2,495	–	629	–	–	–	4,499	1,343
Write-off	(14)	(11)	–	–	–	–	–	–	–	–	(14)	(11)
Disposal of a subsidiary	–	(14,938)	–	–	–	–	–	–	–	–	–	(14,938)
At 31 December	8,883	6,042	–	–	9,474	–	629	–	–	–	18,986	6,042
Net book value												
At 31 December	10,278	4,267	2,441	867	255,956	–	46,738	–	136,446	301	451,859	5,435

Notes to the Consolidated Financial Statements

10 INTANGIBLE ASSETS (CONTINUED)

Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) that are expected to benefit from business combination and impairment testing is performed annually on goodwill allocated to their operating segments and CGUs.

For the year ended 31 December 2017, the recoverable amount of the Group is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the financial budget and future forecast respectively.

Forecast profitability is based on past performance and expected future changes in costs and revenue. Major cash flow projections are based on long-range financial forecasts using estimated average 5-year revenue growth rate ranged from 6.5% to 9.0%. Future cash flows are discounted at a pre-tax rate ranged from 8.0% to 8.5%.

11 JOINT VENTURES

	2017 **US$'000**	2016 US$'000
Investments in joint ventures (including goodwill on acquisitions) (note a)	**1,054,903**	1,266,169
Equity loan to a joint venture (note c)	**141,745**	142,875
	1,196,648	1,409,044
Loans to joint ventures (note d)	**1,672**	60,239

Notes:

(a) The carrying amount of goodwill on acquisitions of joint ventures amounted to US$66,214,000 (2016: US$71,851,000), mainly represented the goodwill on acquisitions of equity interests in Shanghai Pudong International Container Terminals Limited, Asia Container Terminals Holding Limited and Qingdao Qianwan Container Terminal Co., Ltd. ("QQCT") of US$31,435,000 (2016: US$31,435,000), US$34,665,000 (2016: US$34,942,000) and US$Nil (2016: US$5,361,000) respectively.

(b) During the year, 20% equity interests in QQCT was disposed to Qingdao Port International Co., Ltd. ("QPI") as part of a consideration for the further acquisition of equity interest in QPI and details of the disposal are set out in note 26. The net assets of QQCT as at 31 December 2016 was US$952,000. The profits and the other comprehensive income for the year ended 31 December 2016 were US$242,000. During the year, 40% equity interests in Dalian International Container Terminal Co., Ltd. ("DICT") was disposed of during the combination into Dalian Container Terminal Co., Ltd. ("DCT") with more details set out in note 12(c).

(c) The balance is equity in nature, unsecured, interest free and has no fixed terms of repayment.

11 JOINT VENTURES (CONTINUED)

(d) Balances of US$1,672,000 (2016: US$2,212,000) is secured, which bears interest at 5% per annum above the 3 months Euro Interbank Offered Rate ("EURIBOR") and wholly repayable on or before December 2020. The remaining balance as at 31 December 2016 was unsecured and interest bearing at the rate of 5% above Hong Kong Interbank Offered Rate ("HIBOR") per annum quoted in respect of a one month's period, and wholly repayable on or before March 2018.

(e) There is no joint venture that is individually material to the Group as at 31 December 2017. The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective joint ventures:

	Net assets US$'000	Profits less losses for the year US$'000	Other comprehensive income US$'000	Total comprehensive income US$'000
2017	**1,196,648**	**86,531**	**172**	**86,703**
2016	1,219,343	63,992	283	64,275

(f) There are no significant contingent liabilities relating to the Group's interest in joint ventures.

(g) Details of the principal joint ventures as at 31 December 2017 are set out in note 45 to the consolidated financial statements.

12 ASSOCIATES

	2017 US$'000	2016 US$'000
Investment in associates (including goodwill on acquisitions) (note b)	**2,534,493**	1,360,835
Equity loan to an associate (note e)	**45,000**	45,000
	2,579,493	1,405,835
Loans to associates (note d)	**158,539**	114,944

Notes:

(a) QPI and Sigma Enterprises Limited ("Sigma") and Wattrus Limited ("Wattrus") and their subsidiary companies (collectively "Sigma and Wattrus Group") are associates (note 46) that are material to the Group. Both QPI and Sigma and Wattrus Group are engaged in the operation, management and development of terminal related business. There are no quoted market prices for their shares.

Notes to the Consolidated Financial Statements

12 ASSOCIATES (CONTINUED)

(a) Set out below are the summarised consolidated financial information for QPI from the date the Group had significant influence to 31 December 2017, after fair-value adjustments upon acquisition, which is accounted for using the equity method:

Summarised consolidated balance sheet

	QPI 2017 US$'000
Non-current assets	4,720,917
Current assets	2,633,258
Non-current liabilities	(1,507,558)
Current liabilities	(2,011,005)

Summarised consolidated statement of comprehensive income

	QPI 2017 US$'000
Revenues	1,043,464
Profit attributable to equity holders for the period	290,733
Group's share of profits of the associate	53,524

12 ASSOCIATES (CONTINUED)

(a) Reconciliation of summarised consolidated financial information

Reconciliation of summarised consolidated financial information presented to the carrying amount of the Group's interest in these associates.

Summarised consolidated financial information

	QPI 2017 US$'000
Attributable to equity holders	
Opening net assets	2,207,336
Profit for the period	303,603
Other comprehensive income	51,336
Dividends	(116,549)
Exchange differences	130,238
Closing net assets	2,575,964
Interest in the associate at 18.41%	474,235
Fair value adjustment	300,973
Goodwill	239,203
Carrying amount	1,014,411

Set out below are the summarised consolidated financial information for Sigma and Wattrus Group, after fair-value adjustments upon acquisition, which is accounted for using the equity method:

Summarised balance sheet

	Sigma and Wattrus Group	
	2017 US$'000	2016 US$'000
Non-current assets	**3,939,847**	4,018,343
Current assets	**945,766**	796,494
Non-current liabilities	**(490,653)**	(528,014)
Current liabilities	**(574,068)**	(629,541)

Summarised statement of comprehensive income

	Sigma and Wattrus Group	
	2017 US$'000	2016 US$'000
Revenues	**941,409**	907,385
Profit attributable to equity holders for the year	**249,708**	248,915
Group's share of profits of associates	**51,315**	51,152

Notes to the Consolidated Financial Statements

12 ASSOCIATES (CONTINUED)

(a) Reconciliation of summarised consolidated financial information (Continued)

Reconciliation of summarised consolidated financial information presented to the carrying amount of the Group's interest in these associates.

Summarised financial information

	Sigma and Wattrus Group	
	2017	2016
	US$'000	US$'000
Capital and reserves attributable to equity holders	**2,897,007**	2,822,141
Group's effective interest	**20.55%**	20.55%
Group's share of capital and reserves attributable to equity holders	**595,335**	579,950
Adjustment to cost of investment	**46,860**	46,860
Carrying amount	**642,195**	626,810

(b) The carrying amount of goodwill on acquisitions of associates amounted to US$311,695,000 (2016: US$70,217,000), mainly represented the goodwill on acquisitions of equity interests in QPI, Sigma, Suez Canal Container Terminal S.A.E., Euromax Terminal Rotterdam B.V. ("Euromax Terminal"), Wattrus and Nanjing Port Longtan Containers Co., Ltd. of US$239,203,000 (2016: Nil), US$20,669,000 (2016: US$20,669,000), US$16,624,000 (2016: US$16,624,000), US$16,889,000 (2016: US$14,898,000), US$7,523,000 (2016:US$7,523,000) and US$4,533,000 (2016: US$4,533,000) respectively.

(c) On 30 September 2016, the Group acquired 35% equity interests in Euromax Terminal in Rotterdam at a consideration of Euro125,430,000 (equivalent to approximately US$139,853,000).

In March 2017, the Group acquired 40% effective interest of APM Terminals Vado Holding B.V. ("Vado") at a cash consideration of Euro 7,052,000 (equivalent to approximately US$7,465,000).

In May 2017, the Group acquired 16.82% effective interest of QPI at a consideration of RMB5,798,619,200 (equivalent to US$843,858,000, being RMB5.71 per share), and together with the previously held 1.59% equity interests, the Group holds 18.41% effective interest of QPI in total, and is accounted for as an associate. The consideration was satisfied by the transfer of 20% QQCT and the payment of cash of RMB2,599,968,360 (equivalent to US$378,367,000).

In October 2017, 20% equity interests in Dalian Port Container Terminal Co., Ltd. ("DPCT") and 40% equity interests in DICT (note 11(b)) was disposed of during its combination into DCT, and 19% equity interests in DCT were acquired in return. Goodwill arising from the acquisition has been provisionally determined by management's assessment and is subjected to changes.

The total cash paid for the acquisition of associates during the year was US$385,832,000, comprised of the QPI (note 26) and Vado.

12 ASSOCIATES (CONTINUED)

(d) A balance of US$100,302,000 (2016: US$88,478,000) is unsecured, which bears interest at the aggregate of 2.3% per annum and EURIBOR with reference to Reuters or other rate mutually agreed. A balance of US$17,782,000 (2016:US$26,466,000) is unsecured, bears interest at 2.5% per annum above 10-year EURIBOR ICE swap rate (2016: 2.5% per annum above 10-year EURIBOR ICE swap rate) and has no fixed terms of repayment. A balance of US$40,455,000 (2016: US$Nil) is unsecured, bears interest at the aggregate of 3.75% per annum and EURIBOR, and is repayable in 2021.

(e) The balance is equity in nature, unsecured, interest free and has no fixed terms of repayment.

(f) The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective associates other than QPI and Sigma and Wattrus Group disclosed above:

	Net assets US$'000	Profits less losses for the year US$'000	Other comprehensive income US$'000	Total comprehensive income US$'000
2017	**922,887**	**45,198**	**2,739**	**47,937**
2016	779,025	37,009	1,529	38,538

(g) There are no significant contingent liabilities relating to the Group's interest in associates.

(h) Details of the Group's associates as at 31 December 2017 are set out in note 46 to the consolidated financial statements.

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets represent the following:

	2017 **US$'000**	2016 US$'000
Listed shares (note a)	**245,534**	55,846
Unlisted investments (note b)	**31,019**	101,093
	276,553	156,939

Notes:

(a) Listed investments represent equity interests in entities which are principally engaged in the provision of port and port related services.

(b) Unlisted investments mainly comprise equity interests in terminal operating companies, and port information system engineering companies.

Notes to the Consolidated Financial Statements

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

(c) Available-for-sale financial assets are denominated in the following currencies:

	2017 US$'000	2016 US$'000
Hong Kong dollar	**14,960**	55,846
Renminbi	**261,463**	101,093
Euro	**130**	–
	276,553	156,939

(d) Movement of the available-for-sale financial assets during the year is as follows:

	2017 US$'000	2016 US$'000
At 1 January	**156,939**	171,787
Acquisition of a subsidiary	**123**	–
Step acquisition from an available-for-sale financial asset to investment in an associate	**(80,672)**	–
Fair value gain/(loss) recognised in equity	**188,367**	(4,920)
Exchange differences	**11,796**	(9,928)
At 31 December	**276,553**	156,939

(e) As at 31 December 2016, an impairment loss of US$19,800,000 were impaired for an available-for-sale financial asset of carrying amount of US$10,167,000 and the debit reserves of US$19,800,000 were recycled to profit or loss. There is no impairment recognized in 2017.

14 DEFERRED INCOME TAX

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

The movements on the net deferred income tax liabilities during the year are as follows:

	2017 **US$'000**	2016 US$'000
At 1 January	**52,903**	44,786
Exchange differences	**(4,152)**	12
Charged to consolidated income statement	**15,488**	9,890
Disposal of a subsidiary	**–**	618
Charged/(credited) to reserves	**37,545**	(2,403)
Acquisition of subsidiaries (note 41)	**(76,622)**	–
At 31 December	**25,162**	52,903

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2017, the Group has unrecognised tax losses of US$69,199,000 (31 December 2016: US$85,239,000) to carry forward. Except for the tax losses of US$29,850,000 (31 December 2016: US$26,908,000) of the Group which will be expired between 2018 and 2022 (31 December 2016: between 2017 and 2020), all other tax losses have no expiry dates.

Notes to the Consolidated Financial Statements

14 DEFERRED INCOME TAX (CONTINUED)

The movements in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year, are as follows:

Deferred income tax liabilities

	Accelerated tax depreciation		Undistributed profits		Fair value gains		Others		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1 January	**1,543**	2,866	**52,766**	44,186	**10**	2,546	**–**	–	**54,319**	49,598
Exchange differences	**1,415**	(57)	**50**	14	**1,688**	17	**463**	–	**3,616**	(26)
(Credited)/charged to consolidated income statement	**(1,383)**	(132)	**5,377**	8,566	**12,366**	(150)	**(76)**	–	**16,284**	8,284
Disposal of a subsidiary	**–**	(1,134)	**–**	–	**–**	–	**–**	–	**–**	(1,134)
Acquisition of subsidiaries (note 41)	**45,810**	–	**–**	–	**–**	–	**8,000**	–	**53,810**	–
Charged/(credited) to reserve	**–**	–	**–**	–	**37,312**	(2,403)	**–**	–	**37,312**	(2,403)
At 31 December	**47,385**	1,543	**58,193**	52,766	**51,376**	10	**8,387**	–	**165,341**	54,319

Deferred income tax assets

	Tax losses		Others		Total	
	2017	2016	**2017**	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1 January	**6**	294	**1,410**	4,518	**1,416**	4,812
Exchange differences	**4,021**	(4)	**3,747**	(34)	**7,768**	(38)
(Charged)/credited to consolidated income statement	**(183)**	(284)	**979**	(1,322)	**796**	(1,606)
Disposal of a subsidiary	**–**	–	**–**	(1,752)	**–**	(1,752)
Acquisition of subsidiaries (note 41)	**70,956**	–	**59,476**	–	**130,432**	–
Charged to reserve	**–**	–	**(233)**	–	**(233)**	–
At 31 December	**74,800**	6	**65,379**	1,410	**140,179**	1,416

14 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes related to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2017 US$'000	2016 US$'000
Deferred income tax assets	**108,277**	11
Deferred income tax liabilities	**133,439**	52,914

The amounts shown in the consolidated balance sheet include the following:

	2017 US$'000	2016 US$'000
Deferred income tax assets to be recovered after more than 12 months	**82,430**	1,465
Deferred income tax liabilities to be settled after more than 12 months	**61,593**	1,617

15 OTHER NON-CURRENT ASSETS

Other non-current assets of the Group mainly represent prepaid operating lease payments, which included 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. Apart from the aforesaid upfront concession fee, the Group had operating lease commitment in relations to the Concession (note 37(b)).

16 INVENTORIES

Inventories of the Group mainly include consumable parts for terminal operations at their carrying amounts.

Notes to the Consolidated Financial Statements

17 TRADE AND OTHER RECEIVABLES

	2017 US$'000	2016 US$'000
Trade receivables (note a)		
– third parties	72,503	36,646
– fellow subsidiaries (note b)	14,729	12,396
– non-controlling shareholders of subsidiaries (note b)	4,905	4,486
– a joint venture (note b)	21	3
– related companies (note b)	9,895	1,029
	102,053	54,560
Bills receivables (note a)	9,708	10,958
	111,761	65,518
Less: provision for impairment	(3,161)	(449)
	108,600	65,069
Deposits and prepayments	13,292	13,443
Other receivables	47,903	18,888
Loans to joint ventures (note c)	78,324	19,180
Amounts due from		
– fellow subsidiaries (note b)	3,361	20,446
– non-controlling shareholders of subsidiaries (note b)	2,597	823
– joint ventures (note d)	244	243
– associates (note d)	16,732	9,923
– related companies (note b)	377	–
	271,430	148,015

Notes:

(a) 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:

	2017 US$'000	2016 US$'000
Within 30 days	63,635	41,584
31-60 days	26,184	11,014
61-90 days	10,646	3,968
Over 90 days	8,135	8,503
	108,600	65,069

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) As at 31 December 2017, trade receivables and bills receivables of US$96,593,000 (2016: US$57,146,000) were fully performing.

As at 31 December 2017, trade receivables of US$12,007,000 (2016: US$7,923,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables which were past due but not impaired is as follows:

	2017 **US$'000**	2016 US$'000
Within 30 days	**6,398**	3,111
31-60 days	**2,530**	1,016
61-90 days	**1,570**	1,380
Over 90 days	**1,509**	2,416
	12,007	7,923

As at 31 December 2017, trade receivables of US$3,161,000 (2016: US$449,000) were impaired. The amount of the provision was US$3,161,000 (2016: US$449,000) as at 31 December 2017. The ageing of these receivables is as follows:

	2017 **US$'000**	2016 US$'000
Within 30 days	**97**	102
31-60 days	**24**	37
61-90 days	**5**	7
Over 90 days	**3,035**	303
	3,161	449

Movements on the provision for impairment of trade receivables are as follows:

	2017 **US$'000**	2016 US$'000
At 1 January	**(449)**	(4,090)
Exchange differences	**(180)**	21
Reversal of/(provision) for impairment of trade receivables	**134**	(413)
Write back of provision for impairment of trade receivables	**10**	1,247
Receivables written off during the year as uncollectible	**7**	73
Acquisition of subsidiaries	**(2,683)**	–
Disposal of a subsidiary	**–**	2,713
At 31 December	**(3,161)**	(449)

Notes to the Consolidated Financial Statements

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) The balances are unsecured and interest free. Trading balances have credit periods ranging from 30 to 90 days while other balances have no fixed terms of repayment.

(c) As at 31 December 2017, balance of US$19,920,000 (2016: US$18,443,000) is unsecured, interest free, and wholly repayable within twelve months. Balance of US$836,000 (2016: US$737,000) is secured, bears interest at 5.5% per annum above 3 months EURIBOR and repayable within twelve months. The remaining balance of US$57,568,000 (2016: US$Nil) is unsecured and interest bearing at the rate of 5% above HIBOR per annual quoted in respect of a one-month, and wholly repayable on or before March 2018.

(d) The amounts receivable mainly represented dividend and interest receivable from joint ventures and associates.

(e) The carrying amounts of trade and other receivables are denominated in the following currencies:

	2017 US$'000	2016 US$'000
US dollar	**3,184**	20,015
Renminbi	**92,218**	80,210
Hong Kong dollar	**60,198**	3,115
Euro	**95,641**	26,229
Other currencies	**20,189**	18,446
	271,430	148,015

(f) The carrying amounts of trade and other receivables approximate their fair values.

18 FINANCIAL INSTRUMENTS BY CATEGORY

	2017 US$'000	2016 US$'000
Assets as per balance sheet		
Available-for-sale financial assets	**276,553**	156,939
Loans and receivables		
Loans to joint ventures	**79,996**	79,419
Loans to associates	**158,539**	114,944
Trade and other receivables excluding prepayments	**179,814**	115,392
Cash and cash equivalents	**560,067**	834,232
Restricted bank deposits	**6,333**	2,868
Total	**1,261,302**	1,303,794

18 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	2017 US$'000	2016 US$'000
Liabilities as per balance sheet		
Financial liabilities at amortised cost		
Borrowings	**2,334,349**	1,502,991
Loans from non-controlling shareholders of subsidiaries	**164,115**	167,772
Loans from a fellow subsidiary	**30,608**	38,061
Loan from a joint venture	**42,622**	40,147
Loan from an associate	**15,304**	–
Trade and other payables excluding receipt in advance	**317,818**	174,600
Financial liabilities at fair value through profit and loss		
Derivative financial instruments	**9,362**	–
Total	**2,914,178**	1,923,571

19 SHARE CAPITAL

	2017 US$'000	2016 US$'000
Issued and fully paid:		
3,057,112,720 (2016: 3,016,018,628) ordinary shares of HK$0.10 each	**39,254**	38,728

The movements of the issued share capital of the Company are summarised as follows:

	Number of ordinary shares	Nominal Value US$'000
At 1 January 2017	**3,016,018,628**	**38,728**
Issue of scrip dividend for 2016 final (note a)	**14,954,193**	**191**
Issue of scrip dividend for 2017 interim (note b)	**26,139,899**	**335**
At 31 December 2017	**3,057,112,720**	**39,254**
At 1 January 2016	2,966,559,439	38,090
Issue of scrip dividend for 2015 final (note a)	3,015,196	39
Issue of scrip dividend for 2016 interim (note b)	46,443,993	599
At 31 December 2016	3,016,018,628	38,728

Notes:

(a) During the year ended 31 December 2017, 14,954,193 (2016: 3,015,196) new shares were issued by the Company at HK$8.890 (2016: HK$7.824) per share for the settlement of 2016 final (2016: 2015 final) scrip dividends.

(b) During the year ended 31 December 2017, 26,139,899 (2016: 46,443,993) new shares were issued by the Company at HK$8.598 (2016: HK$8.140) per share for the settlement of 2017 interim (2016: 2016 interim) scrip dividends.

Notes to the Consolidated Financial Statements

20 SHARE-BASED PAYMENT

On 23 May 2003, the shareholders of the Company approved the adoption of an option scheme (the "2003 Share Option Scheme") and the termination of the share option scheme adopted by the shareholders of the Company on 30 November 1994.

On 5 December 2005, amendments to certain terms of the 2003 Share Option Scheme were approved by the shareholders of the Company (the "Amended 2003 Share Option Scheme"). Under the Amended 2003 Share Option Scheme, the directors of the Company may, at their discretion, invite any participants, as defined under the Amended 2003 Share Option Scheme, to take up share options for subscribing the Company's shares, subject to the terms and conditions stipulated therein.

The consideration on acceptance of an offer of the grant of options is HK$1.00.

The 2003 Share Option Scheme was expired on 22 May 2013. No further options shall thereafter be granted under the 2003 Share Option Scheme. As at 31 December 2017, there was no outstanding share option.

Movements of the share options are set out below:

			For the year ended 31 December 2017 Number of share options				
Category	**Note**	**Exercise price HK$**	**Outstanding at 1 January 2017**	**Exercised during the year**	**Transfer (to)/ from other categories during the year**	**Lapsed during the year**	**Outstanding at 31 December 2017**
Directors	(i) (ii)	**19.30**	**500,000**	**–**	**–**	**(500,000)**	**–**
Continuous contract employees	(i) (ii)	**19.30**	**8,310,000**	**–**	**–**	**(8,310,000)**	**–**
Others	(i) (ii)	**19.30**	**1,130,000**	**–**	**–**	**(1,130,000)**	**–**
			9,940,000	**–**	**–**	**(9,940,000)**	**–**

			For the year ended 31 December 2016 Number of share options				
Category	Note	Exercise price HK$	Outstanding at 1 January 2016	Exercised during the year	Transfer (to)/ from other categories during the year	Lapsed during the year	Outstanding at 31 December 2016
Directors	(i) (ii)	19.30	500,000	–	–	–	500,000
Continuous contract employees	(i) (ii)	19.30	11,050,000	–	–	(2,740,000)	8,310,000
Others	(i) (ii)	19.30	1,430,000	–	–	(300,000)	1,130,000
			12,980,000	–	–	(3,040,000)	9,940,000

20 SHARE-BASED PAYMENT (CONTINUED)

Notes:

(i) All options were lapsed during 2017. All the outstanding options were vested and exercisable as at 31 December 2016. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(ii) The share options were granted during the period from 17 April 2007 to 19 April 2007 under the 2003 Share Option Scheme at an exercise price of HK$19.30. The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 17 April 2007 to 19 April 2007.

(iii) No share options were granted, exercised or cancelled under the 2003 share option scheme during the year ended 31 December 2017.

(iv) All options were lapsed during 2017. Share options outstanding at 31 December 2016 had the following expiry dates and exercise prices:

Expiry date	Exercise price HK$	Number of share options 2017	2016
17 April 2017 to 19 April 2017	19.30	–	9,940,000

(v) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2017		2016	
	Average exercise price per share HK$	**Number of share options**	Average exercise price per share HK$	Number of share options
At 1 January	**19.30**	**9,940,000**	19.30	12,980,000
Lapsed	**19.30**	**(9,940,000)**	19.30	(3,040,000)
At 31 December	–	–	19.30	9,940,000

Notes to the Consolidated Financial Statements

21 BORROWINGS

	2017 US$'000	2016 US$'000
Long term borrowings		
Secured		
– bank loans	**799,037**	336,321
– loans from China Shipping Finance Co., Ltd. ("CS Finance")	**11,019**	14,185
	810,056	350,506
Unsecured		
– bank loans	**710,065**	655,556
– loans from COSCO Finance Co., Ltd. ("COSCO Finance")	**38,184**	24,074
– notes	**298,324**	297,879
	1,046,573	977,509
Finance lease obligations	**999**	–
	1,857,628	1,328,015
Amounts due within one year included under current liabilities	**(33,858)**	(256,609)
	1,823,770	1,071,406
Short term borrowings		
Secured		
– bank loan	**5,970**	–
Unsecured		
– bank loans	**447,795**	64,870
– loans from COSCO Finance	**22,956**	110,106
	470,751	174,976
	476,721	174,976

21 BORROWINGS (CONTINUED)

Notes:

(a) The maturity of long term borrowings is as follows:

	2017 US$'000	2016 US$'000
Bank loans		
Within one year	**33,610**	231,295
Between one and two years	**37,350**	36,089
Between two and five years	**831,962**	448,005
Over five years	**606,180**	276,488
	1,509,102	991,877
Loans from COSCO Finance		
Within one year	**–**	24,074
Between one and two years	**38,184**	–
	38,184	24,074
Loans from CS Finance		
Within one year	**–**	1,240
Between one and two years	**533**	1,476
Between two and five years	**5,467**	5,011
Over five years	**5,019**	6,458
	11,019	14,185
Finance lease obligations		
Within one year	**248**	–
Between one and two years	**257**	–
Between two and five years	**494**	–
	999	–
Notes (note b)		
Over five years	**298,324**	297,879
	1,857,628	1,328,015

(b) Details of the notes as at 31 December 2017 are as follows:

	2017 US$'000	2016 US$'000
Principal amount	**300,000**	300,000
Discount on issue	**(2,040)**	(2,040)
Notes issuance cost	**(2,250)**	(2,250)
Net proceeds received	**295,710**	295,710
Accumulated amortised amounts of		
– discount on issue	**1,243**	1,032
– notes issuance cost	**1,371**	1,137
	298,324	297,879

Notes to the Consolidated Financial Statements

21 BORROWINGS (CONTINUED)

(b) 10-year notes with principal amount of US$300,000,000 were issued by a subsidiary of the Company to investors on 31 January 2013. The notes carried a fixed interest yield of 4.46% per annum and were issued at a price of 99.320 per cent of their principal amount with a fixed coupon rate of 4.375% per annum, resulting in a discount on issue of US$2,040,000. The notes bear interest from 31 January 2013, payable semi-annually in arrear on 31 January and 31 July of each year, commencing on 31 July 2013. The notes are guaranteed unconditionally and irrevocably by the Company and listed on the Stock Exchange. Unless previously redeemed or repurchased by the Company, the notes will mature on 31 January 2023 at their principal amount. The notes are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of the Company at any time in the event of certain changes affecting the taxes of certain jurisdictions.

(c) The exposure of long term borrowings to interest rate changes and the contractual repricing dates are as follows:

	Less than one year US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
At 31 December 2017				
Total borrowings	**33,858**	**914,247**	**909,523**	**1,857,628**
At 31 December 2016				
Total borrowings	256,609	490,581	580,825	1,328,015

(d) The carrying amounts of the long term borrowings and short term borrowings are denominated in the following currencies:

	2017 US$'000	2016 US$'000
US dollar	**1,011,840**	633,479
Renminbi	**449,093**	422,359
Euro	**873,416**	447,153
	2,334,349	1,502,991

The effective interest rates per annum at the balance sheet date were as follows:

	2017			2016		
	US$	**RMB**	**Euro**	US$	RMB	Euro
Bank loans, loans from CS Finance and COSCO Finance	**2.4%**	**4.2%**	**1.4%**	2.8%	4.1%	1.3%
Finance lease obligations	**N/A**	**N/A**	**3.42%**	N/A	N/A	N/A
Notes	**4.4%**	**N/A**	**N/A**	4.4%	N/A	N/A

21 BORROWINGS (CONTINUED)

(e) The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Bank loans, loans from CS Finance and COSCO Finance	**1,524,695**	773,527	**1,568,044**	768,589
Finance lease obligations	**751**	–	**679**	–
Notes	**298,324**	297,879	**297,855**	297,426
	1,823,770	1,071,406	**1,866,578**	1,066,015

The fair values of the Group's non-current borrowings are determined based on cash flows discounted using a weighted average borrowing rate of 2.1% (2016: 1.9%) per annum.

(f) The carrying amounts of short term bank loans approximate their fair values.

(g) As at 31 December 2017, bank loans and a loan from CS Finance of US$816,026,000 (2016: US$350,506,000) granted to subsidiaries of the Company were secured by certain other property, plant and equipment of the Group note 7(a) and the Company's interests in subsidiaries.

(h) As at 31 December 2017, the committed and undrawn borrowing facilities of the Group amounted to US$976,365,000 (2016: US$266,874,000).

22 LOANS FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES AND LOANS FROM A FELLOW SUBSIDIARY

(a) Loans from non-controlling shareholders of subsidiaries

As at 31 December 2017, balance of US$7,100,000 (2016: US$Nil) was unsecured, interest free and not repayable within next twelve months. The remaining balance was unsecured, beared interest at 4.75% per annum and was repayable in 2019. The carrying values of the loans were not materially different from their fair values.

(b) Loans from a fellow subsidiary

As at 31 December 2017, balance of US$30,608,000 (2016: US$38,061,000) represented finance lease contracts the Group entered for leasing of terminal equipment with a fellow subsidiary. The average term of the finance lease contracts is 8 years (2016: 8 years), and bear interest ranging from 2% above to 11% below the RMB five-year benchmark lending rate, or 5.98%. The cost of assets acquired under the finance leases amounted to US$54,879,000 (2016: US$80,428,000) as at 31 December 2017 (note 7(d)). The carrying values of the loan were not materially different from their fair values.

Notes to the Consolidated Financial Statements

23 OTHER LONG TERM LIABILITIES

	2017 US$'000	2016 US$'000
Deferred income	**32,716**	30,675
Others	**7,170**	909
	39,886	31,584

24 TRADE AND OTHER PAYABLES

	2017 US$'000	2016 US$'000
Trade payables (note a)		
– third parties	**104,173**	23,602
– fellow subsidiaries (note b)	**1,322**	5,142
– non-controlling shareholders of subsidiaries (note b)	**1,355**	3,563
– joint ventures (note b)	**318**	–
– related companies (note b)	**2,210**	568
	109,378	32,875
Accruals	**54,079**	32,929
Other payables	**131,742**	97,139
Dividend payable	**10**	9
Loans from a fellow subsidiary (note 22(b))	**10,315**	9,256
Loan from a joint venture (note c)	**42,622**	40,147
Loan from an associate (note e)	**15,304**	–
Loans from non-controlling shareholders of subsidiaries (note d)	**111,103**	167,772
Amounts due to (note b)		
– fellow subsidiaries	**3,897**	3,104
– non-controlling shareholders of subsidiaries	**23,558**	12,413
– joint ventures	**421**	240
– an associate	**11**	–
– related companies	**–**	71
	502,440	395,955

24 TRADE AND OTHER PAYABLES (CONTINUED)

Notes:

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

	2017 US$'000	2016 US$'000
Within 30 days	79,169	14,603
31-60 days	7,283	1,619
61-90 days	11,751	9,248
Over 90 days	11,175	7,405
	109,378	32,875

(b) The balances are unsecured and interest free. Trading balances have similar credit periods granted as those of other third party suppliers while the other balances have no fixed terms of repayment.

(c) Loans from a joint venture of US$42,622,000 (2016: US$40,147,000) are unsecured, bear interest at 2.3% (2016: 2.3%) per annum and repayable within twelve months.

(d) Loans from non-controlling shareholders of subsidiaries are unsecured and repayable within twelve months. Balance of US$6,328,000 (2016: US$8,534,000) bears interest at 0.6% above 1-year US dollar London Interbank Offered Rate ("LIBOR") per annum. Balance of US$49,681,000 (2016: US$49,681,000) is interest free. Balances of US$45,912,000 and US$9,182,000 (2016: US$57,661,000 and US$51,896,000) bear interest at 3.8% and 4.4% per annum respectively (2016: 3.9% and 3.5% respectively).

(e) Loan from an associate of US$15,304,000 (2016: US$Nil) is unsecured, bears interest at 2.3% per annum and repayable within twelve months.

(f) The carrying amounts of trade and other payables are denominated in the following currencies:

	2017 US$'000	2016 US$'000
US dollar	24,237	89,835
Renminbi	321,038	263,855
Euro	84,966	32,982
Hong Kong dollar	72,011	9,262
Other currencies	188	21
	502,440	395,955

(g) The carrying amounts of trade and other payables approximate their fair values.

25 DERIVATIVE FINANCIAL INSTRUMENTS

	2017 US$'000	2016 US$'000
Interest rate swaps	9,362	–
Less: non-current portion	(6,527)	–
Current portion	2,835	–

Notes to the Consolidated Financial Statements

25 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

At 31 December 2017, the Group had interest rate swap agreements in place with a total notional amount of US$291,220,000 (2016: Nil). The swaps are used to hedge the exposure to changes in the cash flow of its bank loans with variable rates referred to the EURIBOR in an average band of between 0.61% and 1.22%. The hedge of the interest rate swaps was assessed to be effective.

26 DISPOSAL OF A JOINT VENTURE AND FURTHER ACQUSITION 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 consolidated income statement for the year ended 31 December 2017. The subscription was completed on 22 May 2017. After the subscription of the aforesaid QPI's non-circulating domestic shares, the Group's equity interest in QPI has been increased from 1.59% to 18.41% and QPI became an associate of the Group since then. The gain from the remeasurement of the previously held 1.59% interest in QPI of US$38,434,000 has been recognised in the consolidated income statement for the year ended 31 December 2017.

27 OTHER OPERATING INCOME

	2017 **US$'000**	2016 US$'000
Management fee and other service income	**5,346**	4,479
Dividends income from listed and unlisted available-for-sale financial assets	**1,370**	4,245
Reversal of provision for impairment of trade receivables	**134**	–
Rental income from		
– investment properties	**434**	600
– buildings, leasehold land and land use rights	**685**	645
Gain on disposal of property, plant and equipment	**677**	125
Gain on remeasurement of equity investments	**7,301**	–
Net gain on bargain purchase	**30**	–
Government subsidies	**5,459**	5,237
Exchange gain, net	**15,681**	–
Others	**3,157**	1,373
	40,274	16,704

28 OPERATING PROFIT

Operating profit is stated after charging the following:

	2017 US$'000	2016 US$'000
Charging:		
Amortisation of		
– land use rights	**5,200**	5,020
– intangible assets (note a)	**4,499**	1,097
– other non-current assets (note 15)	**1,611**	1,573
Depreciation	**95,530**	90,783
Exchange loss, net	**–**	9,097
Loss on disposal of property, plant and equipment and intangible assets	**1,053**	452
Auditors' remuneration		
– current year	**1,050**	800
– (over)/under provision in prior year	**(59)**	30
Provision for impairment of trade receivables	**–**	304
Provision for impairment loss of an available-for-sale financial asset	**–**	19,800
Rental expenses under operating leases of		
– land and buildings leased from third parties	**378**	2,244
– buildings leased from a fellow subsidiary	**1,832**	1,724
– buildings leased from a joint venture	**28**	34
– land use rights leased from non-controlling shareholders of subsidiaries	**3,073**	2,673
– plant and machinery leased from third parties	**279**	53
– Concession from a fellow subsidiary (note 15)	**48,051**	38,840
– concession from third parties	**1,633**	–
Total staff costs (including directors' emoluments and retirement benefit costs) (note b)	**214,759**	190,117

Notes:

(a) Amortisation of intangible assets is included in administrative expenses in the consolidated income statement.

(b) Total staff costs do not include the amounts of benefits in kind provided to the Company's directors and the Group's employees in respect of the Company's share options granted prior to 2005 and staff quarters. Details of the Company's share options are set out in note 20 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

29 FINANCE INCOME AND COSTS

	2017 US$'000	2016 US$'000
Finance income		
Interest income on		
– bank balances and deposits	4,343	9,494
– deposits with COSCO Finance	873	540
– deposits with CS Finance	1	4
– loans to joint ventures and associates	7,451	4,829
	12,668	14,867
Finance costs		
Interest expenses on		
– bank loans	(31,013)	(29,702)
– notes not wholly repayable within five years	(13,125)	(13,128)
– loans from COSCO Finance	(3,373)	(4,456)
– loans from CS Finance	(530)	(646)
– loans from and amount due to fellow subsidiaries	(1,607)	(3,040)
– loans from non-controlling shareholders of subsidiaries (note 22(a) and note 24(d))	(4,586)	(2,792)
– loans from a joint venture (note 24(c))	(954)	(872)
– loan from an associate (note 24(e))	(18)	–
– finance lease obligations	(6)	–
Amortised amount of		
– discount on issue of notes	(212)	(231)
– transaction costs on bank loans and notes	(1,042)	(313)
	(56,466)	(55,180)
Less: amount capitalised in construction in progress (note 7(c))	5,670	6,038
	(50,796)	(49,142)
Other incidental borrowing costs and charges	(5,180)	(3,000)
	(55,976)	(52,142)
Net finance costs	(43,308)	(37,275)

30 INCOME TAX EXPENSES

	2017 US$'000	2016 US$'000
Current income tax		
– Hong Kong profits tax	–	(903)
– Mainland China taxation	**(68,878)**	(22,877)
– Overseas taxation	**(10,712)**	(11,879)
– Over/(under) provision in prior years	**369**	(2,567)
	(79,221)	(38,226)
Deferred income tax charge (note 14)	**(15,488)**	(9,944)
	(94,709)	(48,170)

The Group's shares of income tax expenses of joint ventures and associates of US$24,428,000 (2016: US$34,209,000) and US$28,820,000 (2016: US$24,644,000) 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% (2016: 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.

Below is a numerical reconciliation between income tax expenses in the consolidated income statement and aggregate tax expense at the domestic rates applicable to profits in respective territories concerned:

	2017 US$'000	2016 US$'000
Profit before income tax from continuing operations	**645,858**	257,607
Less: Share of profits less losses of joint ventures and associates from continuing operations	**(236,568)**	(200,242)
	409,290	57,365
Aggregate tax at domestic rates applicable to profits in respective territories concerned	**94,491**	27,466
Income not subject to income tax	**(73,219)**	(8,903)
Expenses not deductible for income tax purposes	**11,296**	4,984
(Over)/under provision in prior years	**(369)**	2,567
Utilisation of previously unrecognised tax losses	**(4,084)**	(778)
Tax losses not recognised	**1,139**	3,342
Withholding income tax on undistributed profits and payment of interest	**65,100**	19,549
Others	**355**	(57)
Income tax expenses	**94,709**	48,170

30 INCOME TAX EXPENSES (CONTINUED)

Except for the income tax US$37,312,000 (2016: Nil) relating to the deferred tax provided on the fair value gain on available-for-sale financial assets, US$214,000 (2016: Nil) deferred tax liability to the cash flow hedges in 2017, and US$2,403,000 relating to the reversal of deferred tax upon transfer from investment properties to property, plant and equipment in 2016, there was no income tax relating to components of other comprehensive income for the year ended 31 December 2017 and 2016.

31 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.

	2017	2016
Profit from continuing operations attributable to equity holders of the Company	**US$512,454,000**	US$180,937,000
Profit from discontinued operation attributable to equity holders of the Company	–	US$66,094,000
	US$512,454,000	US$247,031,000
Weighted average number of ordinary shares in issue	**3,027,433,793**	2,976,420,791
Basic earnings per share		
– from continuing operations	**US16.93 cents**	US6.08 cents
– from discontinued operation	–	US2.22 cents
	US16.93 cents	US8.30 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 2017 and 2016, and the diluted earnings per share is equal to the basic earnings per share for the year ended 31 December 2017 and 2016 respectively.

32 DISTRIBUTION, DIVIDENDS AND SPECIAL CASH DIVIDEND

(a) Distribution

	2017 US$'000	2016 US$'000
Consideration in connection with the purchase of China Shipping Ports Development Co., Limited from fellow subsidiaries	–	1,164,077

(b) Dividends and special cash dividend

	2017 US$'000	2016 US$'000
2016 conditional special cash dividend, paid of US10.317 cents per ordinary share	–	306,059
Interim dividend paid of US1.316 cents (2016: US2.320 cents) per ordinary share	39,888	68,894
Final dividend proposed of US1.684 cents (2016: US1.000 cents) per ordinary share	51,482	30,160
	91,370	405,113

Note:

At a meeting held on 26 March 2018, the directors recommended the payment of a final dividend of HK13.1 cents (equivalent to US 1.684 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 2018.

33 RETIREMENT BENEFIT COSTS

The retirement benefit costs charged to the consolidated income statement represent contributions payable by the Group to the retirement benefit schemes and amounted to US$12,190,000 (2016: US$10,668,000). Contributions totaling US$2,869,000 (2016: US$1,809,000) were payable to the retirement benefit schemes as at 31 December 2017 and were included in trade and other payables. No forfeited contributions were available as at 31 December 2017 and 31 December 2016 to reduce future contributions.

34 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid to directors of the Company during the year are set out as follows:

	2017 **US$'000**	2016 US$'000
Fees	**216**	295
Salaries, housing and other allowances	**1,806**	1,610
Benefits in kind	**–**	–
Bonuses	**308**	193
Contributions to retirement benefit schemes	**2**	2
	2,332	2,100

Directors' fees disclosed above include US$216,000 (2016: US$224,000) paid to independent non-executive directors. The Company did not grant any share options during the year ended 31 December 2017 and 2016.

As at 31 December 2016, one director of the Company had 500,000 share options which are exercisable at HK$19.30 per share granted by the Company under the 2003 Share Option Scheme. All share options were lapsed as at 31 December 2017.

For the year ended 31 December 2017, no (2016: Nil) share option was exercised.

Details and movements of share options granted and exercised during the year are set out in note 20 to the consolidated financial statements.

34 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

The directors' emoluments are analysed as follows:

		Year ended 31 December 2017								
Name of directors	Note	Fees	Salary	Discretionary bonuses	Housing and other allowances	Estimated money value of other benefits	Contributions to retirement benefit schemes	Remunerations paid or receivable in respect of accepting office as director	As management (note e)	Total
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Mr. HUANG Xiaowen	(i)	–	–	–	–	–	–	–	–	–
Mr. ZHANG Wei (張為)	(ii)	–	739	57	18	–	–	–	–	814
Mr. FANG Meng	(iii)	–	389	84	18	–	–	–	–	491
Mr. DENG Huangjun		–	251	83	18	–	–	–	–	352
Mr. FENG Boming	(iv)	–	–	–	–	–	–	–	–	–
Mr. ZHANG Wei (張煒)	(iv)	–	–	–	–	–	–	–	–	–
Mr. CHEN Dong	(iv)	–	–	–	–	–	–	–	–	–
Mr. XU Zunwu	(iv)	–	–	–	–	–	–	–	–	–
Mr. WANG Haimin		–	–	–	–	–	–	–	–	–
Dr. WONG Tin Yau, Kelvin		–	355	84	18	–	2	–	–	459
Dr. FAN HSU Lai Tai, Rita		50	–	–	–	–	–	–	–	50
Mr. Adrian David LI Man Kiu		56	–	–	–	–	–	–	–	56
Mr. FAN Ergang		33	–	–	–	–	–	–	–	33
Mr. LAM Yiu Kin		40	–	–	–	–	–	–	–	40
Prof. CHAN Ka Lok	(iv)	37	–	–	–	–	–	–	–	37
		216	1,734	308	72	–	2	–	–	2,332

Notes to the Consolidated Financial Statements

34 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

The directors' emoluments are analysed as follows:

		Year ended 31 December 2016								
Name of directors	Note	Fees	Salary	Discretionary bonuses	Housing and other allowances	Estimated money value of other benefits	Contributions to retirement benefit schemes	Remunerations paid or receivable in respect of accepting office as director	As management (note e)	Total
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Mr. HUANG Xiaowen	(i)	–	–	–	–	–	–	–	–	–
Mr. ZHANG Wei (張為)	(ii)	5	503	–	15	–	–	–	–	523
Mr. FANG Meng	(iii)	–	171	–	15	–	–	–	–	186
Mr. DENG Huangjun		–	252	18	18	–	–	–	–	288
Mr. FENG Boming	(iv)	4	–	–	–	–	–	–	–	4
Mr. ZHANG Wei (張煒)	(iv)	4	–	–	–	–	–	–	–	4
Mr. CHEN Dong	(iv)	4	–	–	–	–	–	–	–	4
Mr. XU Zunwu	(iv)	4	–	–	–	–	–	–	–	4
Mr. WANG Haimin		15	–	–	–	–	–	–	–	15
Dr. WONG Tin Yau, Kelvin		–	356	91	18	–	2	–	–	467
Dr. FAN HSU Lai Tai, Rita		50	–	–	–	–	–	–	–	50
Mr. Adrian David LI Man Kiu		57	–	–	–	–	–	–	–	57
Mr. FAN Ergang		34	–	–	–	–	–	–	–	34
Mr. LAM Yiu Kin		40	–	–	–	–	–	–	–	40
Prof. CHAN Ka Lok	(iv)	9	–	–	–	–	–	–	–	9
Mr. WAN Min	(v)	–	–	–	–	–	–	–	–	–
Mr. QIU Jinguang	(vi)	–	239	84	23	–	–	–	–	346
Mr. TANG Runjiang	(vii)	9	–	–	–	–	–	–	–	9
Mr. FENG Bo	(viii)	13	–	–	–	–	–	–	–	13
Mr. WANG Wei	(viii)	13	–	–	–	–	–	–	–	13
Mr. IP Sing Chi	(viii)	34	–	–	–	–	–	–	–	34
		295	1,521	193	89	–	2	–	–	2,100

34 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

Notes:

(i) appointed as Chairman of the Board and a non-executive director on 29 March 2016
(ii) appointed as Vice Chairman of the Board and Managing Director on 27 April 2016
(iii) appointed on 27 April 2016
(iv) appointed on 24 October 2016
(v) resigned on 29 March 2016
(vi) resigned on 27 April 2016
(vii) resigned on 7 July 2016
(viii) resigned on 24 October 2016

The above analysis includes three (2016: two) directors whose emoluments were among the five highest in the Group.

(b) Management's emoluments

Details of the aggregate emoluments paid to two (2016: three) individuals whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2017 US$'000	2016 US$'000
Salaries and other allowances	**623**	884
Bonuses	**168**	280
Contributions to retirement benefit schemes	**4**	6
	795	1,170

The emoluments of the highest paid individuals fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands		
US$320,848-US$385,017 (HK$2,500,001-HK$3,000,000)	**–**	1
US$385,018-US$449,187 (HK$3,000,001-HK$3,500,000)	**2**	2
	2	3

(c) During the year, no emolument had been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

34 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (CONTINUED)

(d) No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(e) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included salaries, discretionary bonuses, employer's contributions to retirement benefit schemes and housing allowance.

35 FINANCIAL GUARANTEE CONTRACTS

The financial guarantees issued by the Group as at 31 December 2017 are analysed as below:

	2017 **US$'000**	2016 US$'000
Bank guarantees to a joint venture	**9,226**	9,110

The directors of the Company consider that it is not probable for a claim to be made against the Group under any of these guarantees as at the balance sheet date.

The fair value of the guarantee contracts is not material and has not been recognised.

36 CAPITAL COMMITMENTS

The Group has the following significant capital commitments as at 31 December 2017:

	2017 **US$'000**	2016 US$'000
Contracted but not provided for		
– Investments (note)	**442,895**	671,956
– Other property, plant and equipment	**576,376**	591,399
	1,019,271	1,263,355

The Group's share of capital commitments of the joint ventures themselves not included in the above are as follows:

	2017 **US$'000**	2016 US$'000
Contracted but not provided for	**6,154**	60,121

36 CAPITAL COMMITMENTS (CONTINUED)

Note:

The capital commitments in respect of investments of the Group as at 31 December 2017 are as follows:

	2017 US$'000	2016 US$'000
Contracted but not provided for		
Investments in:		
– QQCT	–	64,997
– Antwerp Gateway NV	**51,970**	44,548
– DPCT	–	42,093
– Tianjin Port Euroasia International Container Terminal Co., Ltd.	**107,435**	101,196
– Qingdao Port Dongjiakou Ore Terminal Co., Ltd.	–	86,493
– Vado	**14,472**	55,880
– Others	**202,883**	214,453
	376,760	609,660
Terminal projects in:		
– Shanghai Yangshan Port Phase II	**61,216**	57,662
– Others	**4,919**	4,634
	66,135	62,296
	442,895	671,956

37 OPERATING LEASE ARRANGEMENTS/COMMITMENTS

(a) Operating lease arrangements – where the Group is the lessor

As at 31 December 2017, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	2017 US$'000	2016 US$'000
Buildings, leasehold land and land use rights		
– not later than one year	**320**	417
– later than one year and not later than five years	**594**	623
– later than five years	**246**	234
	1,160	1,274
Investment properties		
– not later than one year	**3**	21
– later than one year and not later than five years	–	26
	3	47
	1,163	1,321

37 OPERATING LEASE ARRANGEMENTS/COMMITMENTS (CONTINUED)

(b) Operating lease commitments – where the Group is the lessee

As at 31 December 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2017 US$'000	2016 US$'000
Buildings, leasehold land and land use rights		
– not later than one year	**13,996**	4,471
– later than one year and not later than five years	**65,762**	1,345
– later than five years	**491,288**	–
	571,046	5,816
Plant and machinery		
– not later than one year	**1,009**	9
– later than one year and not later than five years	**3,148**	9
– later than five years	**4,053**	–
	8,210	18
Concession		
– not later than one year	**75,098**	53,680
– later than one year and not later than five years	**362,620**	332,176
– later than five years	**4,016,815**	4,210,150
	4,454,533	4,596,006
	5,033,789	4,601,840

38 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before income tax to cash generated from operations

	2017 US$'000	2016 US$'000
Profit before income tax including discontinued operation	**645,858**	324,529
Depreciation and amortisation	**106,840**	133,283
Interest expenses	**49,542**	51,972
Amortised amount of		
– discount on issue of notes	**212**	231
– transaction costs on bank loans and notes	**1,042**	914
Other incidental borrowing costs and charges	**5,180**	3,000
(Reversal of)/provision for impairment of trade receivables	**(134)**	413
Write off of inventories	**(16)**	–
Loss on disposal of property, plant and equipment and intangible assets, net	**364**	160
Dividends income from unlisted available-for-sale financial assets	**(149)**	(1,225)
Dividends income from listed available-for-sale financial assets	**(1,221)**	(3,020)
Gain on disposal of a subsidiary	**–**	(59,021)
Gain on disposal of a joint venture	**(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)**	–
Gain on remeasurement of equity investments	**(7,301)**	–
Net gain on bargain purchase	**(30)**	–
Written-off of goodwill upon deregistration of a subsidiary	**309**	–
Provision for impairment loss of an available-for-sale financial asset	**–**	19,800
Write back of provision for impairment of trade receivables	**10**	(1,247)
Interest income	**(12,668)**	(14,943)
Share of profits less losses of		
– joint ventures	**(86,531)**	(112,081)
– associates	**(150,037)**	(88,161)
Operating profit before working capital changes	**228,875**	254,604
Decrease in finance lease receivables	**–**	6,665
Decrease in inventories	**1,099**	9,649
Decrease in trade and other receivables	**11,040**	32,106
Decrease in amounts due from fellow subsidiaries	**17,084**	18,161
(Increase)/decrease in amount due from an associate	**(177)**	2,238
Decrease/(increase) in amount due from joint ventures	**2,572**	(100)
Decrease in amounts due from non-controlling shareholders of subsidiaries	**1,136**	170
Increase in amount due from a related company	**(377)**	–
Increase/(decrease) in trade and other payables	**45,807**	(3,960)
Decrease in payables to owners of managed containers	**–**	(2,048)
Increase in amounts due to fellow subsidiaries	**870**	717
Increase in amounts due to joint ventures	**–**	98
Decrease in amounts due to related companies	**(71)**	(235)
Increase/(decrease) in amounts due to non-controlling shareholders of subsidiaries	**9,071**	(6,436)
Increase in other long term liabilities	**–**	1,913
Cash generated from operations	**316,929**	313,542

Notes to the Consolidated Financial Statements

38 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Major non-cash transactions

	2017 US$'000	2016 US$'000
Acquisition of an associate by transferring 20% equity interest in a joint venture as consideration (note 26)	(465,491)	–
Acquisition of an associate by contribution of 40% equity interest in a joint venture and 20% equity interest in an associate to the associate (note 11(b) & note 12(c))	(119,758)	–
Acquisition of machinery by means of finance lease (note 21)	999	–

(c) Analysis of the balances of cash and cash equivalents

	2017 US$'000	2016 US$'000
Total time deposits, bank balances and cash (note i)	566,400	837,100
Restricted bank deposits included in current assets	(6,333)	(2,868)
	560,067	834,232
Representing:		
Time deposits	298,828	658,396
Bank balances and cash	190,650	83,474
Balance placed with COSCO Finance (note iii)	70,589	92,358
Balance placed with CS Finance (note iv)	–	4
	560,067	834,232

Notes:

(i) As at 31 December 2017, cash and cash equivalents of US$125,290,000 (2016: US$37,053,000) of the Group denominated in Renminbi and US dollar were held by certain subsidiaries with bank accounts operating in the PRC where exchange controls apply.

(ii) The carrying amounts of time deposits, bank balances and cash are denominated in the following currencies:

	2017 US$'000	2016 US$'000
US dollar	282,361	605,764
Renminbi	189,695	161,768
Euro	16,725	24,012
Hong Kong dollar	71,249	42,668
Other currencies	37	20
	560,067	834,232

(iii) Balances placed with COSCO Finance, a fellow subsidiary of the Group, bear interest at prevailing market rates.

(iv) Balances placed with CS Finance, a fellow subsidiary of the Group, bear interest at prevailing market rates.

38 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(d) Reconciliation of liabilities arising from financing activities

	Borrowings	Loans from non-controlling shareholders of subsidiaries	Loans from a fellow subsidiary	Loans from a joint venture and an associate	Debt-related derivative financial instruments	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance as at 1 January 2017	1,502,991	167,772	38,061	40,147	–	1,748,971
Changes from financing cash flows						
Loans drawn down	763,520	–	–	–	–	763,520
Loans repaid	(449,635)	–	–	–	–	(449,635)
Loans from non–controlling shareholders of subsidiaries	–	51,497	–	–	–	51,497
Repayment of loans from a non-controlling shareholders of a subsidiary	–	(59,196)	–	–	–	(59,196)
Loan from an associate	–	–	–	14,799	–	14,799
Repayment of loans from fellow subsidiaries	–	–	(11,109)	–	–	(11,109)
Acquisition of subsidiaries	431,818	–	–	–	10,028	441,846
Fair value gain of cash flow hedges	–	–	–	–	243	243
Foreign exchange difference	87,240	4,042	3,048	2,980	241	97,551
Other non-cash movements	(1,585)	–	608	–	(1,150)	(2,127)
Balance as at 31 December 2017	2,334,349	164,115	30,608	57,926	9,362	2,596,360

39 DISCONTINUED OPERATION

On 24 March 2016 ("Completion Date"), the Company completed the disposal of all the issued shares in Florens Container Holdings Limited (now known as Florens International Limited) ("FCHL") (representing the container leasing, management and sales, and related businesses of the Group) to COSCO SHIPPING Development (Hong Kong) Co., Limited ("CSDHK") 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 CSDHK at the consideration of US$285,000,000. Upon completion of the disposal, FCHL ceased to be a subsidiary of the Company. 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 consolidated financial statements.

Notes to the Consolidated Financial Statements

39 DISCONTINUED OPERATION (CONTINUED)

The details of the net assets of discontinued operation as at the Completion Date are as follows:

	US$'000
Property, plant and equipment	2,067,353
Investment properties	3,693
Land use rights	100
Intangible assets	1,462
Finance lease receivables	87,004
Deferred income tax assets	618
Other non-current assets	4,811
Inventories	4,616
Trade and other receivables	74,929
Cash and cash equivalents	102,128
Trade and other payables	(24,112)
Current income tax liabilities	(7,846)
Current portion of long term liabilities	(32,104)
Loans from immediate holding company	(285,000)
Other long term liabilities	(758,956)
Loan from a non-controlling shareholder	(50,000)
Net assets	1,188,696
Less: non-controlling interests	(5,702)
Net assets disposed of	1,182,994
Release of reserves upon disposal	(983)
	1,182,011
Sales proceeds – cash received	1,223,725
– price adjustment	17,307
	1,241,032
Gain on disposal of a subsidiary	59,021

Satisfied by:	US$'000
Cash consideration received	1,223,725
Assignment of shareholder's loans	285,000
Total consideration received	1,508,725
Less: cash and cash equivalents of a subsidiary disposed of	(102,128)
Net cash inflow on disposal of a subsidiary	1,406,597

39 DISCONTINUED OPERATION (CONTINUED)

The results and cash flows of discontinued operation are as follows:

	For the period from 1 January 2016 to Completion Date US$'000
Revenues	73,073
Expenses	(65,172)
Profit before income tax	7,901
Income tax expenses	(375)
Profit for the year	7,526
Gain on disposal of a subsidiary	59,021
	66,547
Profit attributable to:	
– Equity holders of the Company	66,094
– Non-controlling interests	453
	66,547
Net cash generated from operating activities	52,903
Net cash used in investing activities	(274,252)
Net cash generated from financing activities	193,524
Net decrease in cash and cash equivalents	(27,825)
Cash and cash equivalents as at 1 January 2016	129,835
Exchange difference	118
Cash and cash equivalents upon Completion Date	102,128

40 RELATED PARTY TRANSACTION

The Group is controlled by COSCO SHIPPING Holdings which owns 46.91% of the Company's shares as at 31 December 2017. The parent company of COSCO SHIPPING Holdings is COSCO, and the parent company of COSCO is COSCO SHIPPING.

COSCO SHIPPING is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. Government related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government, are also defined as related parties of the Group. On that basis, related parties include COSCO SHIPPING and its subsidiaries, other government related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO SHIPPING as well as their close family members.

Notes to the Consolidated Financial Statements

40 RELATED PARTY TRANSACTIONS (CONTINUED)

For the purpose of the related party transaction disclosures, the Directors believe that it is meaningful to disclose the related party transactions with COSCO SHIPPING group companies for the interests of financial statements' users, although certain of those transactions which are individually or collectively not significant, and are exempted from disclosure upon adoption of HKAS 24 (Revised). The Directors believe that the information of related party transactions has been adequately disclosed in the consolidated financial statements.

In addition to those disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year.

(a) Continuing operations

Sales/purchases of goods, services and investments

	2017 US$'000	2016 US$'000
Handling, storage and transportation income from fellow subsidiaries (note i, xiv)	3	949
Management fee and service fee income from (note ii)		
– joint ventures	3,771	3,867
– associates	578	597
– an investee company	85	90
Terminal handling and storage income received from (note iii, xiv)		
– fellow subsidiaries	103,243	87,893
– non-controlling shareholders of subsidiaries	55,834	48,331
Container handling and logistics service fees to non-controlling shareholders of subsidiaries (note iv, xiv)	(12,584)	(14,602)
Electricity and fuel expenses paid to (note v, xiv)		
– fellow subsidiaries	(813)	(1,209)
– non-controlling shareholders of subsidiaries	(7,477)	(8,169)
Finance lease charges paid to a fellow subsidiary (note vi)	(1,607)	(2,099)
Handling, storage and maintenance expenses paid to fellow subsidiaries (note vii, xiv)	(3,166)	(2,186)
High-frequency communication fee to a non-controlling shareholder of a subsidiary (note viii, xiv)	(92)	(80)
Rental expenses paid to (note ix, xiv)		
– fellow subsidiaries	(11,345)	(5,078)
– non-controlling shareholders of subsidiaries	(5,509)	(8,090)
Concession fee to a fellow subsidiary (note xiii, xiv)	(38,341)	(13,343)

40 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Discontinued operation

Sales/purchases of goods, services and investments

	2017 US$'000	2016 US$'000
Container rental income from fellow subsidiaries (note x, xiv)		
– long term leases	–	38,005
– short term lease	–	353
Compensation for loss of containers from a fellow subsidiary (note xi, xiv)	–	2,370
Handling, storage and maintenance expenses to fellow subsidiaries (note vii, xiv)	–	(233)
Container freight charges to (note xii, xiv)		
– subsidiaries of China International Marine Containers (Group) Co., Ltd ("CIMC")	–	(52)

Notes:

(i) The handling, storage and transportation income received from fellow subsidiaries of the Group were at terms as set out in the agreements entered into between the Group and these fellow subsidiaries.

(ii) The Group provided advisory and management services to COSCO-HIT Terminals (Hong Kong) Limited, a joint venture of the Group, during the year. Management fee was charged and agreed at HK$20,000,000 (equivalent to US$2,567,000) (2016: HK$20,000,000 (equivalent to US$2,577,000)) per annum.

Other management fee and service fee income charged to joint ventures, associates and an investee company were agreed between the Group and the respective parties in concern.

(iii) The terminal handling and storage income received from fellow subsidiaries and non-controlling shareholders of subsidiaries in relation to the cargoes shipped from/to Zhangjiagang, Yangzhou, Quanzhou, Jinjiang, Xiamen, Nansha, Lianyungang and Jinzhou were charged at rates by reference to rates as set out by the Ministry of Communications of the PRC.

The container terminal handling and storage income received from fellow subsidiaries in relation to the cargoes shipped from/to Piraeus Ports, Zeebrugge and Spain were charged at rates as mutually agreed.

(iv) The container handling and logistics service fees paid to non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

40 RELATED PARTY TRANSACTIONS (CONTINUED)

(v) Electricity and fuel expenses paid to fellow subsidiaries and non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(vi) Finance lease charges paid to a fellow subsidiary were charged at rates as mutually agreed.

(vii) Handling, storage and maintenance expenses paid to fellow subsidiaries were charged at rates as mutually agreed.

(viii) High-frequency communication fee paid to a non-controlling shareholder of a subsidiary were charged at rates as mutually agreed.

(ix) Rental expenses paid to fellow subsidiaries and non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(x) The Group conducts long term container leasing business with COSCO SHIPPING Lines Co., Ltd. ("COSCO SHIPPING Lines"). For the year ended 31 December 2016, the Group entered into new long term container leasing contracts/arrangements with COSCO SHIPPING Lines. The Group's long term container leasing transactions with COSCO SHIPPING Lines during 2016 were conducted by reference to, if applicable, the average of the available leasing rates quoted from five independent container leasing companies and in the ordinary and normal course of the business of the Group.

The other container leasing businesses with COSCO SHIPPING Lines and other subsidiaries of COSCO were conducted at terms as agreed between the Group and respective parties in concern.

The Group does not have any container leasing businesses with COSCO SHIPPING Lines and other subsidiaries of COSCO after the disposal of FCHL in 2016.

(xi) During 2016, the Group had compensation received and receivable of US$2,370,000 from COSCO SHIPPING Lines for the loss of containers under operating leases, resulting in a profit of US$6,000.

(xii) The container freight charges paid to subsidiaries of CIMC for container repositioning services rendered to the Group were charged at rates as mutually agreed.

(xiii) Concession fee paid to a fellow subsidiary was charged and mutually agreed at two fixed annual fees, and a variable annual concession fee based on the aggregate revenue of Piraeus Container Terminal S.A..

(xiv) The transactions represent continuing connected transactions which has complied with the disclosure requirements in accordance with Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules").

40 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

	2017 US$'000	2016 US$'000
Fees	–	5
Salaries, bonuses and other allowances	**3,858**	3,546
Contributions to retirement benefit schemes	**9**	60
	3,867	3,611

Key management includes directors of the Company and six (2016: six) senior management members of the Group.

The emoluments of the senior management members fell within the following bands:

	Number of individuals 2017	Number of individuals 2016
Emolument bands		
US$128,339-US$256,678 (HK$1,000,001-HK$2,000,000)	**2**	2
US$256,679-US$320,847 (HK$2,000,001-HK$2,500,000)	–	1
US$320,848-US$385,017 (HK$2,500,001-HK$3,000,000)	**2**	1
US$385,018-US$449,187 (HK$3,000,001-HK$3,500,000)	**2**	2
	6	6

Notes to the Consolidated Financial Statements

41 BUSINESS COMBINATIONS

(a) Acquisition of a subsidiary – Noatum Port Holdings, S.L.U. ("NPH")

On 31 October 2017, the Group acquired 51% equity interests in NPH, a group of companies engaged in terminal operating activities in Spain, for a consideration of Euro203,490,000 (equivalent to approximately US$239,866,000).

Details of net assets acquired are as follows:

	US$'000
Purchase consideration	239,866
Fair value of net assets acquired shown as below	(109,689)
Goodwill	130,177

The assets and liabilities of the acquired terminal operations as at the date of acquisition were as follows:

	Fair value US$'000
Property, plant and equipment	172,426
Intangible assets	296,118
Available-for-sale financial assets	123
Associates	1,085
Deferred income tax assets	95,248
Inventories	1,475
Trade and other receivables	80,562
Restricted bank deposits	9,161
Cash and cash equivalents	21,831
Bank borrowings	(352,031)
Other long-term liabilities	(11,430)
Trade and other payables	(46,394)
Deferred income tax liabilities	(47,580)
Total identifiable net assets acquired	220,594
Less: non-controlling interests	(110,905)
	109,689
Purchase consideration settled in cash	239,866
Cash and cash equivalents in acquired terminal operation	(21,831)
Net cash outflow on acquisition	218,035

41 BUSINESS COMBINATIONS (CONTINUED)

(a) Acquisition of a subsidiary – Noatum Port Holdings, S.L.U. ("NPH") (Continued)

Notes:

(i) The goodwill is attributable to the anticipated profitability of the acquired business. It will not be deductible for tax purposes.

(ii) Acquired receivables

The fair value of acquired trade receivables is US$47,984,000. The gross contractual amount for trade receivables due is US$50,802,000, of which US$2,818,000 is expected to be uncollectible.

(iii) Non-controlling interests

The Group recognises the non-controlling interests in NPH at its proportionate share of the acquired net identifiable assets. See note 3.1 for the Group's accounting policies for business combinations.

(iv) Revenue and profit contribution

The acquired terminal operation contributed approximately US$44,596,000 revenues and contributed a net profit of approximately US$2,145,000 for the year ended 31 December 2017 since the date of acquisition. If the acquisition had occurred on 1 January 2017, the Group's consolidated revenue and profit for the year ended 31 December 2017 would have been increased by approximately US$212,897,000 and approximately US$4,231,000 respectively.

(v) Acquisition-related costs

Acquisition-related costs of US$2,586,000 that were not directly attributable to the acquisition are included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

(vi) Pursuant to the purchase agreement, a put option was granted which entitled the non-controlling interests to sell the remaining interests in the acquired entity between the issuance of 2019 audited consolidated financial statements and 2020 audited consolidated financial statements of NPH Group at a consideration with reference to NPH Group's EBITDA under specified circumstances.

(b) Step acquisition from an associate to a subsidiary

On 30 November 2017, the Group completed a further acquisition of 76% equity interests in CSP Zeebrugge Terminal NV ("CSP Zeebrugge"), a terminal operating company in Belgium, for a consideration of Euro28,000,000 (equivalent to approximately US$32,560,000) and a shareholder loan of Euro8,000,000 (equivalent to approximately US$9,499,000). CSP Zeebrugge became a wholly-owned subsidiary of the Group and the results of it is consolidated into the Group's financial statements commencing from the acquisition date.

Upon the step-up acquisition, the Group remeasured the fair value of its pre-existing interest in CSP Zeebrugge at the acquisition date and recognised an impairment loss of US$6,888,000 on the remeasurement of the Group's pre-existing interest in CSP Zeebrugge to acquisition date fair value in the consolidated income statement.

Details of net assets acquired are as follows:

	US$'000
Purchase consideration (including a shareholder loan)	42,059
Fair value of pre-existing interest in CSP Zeebrugge at the date of acquisition	10,282
Fair value of net assets acquired shown as below	(63,234)
Gain on bargain purchase	(10,893)

Notes to the Consolidated Financial Statements

41 BUSINESS COMBINATIONS (CONTINUED)

(b) Step acquisition from an associate to a subsidiary (Continued)

The assets and liabilities of the acquired terminal operations as at the date of acquisition were as follows:

	Fair value US$'000
Property, plant and equipment	33,829
Intangible assets	616
Deferred income tax assets	35,184
Inventories	701
Trade and other receivables	5,013
Cash and cash equivalents	1,847
Bank borrowings	(8,152)
Trade and other payables	(5,607)
Deferred tax liabilities	(197)
Total identifiable net assets acquired	63,234
Purchase consideration settled in cash	42,059
Cash and cash equivalents in acquired terminal operation	(1,847)
Net cash outflow on acquisition	40,212

Notes:

(i) In the opinion of the directors of the Company, the gain on bargain purchase is largely attributable to the Group's capability in negotiating more favourable transaction terms with the vendors. This has resulted in fair value of the identifiable net assets of the acquired subsidiary exceeded the total consideration paid. After netting off the impairment loss arising from the 24% interest in associate, US$6,888,000 and accumulated exchange loss of US$3,975,000, the net gain was US$30,000.

(ii) Acquired receivables

The fair value of acquired trade receivables is US$2,184,000. The gross contractual amount for trade receivables due is US$2,207,000, of which US$23,000 is expected to be uncollectible.

(iii) Revenue and profit contribution

The acquired terminal operation contributed approximately US$1,283,000 revenues and contributed a net loss of approximately US$822,000 for the year ended 31 December 2017 since the date of the completion of further acquisition. If the acquisition had occurred on 1 January 2017, the Group's revenue and profit for the year ended 31 December 2017 would have been increased approximately by US$12,800,000 and decreased approximately by US$5,909,000 respectively.

(iv) Acquisition-related costs

Acquisition-related costs were insignificant and have been included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

41 BUSINESS COMBINATIONS (CONTINUED)

(c) Acquisition of other subsidiaries

During the year ended 31 December 2017, the Group acquired certain subsidiaries engaged in terminal operations that are material collectively to the Group, the aggregate financial information as at date of acquisition is presented as follows:

	US$'000
Purchase consideration	105,463
Fair value of net assets acquired shown as below	(99,194)
Goodwill	6,269

The combined assets and liabilities of the acquired terminal operations as at the date of acquisition were as follows:

	Fair value US$'000
Property, plant and equipment	114,054
Land use rights	62,464
Intangible asset	1
Other receivables	54,655
Cash and cash equivalents	61,614
Bank borrowings	(71,635)
Deferred tax liabilities	(6,033)
Trade and other payables	(42,185)
Total identifiable net assets acquired	172,935
Less: non-controlling interests	(73,641)
	99,294
Purchase consideration settled in cash	105,463
Cash and cash equivalents in acquired terminal operations	(61,614)
Net cash outflow on acquisition	43,849

Notes:

(i) The goodwill is attributable to the anticipated profitability of the acquired businesses. It will not be deductible for tax purposes.

(ii) Acquired receivables

There are no acquired trade receivables.

Notes to the Consolidated Financial Statements

41 BUSINESS COMBINATIONS (CONTINUED)

(c) Acquisition of other subsidiaries (Continued)

(iii) Non-controlling interests

The Group recognizes the non-controlling interests in these subsidiaries at its proportionate share of the acquired net identifiable assets. See note 3.1 for the Group's accounting policies for business combinations.

(iv) Revenue and profit contribution

The acquired terminal operations contributed approximately net losses of approximately US$734,000 for the year ended 31 December 2017 since the dates of acquisitions. If the acquisitions had occurred on 1 January 2017, the Group's profits for the year ended 31 December 2017 would have been decreased by approximately US$4,632,000.

(v) Acquisition-related costs

Acquisition-related costs were insignificant and have been included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

42 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	**2017** **US$'000**	2016 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**124**	149
Subsidiaries		**5,244,883**	5,252,031
Amounts due from subsidiaries		**186,892**	208,782
		5,431,899	5,460,962
Current assets			
Other receivables		**486**	628
Amounts due from subsidiaries		**986,192**	2,197,718
Amount due from an intermediate holding company		**2**	–
Amounts due from a fellow subsidiary		**–**	17,307
Cash and cash equivalents		**256,388**	632,977
		1,243,068	2,848,630
Total assets		**6,674,967**	8,309,592

42 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

	Note	2017 US$'000	2016 US$'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**39,254**	38,728
Reserves	(a)	**4,544,499**	4,166,186
Total equity		**4,583,753**	4,204,914
LIABILITIES			
Non-current liability			
Long term borrowings		**513,430**	467,709
Current liabilities			
Other payables		**38,520**	14,566
Current income tax liabilities		**139**	91
Loan from a subsidiary		**296,610**	296,610
Amounts due to subsidiaries		**892,515**	3,323,588
Amounts due to fellow subsidiaries		**–**	2,114
Current portion of long-term borrowings		**350,000**	–
		1,577,784	3,636,969
Total liabilities		**2,091,214**	4,104,678
Total equity and liabilities		**6,674,967**	8,309,592

On behalf of the Board

ZHANG Wei
Vice Chairman and Managing Director

WONG Tin Yau, Kelvin
Executive Director and Deputy Managing Director

Notes to the Consolidated Financial Statements

42 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a) Reserve movement of the Company

	Share Premium US$'000	Contributed surplus (note) US$'000	Share option reserve US$'000	Retained profits US$'000	Total US$'000
At 1 January 2017	**1,694,406**	**414,214**	**6,321**	**2,051,245**	**4,166,186**
Profit for the year	**–**	**–**	**–**	**403,082**	**403,082**
Issue of shares on settlement of scrip dividends	**45,279**	**–**	**–**	**–**	**45,279**
Transfer of reserve upon lapse of share options	**–**	**–**	**(6,321)**	**6,321**	**–**
Dividends					
– 2016 final	**–**	**–**	**–**	**(30,160)**	**(30,160)**
– 2017 interim	**–**	**–**	**–**	**(39,888)**	**(39,888)**
At 31 December 2017	**1,739,685**	**414,214**	**–**	**2,390,600**	**4,544,499**
Representing:					
Reserves	**1,739,685**	**414,214**	**–**	**2,339,118**	**4,493,017**
2017 final dividend proposed	**–**	**–**	**–**	**51,482**	**51,482**
At 31 December 2017	**1,739,685**	**414,214**	**–**	**2,390,600**	**4,544,499**
At 1 January 2016	1,643,261	414,214	8,254	1,216,749	3,282,478
Profit for the year	–	–	–	1,294,970	1,294,970
Issue of shares on settlement of scrip dividends	51,145	–	–	–	51,145
Transfer of reserve upon lapse of share options	–	–	(1,933)	1,933	–
Dividends					
– Conditional special cash dividends	–	–	–	(306,059)	(306,059)
– 2015 final	–	–	–	(87,454)	(87,454)
– 2016 interim	–	–	–	(68,894)	(68,894)
At 31 December 2016	1,694,406	414,214	6,321	2,051,245	4,166,186
Representing:					
Reserves	1,694,406	414,214	6,321	2,021,085	4,136,026
2016 final dividend proposed	–	–	–	30,160	30,160
At 31 December 2016	1,694,406	414,214	6,321	2,051,245	4,166,186

Note:

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued share capital and the net asset value of the subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders.

43 BUSINESS COMBINATION UNDER COMMON CONTROL

The Group adopts merger accounting for common control combination in respect of the acquisition of China Shipping Ports Development Co., Limited ("Acquired Subsidiary"). Statements of adjustments for business combination under common control on the Group's financial position as at 31 December 2016 and the results for the year ended 31 December 2016 are summarised as follows:

	The Group before the acquired subsidiary US$'000	Acquired Subsidiary US$'000	Note	Adjustments US$'000	Total US$'000
Year ended 31 December 2016					
Continuing operations					
Revenues	494,846	61,531		–	556,377
Profit before income tax	229,869	26,823	(i)	915	257,607
Income tax	(41,960)	(5,563)	(i)	(647)	(48,170)
Profit for the year	187,909	21,260		268	209,437
As at 31 December 2016					
ASSETS					
Non-current assets	5,879,000	1,023,804	(ii), (iv)	(1,111,856)	5,790,948
Current assets	940,806	67,678	(ii), (iii)	(12,976)	995,508
Total assets	6,819,806	1,091,482		(1,124,832)	6,786,456
EQUITY					
Capital and reserves					
Share capital	38,728	1,112,304	(iv)	(1,112,304)	38,728
Reserves	4,517,028	(155,028)	(ii), (iv)	(45,867)	4,316,133
	4,555,756	957,276		(1,158,171)	4,354,861
Non-controlling interests	301,103	68,622	(ii)	41,218	410,943
Total equity	4,856,859	1,025,898		(1,116,953)	4,765,804
LIABILITIES					
Non-current liabilities	1,149,989	33,909	(ii)	811	1,184,709
Current liabilities	812,958	31,675	(ii), (iii)	(8,690)	835,943
Total liabilities	1,962,947	65,584		(7,879)	2,020,652
Total equity and liabilities	6,819,806	1,091,482		(1,124,832)	6,786,456

Note:

(i) Adjustments to adjust the profit and tax in relation to reclassification of certain investments after acquisition of the Acquired Subsidiary.
(ii) Adjustments for reclassification of certain investments after acquisition of the Acquired Subsidiary.
(iii) Adjustments to eliminate the inter-group balances as at 31 December 2016.
(iv) Adjustments to eliminate the investment cost, and share capital of the Acquired Subsidiary against reserves.

No other significant adjustment were made to the net assets and net profit of any entities or business as a result of the common control combination to achieve consistency of accounting policies.

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44 DETAILS OF SUBSIDIARIES

Details of the subsidiaries as at 31 December 2017 are as follows:

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2017	2016
	Abu Dhabi Oceangate Container Terminal L.L.C.	Abu Dhabi, United Arab Emirates	Abu Dhabi, United Arab Emirates	Operation of terminals	150,000 ordinary shares of AED1 each	90.00%	–
2	Cheer Dragon Investment Limited	Hong Kong	Hong Kong	Investment holding	HK$3 divided into 3 ordinary shares	66.67%	66.67%
4	Cheer Hero Development Limited	Hong Kong	Hong Kong	Container handling, storage and stevedoring	HK$100,000 divided into 10,000 ordinary shares	–	77.00%
1	China Shipping Ports Development Co., Limited	Hong Kong	Hong Kong	Investment holding	HK$15,120,435,795 divided into 5,679,542,725 ordinary shares	100.00%	100.00%
2,3	China Shipping Terminal Development Co., Limited	PRC	PRC	Investment holding	RMB9,786,531,586	100.00%	100.00%
1	COSCO Container Services Limited	Hong Kong	Hong Kong	Investment holding, depot handling, storage and container repairing	HK$3,500,002 divided into 3 ordinary shares	100.00%	100.00%
1	COSCO Pacific Finance (2013) Company Limited	British Virgin Islands	Hong Kong	Financing	1 ordinary share of US$1	100.00%	100.00%
1	COSCO Pacific Limited (formerly known as COSCO SHIPPING Ports Treasury Limited)	British Virgin Islands	Hong Kong	Provision of treasury services	1 ordinary share of US$1	100.00%	100.00%
1, 2, 4	COSCO Pacific Nominees Limited	British Virgin Islands	Hong Kong	Provision of nominee services	2 ordinary share of US$1	–	100.00%
1	COSCO Ports (ACT) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
2	COSCO Ports (Antwerp) NV	Belgium	Belgium	Investment holding	Euro61,500 divided into 2 shares with no face value	100.00%	100.00%
1	COSCO Ports (Belgium) Limited	Hong Kong	Hong Kong	Investment holding	HK$1 divided into 1 ordinary share	100.00%	100.00%
1, 2	COSCO Ports (Dalian) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
1, 2	COSCO Ports (Dalian RoRo) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
1, 2	COSCO Ports (Greece) S.à r.l.	Luxembourg	Luxembourg	Investment holding	Euro512,500	100.00%	100.00%
2, 4	COSCO Ports (Guangzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	–	100.00%
1, 4	COSCO Ports (Holdings) Limited	British Virgin Islands	Hong Kong	Investment holding	82 ordinary share of US$1 each	–	100.00%
1	COSCO Ports (Istanbul) Limited	Hong Kong	Hong Kong	Investment holding	HK$1 divided into 1 ordinary share	100.00%	100.00%
1, 2	COSCO Ports (Nanjing) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
1	COSCO Ports (Nansha) Limited	British Virgin Islands	Hong Kong	Investment holding	10,000 ordinary shares of US$1 each	66.10%	66.10%

44 DETAILS OF SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2017	2016
1, 2	COSCO Ports (Ningbo Beilun) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2, 4	COSCO Ports (Panama) Limited	British Virgin Islands	Hong Kong	Investment holding	2 ordinary shares of US$1	–	100.00%
1, 2	COSCO Ports (Port Said) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Ports (Pudong) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 4	COSCO Ports (Qianwan) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	–	100.00%
1, 2	COSCO Ports (Quanzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Ports (Quanzhou Jinjiang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO Ports (Rotterdam) Limited	Hong Kong	Hong Kong	Investment holding	HK$1 divided into 1 ordinary share	**100.00%**	100.00%
1, 2	COSCO Ports (Singapore) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO Ports (Taiwan Kaohsiung) Limited	Hong Kong	Hong Kong	Investment holding	HK$1 divided into 1 ordinary share	**100.00%**	100.00%
1, 2	COSCO Ports (Tianjin) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Ports (Tianjin North Basin) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Ports (Xiamen Haicang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Ports (Yangzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Ports (Yingkou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO SHIPPING Ports (Abu Dhabi) Limited	British Virgin Islands	British Virgin Islands	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Abu Dhabi CFS) Limited	British Virgin Islands	British Virgin Islands	Investment holding	50,000 ordinary shares with no par value	**100.00%**	–
1, 2, 3	COSCO SHIPPING Ports Investments (Shanghai) Co., Ltd. (formerly known as COSCO Pacific (China) Investments Co., Ltd.)	PRC	PRC	Investment holding	US$147,000,000	**100.00%**	100.00%
1	COSCO SHIPPING Ports Management Company Limited	Hong Kong	Hong Kong	Investment holding and provision of management services	HK$2 divided into 2 ordinary shares	**100.00%**	100.00%
1	COSCO SHIPPING Ports (Nantong) Limited	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 ordinary shares	**100.00%**	–
1	COSCO SHIPPING Ports (Spain) Limited	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 ordinary shares	**100.00%**	–
1	COSCO SHIPPING Ports (Vado) Limited	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 ordinary shares	**100.00%**	100.00%

44 DETAILS OF SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2017	2016
1, 2	COSCO SHIPPING Ports (Yangshan) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
1	Crestway International Limited	British Virgin Islands	Hong Kong	Investment holding	50,000 ordinary shares of US$1 each	**100.00%**	100.00%
2, 5	CSP Zeebrugge Terminal NV (formerly known as APM Terminals Zeebrugge NV)	Belgium	Belgium	Operation of container terminals	3,500,001 ordinary shares of Euro 10 each	**100.00%**	N/A
1, 2	Frosti International Limited	British Virgin Islands	Hong Kong	Investment holding	2 ordinary shares of US$1 each	**100.00%**	100.00%
4	Greating Services Limited	Hong Kong	Hong Kong	Transportation of containers	HK$250,000 divided into 250,000 ordinary shares	**–**	100.00%
2, 3	Guangzhou South China Oceangate Container Terminal Company Limited	PRC	PRC	Operation of container terminals	RMB1,928,293,400	**39.00%**	39.00%
4	Hong Kong Haima Development Co., Ltd	Hong Kong	Hong Kong	Inactive	US$8,553.58 divided into 2,001 ordinary shares	**–**	100.00%
2, 3	Jinjiang Pacific Ports Development Co., Ltd.	PRC	PRC	Operation of terminals	US$49,900,000	**80.00%**	80.00%
2, 3	Jinzhou New Age Container Terminal Co., Ltd.	PRC	PRC	Operation of terminals	RMB320,843,634	**51.00%**	51.00%
2, 3	Lianyungang New Oriental International Terminals Co., Ltd.	PRC	PRC	Operation of terminals	RMB470,000,000	**55.00%**	55.00%
2, 3, 6	Lianyungang Xiansanly Container Service Co., Ltd.	PRC	PRC	Container inspection and auxiliary services	RMB1,000,000	**N/A**	22.00%
	Maltransinter, S.A.U.	Spain	Spain	Inactive	14,000 ordinary shares of Euro 1,000 each	**51.00%**	–
2, 3	Nantong Tonghai Port Co., Ltd.	PRC	PRC	Operation of terminals	RMB790,000,000	**51.00%**	–
	Noatum Container Terminal Bilbao, S.L.	Spain	Spain	Operation of container terminals	30,694,951 ordinary shares of Euro 0.43 each	**39.51%**	–
	Noatum Container Terminal Valencia, S.A.U.	Spain	Spain	Operation of container terminals	170,912,783 ordinary shares of Euro 0.29 each	**51.00%**	–
	Noatum Port Holdings, S.L.	Spain	Spain	Investment holding	23,147,944 ordinary shares of Euro 1 each	**51.00%**	–
	Noatum Ports, S.L.U.	Spain	Spain	Investment holding	36,250,000 ordinary shares of Euro 1 each	**51.00%**	–
	Noatum Rail Terminal Zaragoza, S.L.	Spain	Spain	Operation of container terminals	3,000 ordinary shares of Euro 1 each	**30.60%**	–
1	Piraeus Container Terminal S.A.	Greece	Greece	Operation of container terminals	Euro77,299,800	**100.00%**	100.00%

44 DETAILS OF SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2017	2016
1, 2, 4	Plangreat Limited	British Virgin Islands	Hong Kong	Investment holding	100 ordinary shares of US$1 each	–	100.00%
2, 3	Quan Zhou Pacific Container Terminal Co., Ltd.	PRC	PRC	Operation of terminals	US$80,770,000	**82.35%**	82.35%
1	Right Key International Limited (formerly known as COSCO Pacific Limited)	Hong Kong	Hong Kong	Inactive	HK$1 divided into 1 ordinary share	**100.00%**	100.00%
	Sagtransinter, S.L.U.	Spain	Spain	Inactive	13,631,405 ordinary shares of Euro 1 each	**51.00%**	–
	Santrasmul, S.A.U.	Spain	Spain	Inactive	7,160,000 ordinary shares of Euro 1 each	**51.00%**	–
2,3	Shanghai China Shipping Terminal Development Co., Ltd.	PRC	PRC	Investment holding	RMB6,107,012,170	**100.00%**	100.00%
1	Win Hanverky Investments Limited	Hong Kong	Hong Kong	Investment holding	HK$100,000 divided into 10,000 ordinary shares	**100.00%**	100.00%
2, 3	Wuhan Yangluo Jiutong Gangwu Co., Ltd.	PRC	PRC	Operation of terminals	RMB280,000,000	**70.00%**	–
2, 3, 7	Xiamen Haitou Tongda Terminal Co., Ltd.	PRC	PRC	Operation of container terminals	RMB170,000,000	–	70.00%
2, 3	Xiamen Ocean Gate Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminals	RMB1,813,680,000	**70.00%**	70.00%
2, 3	Yangzhou Yuanyang International Ports Co., Ltd.	PRC	PRC	Operation of terminals	US$69,600,000	**55.59%**	55.59%
2, 3	Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminals	US$36,800,000	**51.00%**	51.00%

Notes:

1 Shares held directly by the Company.

2 Subsidiaries not audited by PricewaterhouseCoopers.

3 China Shipping Terminal Development Co., Limited and COSCO SHIPPING Ports Investments (Shanghai) Co., Ltd. are wholly foreign-owned enterprises. Guangzhou South China Oceangate Container Terminal Company Limited, Jinjiang Pacific Ports Development Co., Ltd., Jinzhou New Age Container Terminal Co., Ltd., Lianyungang New Oriental International Terminals Co., Ltd., Lianyungang Xinsanly Contianer Service Co., Ltd., Quan Zhou Pacific Container Terminal Co., Ltd., Shanghai China Shipping Terminal Development Co., Ltd., Wuhan Yangluo Jiutong Gangwu Co., Ltd., Xiamen Haitou Tongda Terminal Co., Ltd., Xiamen Ocean Gate Container Terminal Co., Ltd., Yangzhou Yuanyang International Ports Co., Ltd., Zhangjiagang Win Hanverky Container Terminal Co., Ltd. and Nantong Tonghai Port Co., Ltd. are sino-foreign equity joint ventures established in the PRC.

4 These subsidiaries were dissolved during the year.

5 CSP Zeebrugge Terminal NV was reclassified from an associate to a subsidiary due to further acquisiton during the year (note 41(b)).

6 The subsidiary was reclassified to an associate during the year.

7 The subsidiary was merged with Xiamen Ocean Gate Container Terminal Co., Ltd. during the year.

45 DETAILS OF JOINT VENTURES

Details of the principal joint ventures as at 31 December 2017, which principally affect the results and/or net assets of the Group, are as follows:

Name	Place of incorporation/ establishment	Principal activities	Paid-up capital	Percentage of interest in ownership/voting power/profit sharing 2017	2016
Asia Container Terminals Holdings Limited	Cayman Islands	Investment holding	HK$1 divided into 1,000 ordinary shares	**20.00%**	20.00%
Conte-Rail, S.A.	Spain	Operation of rail terminals	45,000 ordinary shares of Euro 34.3 each	**25.50%**	–
COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	Operation of container terminals	HK$20 divided into 2 "A" ordinary shares HK$20 divided into 2 "B" ordinary shares HK$40 divided into 4 non-voting 5% deferred shares	**50.00%**	50.00%
COSCO-HPHT ACT Limited (notes i)	British Virgin Islands	Investment holding	1,000 ordinary shares of US$1 each	**50.00%**	50.00%
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminals	SGD65,900,000	**49.00%/ 50.00%/ 49.00%**	49.00%/ 50.00%/ 49.00%
Dalian Dagang China Shipping Container Co., Ltd.	PRC	Operation of container terminals	RMB7,500,000	**35.00%**	35.00%
Dalian International Container Terminal Co., Ltd. (note ii)	PRC	Operation of container terminals	RMB1,400,000,000	**–**	40.00%
Euro-Asia Oceangate S.à.r.l. (note iii)	Luxembourg	Investment holding	US$30,000	**40.00%**	40.00%
Lianyungang Port Railway International Container Multimodal Transport Co., Ltd.	PRC	Logistics	RMB3,400,000	**30.00%**	30.00%
Nansha Stevedoring Corporation Limited of Port of Guangzhou	PRC	Operation of container terminals	RMB1,260,000,000	**40.00%**	40.00%
Ningbo Yuan Dong Terminals Limited	PRC	Operation of container terminals	RMB2,500,000,000	**20.00%**	20.00%
Panama International Terminals, S.A.	Panama	Inactive	300 ordinary shares with no face value	**–**	50.00%

45 DETAILS OF JOINT VENTURES (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities	Paid-up capital	Percentage of interest in ownership/voting power/profit sharing 2017	2016
Piraeus Consolidation and Distribution Centre S.A.	Greece	Storage, consolidation and distribution	Euro1,000,000	**50.00%/ 60.00%/ 50.00%**	50.00%/ 60.00%/ 50.00%
Qingdao Port Dongjiakou Ore Terminal Co., Ltd.	PRC	Operation of iron ore terminal	RMB1,400,000,000	**25.00%/ 22.22%/ 25.00%**	25.00%/ 22.22%/ 25.00%
Qingdao Qianwan Container Terminal Co., Ltd.	PRC	Operation of container terminals	US$308,000,000	**–**	20.00%/ 18.18%/ 20.00%
Qingdao Qianwan Intelligent Container Terminal Co., Ltd. (note iv)	PRC	Operation of container terminals	RMB642,000,000	**N/A**	20.00%
Qinzhou International Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB500,000,000	**40.00%**	40.00%
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminals	RMB1,900,000,000	**30.00%**	30.00%
Tianjin Port Euroasia International Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB1,260,000,000	**30.00%/ 28.60%/ 30.00%**	30.00%/ 28.60%/ 30.00%
Xiamen Haicang Free Trade Port Zone Container Inspection Co., Ltd.	PRC	Container stevedoring, storage, inspection and auxiliary services	RMB10,000,000	**22.40%/ 33.33%/ 22.40%**	22.40%/ 33.33%/ 22.40%
Yingkou Container Terminals Company Limited	PRC	Operation of container terminals	RMB8,000,000	**50.00%/ 57.14%/ 50.00%**	50.00%/ 57.14%/ 50.00%
Yingkou New Century Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB40,000,000	**40.00%**	40.00%

Notes:

(i) COSCO-HPHT ACT effectively holds 80% equity interest in ACT, which engages in the operation, management and development of container terminals in Hong Kong, and is considered as a subsidiary of COSCO-HPHT ACT.

(ii) In October 2017, DICT was deregistered due to DICT merged with DCT and DPCT.

(iii) Euro-Asia Oceangate S.à.r.l. effectively holds 65% equity interest in Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi, which engages in container terminal operations in Turkey, and is considered as a subsidiary of Euro-Asia Oceangate S.à.r.l.

(iv) During the year, Qingdao Qianwan Intelligent Container Terminal Co., Ltd. was reclassified to an associate due to disposal of QQCT.

Notes to the Consolidated Financial Statements

46 DETAILS OF ASSOCIATES

Details of the associates as at 31 December 2017, which principally affect the results and/or net assets of the Group, are as follows:

Name	Place of establishment operation	Principal activities	Issued share capital/ registered capital	Group equity interest 2017	2016
Antwerp Gateway NV	Belgium	Operation of container terminals	Euro17,900,000	**20.00%**	20.00%
APM Terminals Vado Holdings B.V. (note i)	Netherlands	Investment holding	10 ordinary shares of Euro 100 each	**40.00%**	40.00%
CSP Zeebrugge Terminal NV (formerly known as APM Terminals Zeebrugge NV)	Belgium	Operation of container terminals	3,500,001 ordinary shares of Euro 10 each	**N/A**	24.00%
COSCO Shipping Terminal (USA) LLC	USA	Investment holding	US$200,000	**40.00%**	40.00%
Dalian Automobile Terminal Co., Ltd.	PRC	Construction and operation of automobile terminals	RMB320,000,000	**24.00%**	24.00%
Dalian Container Terminal Co., Ltd. (note ii)	PRC	Operation of container terminals	RMB3,480,000,000	**19.00%**	–
Dalian Port Container Terminal Co., Ltd. (note iii)	PRC	Operation of container terminals	RMB730,000,000	**–**	20.00%
Damietta International Port Company S.A.E	Egypt	Operation of container terminals	20,000,000 ordinary shares of US$10 each	**20.00%**	20.00%
Dawning Company Limited	British Virgin Islands	Investment holding	200 "A" shares of US$1 each and 800 "B" shares of US$1 each	**20.00%**	20.00%
Euromax Terminal Rotterdam B.V.	Netherlands	Operation of container terminals	65,000 "A" shares of Euro1 each and 35,000"B" shares of Euro1 each	**35.00%**	35.00%
Jiangsu Yantze Petrochemical Co., Ltd.	PRC	Operation of bulk liquid storage	RMB219,635,926	**30.40%**	30.40%
Kao Ming Container Terminal Corp.	Taiwan	Operation of container terminals	TWD6,800,000,000	**20.00%**	20.00%
Lianyuangarg Xiansanly Container Service Co., Ltd	PRC	Container inspection and auxiliary services	RMB1,000,000	**22.00%**	N/A
Nanjing Port Longtan Container Co., Ltd.	PRC	Operation of container terminals	RMB1,544,961,839	**16.14%**	16.14%

46 DETAILS OF ASSOCIATES (CONTINUED)

Name	Place of establishment operation	Principal activities	Issued share capital/ registered capital	Group equity interest 2017	2016
Ningbo Meishan Bonded Port New Habour Terminal Operating Co., Ltd.	PRC	Operation of container terminals	RMB200,000,000	**20.00%**	20.00%
Qingdao Port International Co., Ltd	PRC	Operation of container terminals	RMB6,036,724,000	**18.41%**	–
Qingdao Qianwan Intelligent Container Terminal Co., Ltd	PRC	Operation of container terminals	RMB642,000,000	**20.00%**	N/A
Qinhuangdao Port New Habour Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB400,000,000	**30.00%**	30.00%
Servicios Intermodales Bilbaoport, S.L. (note iv)	Spain	Container storage and transportation	860,323 ordinary shares of Euro 0.57 each	**5.53%**	–
Shanghai Mingdong Container Terminals Limited	PRC	Operation of container terminals	RMB4,000,000,000	**20.00%**	20.00%
Sigma Enterprises Limited (note v)	British Virgin Islands	Investment holding	2,005 "A" shares of US$1 each and 8,424 "B" shares of US$1 each	**16.49%**	16.49%
Suez Canal Container Terminal S.A.E.	Egypt	Operation of container terminals	1,856,250 ordinary shares of US$100 each	**20.00%**	20.00%
Taicang International Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB450,800,000	**39.04%**	39.04%
Tianjin Five Continents International Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB1,145,000,000	**28.00%**	28.00%
Wattrus Limited (note v)	British Virgin Islands	Investment holding	32 "A" shares of US$1 each and 593 "B" shares of US$1 each	**5.12%**	5.12%

Note:

(i) APM Terminals Vado Holdings B.V. holds 100% equity interest in Reefer Terminal S.p.A., which engages in container terminal operations in Italy, and is considered as a subsidiary of APM Terminals Vado Holdings B.V..

(ii) In October 2017, DCT merged with DICT and DPCT.

(iii) In October 2017, DPCT was deregistered due to DPCT merged with DCT and DICT.

(iv) The directors of the Company considered that the Group has significant influence over Servicios Intermodales Bilbaoport, S.L. through its representatives on the board of directors of the company with 16.67% voting rights and therefore classified it as an associate as at 31 December 2017.

(v) The directors of the Company considered that the Group has significant influence over Sigma and Wattrus through its representatives on the boards of directors of Sigma and Wattrus with 20% voting rights respectively and therefore classified Sigma and Wattrus as associates as at 31 December 2017 and 2016.

Five-Year Financial Summary

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	US$'000	US$'000	US$'000 (Restated)	US$'000	US$'000
Revenues	**634,710**	556,377	550,217	870,091	798,626
Operating profit after finance income and costs	**409,290**	57,365	111,987	180,657	180,392
Share of profits less losses of					
– joint ventures	**86,531**	112,081	118,133	99,729	81,406
– associates (note 3)	**150,037**	88,161	103,006	71,496	95,563
Net gain on disposal of an associate (note 4)	**–**	–	–	–	393,411
Write back of provision (note 5)	**–**	–	79,152	–	–
Gain on disposal of a subsidiary (note 6)	**–**	59,021	–	–	–
Profit before income tax from a discontinued operation	**–**	7,901	87,644	–	–
Profit before income tax	**645,858**	324,529	499,922	351,882	750,772
Income tax expenses (note 7)	**(94,709)**	(48,545)	(45,210)	(38,995)	(33,497)
Profit for the year	**551,149**	275,984	454,712	312,887	717,275
Profit attributable to:					
Equity holders of the Company	**512,454**	247,031	429,313	292,759	702,676
Non-controlling interests	**38,695**	28,953	25,399	20,128	14,599
	551,149	275,984	454,712	312,887	717,275
Dividends	**91,370**	405,113	153,219	117,701	282,253
Basic earnings per share (US cents)	**16.93**	8.30	14.58	10.01	24.95
Dividend per share (US cents)	**3.000**	13.637	5.184	4.004	9.980

	As at 31 December				
	2017	2016	2015	2014	2013
	US$'000	US$'000	US$'000 (Restated)	US$'000	US$'000
Total assets	**8,954,080**	6,786,456	8,860,645	7,616,710	7,551,304
Total liabilities	**(3,108,706)**	(2,020,652)	(2,593,569)	(2,558,048)	(2,707,810)
Net assets	**5,845,374**	4,765,804	6,267,076	5,058,662	4,843,494

Notes:

1 The consolidated results of the Group for the two years ended 31 December 2017 and the assets and liabilities of the Group as at 31 December 2017 have been extracted from the audited consolidated financial statements of the Group as set out on pages 131 to 139 of the annual report.

2 The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) on 26 July 1994.

3 Balances included share of profit of CIMC, which was classified as a discontinued operation in 2013.

4 Balances included the net gain on disposal of CIMC in 2013 which was classified as discontinued operation in 2013.

5 The balance represents the write back of provision on the disposal of 21.8% equity interest in a then associate of the Group, CIMC, in 2013.

6 Balance represents the gain on disposal of Florens in 2016 which was classified as discontinued operation in 2016.

7 Balances in 2015 and 2016 included income tax expenses of Florens which was classified as discontinued operation.

8 The financial figures for the year 2013 to 2014 were extracted from the 2015 annual report. No retrospective adjustment for the common control combinations during the year were made on the financial figures for the year 2013 to 2014. No separate disclosures of continuing operations and discontinued operations were made on the financial figures for the year 2013 to 2014.

Historical Statistics Summary

Financial statistics		2008	2009	2010	2011	2012	2013	2014	2015 (Restated)	2016	**2017**
Consolidated income statement	US$M										
Revenue											
Terminals		78.7	114.9	190.8	320.1	398.5	452.2	514.7	547.3	553.9	**634.7**
Container leasing, management, sale and related businesses		252.6	229.8	250.9	276.5	336.2	347.7	357.1	–	–	–
Container handling, transportation and storage		6.7	4.7	4.8	3.3	3.7	2.9	2.3	2.9	2.5	–
Elimination of inter-segment		–	–	–	(0.7)	(2.9)	(4.2)	(4.0)	–	–	–
Total		338.0	349.4	446.5	599.2	735.5	798.6	870.1	550.2	556.4	**634.7**
EBITDA		413.6	321.4	516.6	621.9	618.3	1,007.7	610.4	463.6	393.4	**796.0**
Depreciation & amortisation		(92.6)	(98.3)	(111.8)	(142.2)	(167.9)	(190.5)	(211.7)	(98.0)	(98.5)	**(106.8)**
EBIT		321.0	223.1	404.8	479.7	450.4	817.2	398.7	365.6	294.9	**689.2**
Interest expenses		(52.7)	(39.8)	(29.4)	(58.4)	(77.3)	(84.5)	(72.5)	(54.7)	(52.1)	**(56.0)**
Interest income		6.9	6.0	6.5	5.1	9.2	18.1	25.7	22.2	14.8	**12.7**
Profit before income tax		275.2	189.3	381.9	426.4	382.3	750.8	351.9	333.1	257.6	**645.9**
Operating profit after finance income and costs		120.0	66.1	90.4	126.1	159.3	180.4	180.7	112.0	57.4	**409.3**
Profit attributable to equity holders of the Company		274.7	172.5	361.3	388.8	342.2	702.7	292.8	429.3	247.0	**512.5**
Breakdown of profit attributable to equity holders of the Company											
Terminals and related businesses		120.6	83.5	119.9	184.9	189.0	186.8	221.0	286.6	242.9	**573.3**
Container leasing, management, sale and related businesses		115.0	71.4	96.3	116.5	139.5	125.2	95.8	82.8	66.1	–
Container manufacturing and related businesses		39.3	30.9	91.9	119.8	61.9	416.5	–	79.2	–	–
Logistics and related businesses		25.0	25.6	84.7	–	–	–	–	–	–	–
Other operations		–	–	–	–	–	–	–	–	–	–
Net corporate finance income/(costs)		(9.7)	(9.6)	(1.9)	(0.6)	(1.9)	10.7	32.0	27.7	8.0	**2.8**
Net corporate income/(expenses)		(15.5)	(29.3)	(29.6)	(31.8)	(46.3)	(36.5)	(56.0)	(47.0)	(70.0)	**(63.6)**
Total		274.7	172.5	361.3	388.8	342.2	702.7	292.8	429.3	247.0	**512.5**
Consolidated balance sheet											
Consolidated total assets		4,213.2	4,635.3	5,251.9	6,472.2	7,363.9	7,551.3	7,616.7	8,860.6	6,786.5	**8,954.1**
Consolidated total liabilities		1,566.9	1,776.9	1,758.0	2,592.0	3,146.5	2,707.8	2,558.0	2,593.5	2,020.7	**3,108.7**
Consolidated net assets		2,646.3	2,858.4	3,493.9	3,880.2	4,217.4	4,843.5	5,058.7	6,267.1	4,765.8	**5,845.4**
Consolidated total debts		1,424.3	1,604.3	1,558.8	2,168.0	2,601.7	2,046.2	1,860.2	2,087.0	1,503.0	**2,334.3**
Consolidated cash balances		429.0	405.8	524.3	581.1	849.3	1,237.6	1,116.5	924.2	837.1	**566.4**
Consolidated net debts		995.3	1,198.5	1,034.5	1,586.9	1,752.4	808.6	743.7	1,162.8	665.9	**1,767.9**
Per share data											
Capital and reserves attributable to the equity holders of the Company per share	US$	1.14	1.21	1.23	1.34	1.42	1.56	1.61	1.97	1.44	**1.70**
Basic earnings per share	US cents	12.24	7.66	14.17	14.34	12.51	24.95	10.01	14.58	8.30	**16.93**
Dividend per share	US cents	4.896	3.061	5.668	5.736	5.004	9.980	4.004	5.148	13.637[Note 2]	**3.000**
Net asset value per share	US$	1.18	1.26	1.29	1.43	1.51	1.66	1.72	2.11	1.58	**1.91**
Net asset value per share	HK$	9.135	9.796	10.015	11.115	11.732	12.895	13.342	16.373	12.254	**14.879**
Share price (as at 31 December)	US$	1.021	1.281	1.742	1.167	1.424	1.372	1.421	1.102	1.005	**1.0448**
	HK$	7.91	9.93	13.54	9.07	11.04	10.64	11.02	8.54	7.79	**8.13**
Ratios											
P/E (as at 31 December)	Times	8.3	16.7	12.3	8.1	11.4	5.5	14.2	7.6	12.1	**6.17**
Dividend payout ratio	%	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0[Note 4]	**40.0**[Note 5]
Return on total assets	%	6.8	3.9	7.3	6.6	4.9	9.4	3.9	5.2	3.2	**6.5**
Return on net assets	%	10.1	6.3	11.4	10.5	8.5	15.5	5.9	7.6	4.5	**9.7**
Return on equity holders of the Company	%	10.4	6.5	11.9	11.1	9.0	16.5	6.3	8.1	4.8	**10.7**
Net debt-to-equity ratio	%	37.6	41.9	29.6	40.9	41.6	16.7	14.7	18.6	14.0	**30.2**
Interest coverage	Times	6.2	5. 8	14.0	8.3	5.9	9.9	5.9	7.1	5.9	**12.5**
Other information											
Total number of shares issued (as at 31 December)	M	2,245.0	2,262.5	2,711.5	2,711.8	2,786.1	2,912.3	2,940.4	2,966.6	3,016.0	**3,057.1**
Weighted average number of ordinary shares issued	M	2,245.0	2,252.9	2,550.4	2,711.8	2,735.1	2,816.2	2,924.9	2,945.4	2,976.4	**3,027.4**
Market capitalisation (as at 31 December)	US$M	2,291.3	2,897.3	4,723.5	3,166.4	3,968.5	3,996.4	4,178.3	3,268.9	3,029.6	**3,194.0**

Notes:

1. The comparative figures from 2008 for the breakdown of profit attributable to equity holders of the Company as presented above have been restated as a result of the adoption of Hong Kong financial Reporting Standard 8 "Operating Segments" issues.
2. The amount in 2016 included a conditional special cash dividend of HK80.0 cents (equivalent to US10.317 cents)per share.
3. The financial figures for the year 2008 to 2014 were extracted from the 2015 annual report. No retrospective adjustment for the common control combinations during the year were made on the financial figures for the year 2008 to 2014. No separate disclosures of continuing operations and discontinued operations were made on the financial figures for the year 2008 to 2014.
4. The conditional special cash dividend of HK80.0 cents (equivalent to US10.317 cents) per share was excluded in the calculation of dividend payout ratio of the year 2016.
5. One-off exceptional items related to the completion of the subscription of non-circulating domestic shares in QPI and the disposal of equity interests in QQCT was excluded in the calculation of dividend payout ratio of the year 2017.

Historical Statistics Summary

Financial statistics		2008	2009	2010	2011	2012	2013	2014	2015 (Restated)	2016	2017
Container throughput	TEU										
COSCO-HIT Terminal		1,752,251	1,360,945	1,535,923	1,625,819	1,683,748	1,639,275	1,639,995	1,575,858	1,343,859	**1,920,597**
Yantian Terminal		9,683,493	8,579,013	10,133,967	10,264,440	10,666,758	10,796,113	11,672,798	12,165,687	11,696,492	**12,703,733**
Shanghai Terminal		3,681,785	2,979,849	3,197,244	–	–	–	–	–	–	**–**
Zhangjiagang Win Hanverky Terminal		710,831	715,413	889,515	1,065,382	1,228,935	1,374,596	798,773	672,295	675,062	**735,918**
Qingdao Cosport Terminal		1,099,937	1,145,352	1,284,903	–	–	–	–	–	–	**–**
Dalian Port Container Co., Ltd.		2,742,503	2,906,768	–	–	–	–	–	–	–	**–**
Shanghai Pudong Terminal		2,779,109	2,291,281	2,450,176	2,388,156	2,151,297	2,246,026	2,373,620	2,508,121	2,556,220	**2,650,396**
Qingdao Qianwan Terminal		8,715,098	8,961,785	10,568,065	12,426,090	14,045,503	14,981,635	16,108,145	16,995,934	17,499,703	**–**
COSCO-PSA Terminal		1,247,283	904,829	1,091,639	1,106,262	1,232,954	1,048,846	1,311,747	1,526,328	1,809,428	**2,044,536**
Yangzhou Yuanyang Terminal		267,970	221,046	302,617	400,224	401,003	449,849	481,704	482,106	454,104	**489,108**
Yingkou Terminal		950,801	1,023,107	1,196,932	1,303,068	1,600,094	1,716,106	1,716,128	1,560,138	1,586,108	**1,496,050**
Nanjing Longtan Terminal		1,160,261	1,058,499	1,245,559	1,600,523	2,035,617	2,400,370	2,495,608	2,633,753	2,773,005	**2,881,008**
Dalian Port Terminal		1,656,968	1,509,401	1,668,418	1,900,204	2,216,353	2,732,174	2,732,136	2,495,053	2,683,879	**2,604,631**
Tianjin Five Continents Terminal		1,938,580	1,940,933	1,917,873	2,100,321	2,180,184	2,300,918	2,569,695	2,570,233	2,571,772	**2,580,943**
Antwerp Terminal		1,091,657	639,957	795,534	1,168,930	1,101,163	1,370,609	1,727,116	2,015,306	1,922,281	**2,166,096**
Quan Zhou Pacific Terminal		910,058	936,136	1,050,710	1,186,799	1,201,279	1,090,660	1,160,480	1,221,692	1,308,652	**1,384,479**
Guangzhou South China Oceangate Terminal		2,000,130	2,158,291	3,060,591	3,914,348	4,230,574	4,449,311	4,647,266	4,486,627	4,781,665	**5,056,257**
Ningbo Yuan Dong Terminal		903,865	1,117,169	1,704,588	2,145,653	2,402,554	2,806,406	3,214,703	3,040,762	2,536,182	**2,980,839**
Suez Canal Terminal		2,392,516	2,659,584	2,856,854	3,246,467	2,863,167	3,124,828	3,400,397	2,954,080	2,547,597	**2,528,647**
Jinjiang Pacific Terminal		193,779	274,390	313,585	314,101	358,836	418,242	467,610	347,226	364,255	**495,993**
Piraeus Terminal		–	166,062	684,881	1,188,148	2,108,090	2,519,664	2,986,904	3,034,428	3,470,981	**3,691,815**
Tianjin Euroasia Terminal		–	–	574,296	1,350,962	1,705,667	1,803,407	2,004,170	2,032,389	2,232,973	**2,469,753**
Xiamen Ocean Gate Terminal		–	–	–	–	271,449	609,393	806,183	1,034,753	1,131,197	**1,501,001**
Kao Ming Container Terminal		–	–	–	–	–	1,170,704	1,333,226	1,525,359	1,728,922	**1,698,187**
Taicang International Container Terminal		–	–	–	–	–	235,759	538,304	539,771	513,296	**520,799**
Asia Container Terminals Limited		–	–	–	–	–	–	1,139,414	1,252,815	1,088,891	**1,568,298**
Dalian International Terminal		–	–	–	–	–	–	–	2,826,893	3,182,368	**2,828,933**
Dalian Dagang Terminal		–	–	–	–	–	–	–	15,971	21,094	**24,582**
Yingkou New Century Terminal		–	–	–	–	–	–	–	1,850,064	1,870,076	**1,515,057**
Jinzhou New Age Terminal		–	–	–	–	–	–	–	351,773	449,016	**571,113**
Qinhuangdao New Habour Terminal		–	–	–	–	–	–	–	500,879	515,482	**559,330**
Shanghai Mingdong Terminal		–	–	–	–	–	–	–	5,668,946	5,900,056	**6,500,062**
Lianyungang New Oriental Terminal		–	–	–	–	–	–	–	3,525,770	3,100,243	**2,872,563**
Guangzhou Nansha Stevedoring Terminal		–	–	–	–	–	–	–	5,757,635	5,786,311	**5,800,302**
Qinzhou Internation Terminal		–	–	–	–	–	–	–	920,737	1,138,057	**1,357,005**
Zeebrugge Terminal		–	–	–	–	–	–	–	268,261	277,363	**316,448**
Seattle Terminal		–	–	–	–	–	–	–	128,332	151,534	**188,455**
Busan Terminal		–	–	–	–	–	–	–	–	2,084,592	**3,554,512**
Kumport Terminal		–	–	–	–	–	–	–	–	665,398	**1,063,335**
Euromax Terminal		–	–	–	–	–	–	–	–	653,808	**2,693,337**
NPH Group		–	–	–	–	–	–	–	–	–	**554,028**
Vado Reefer Terminal		–	–	–	–	–	–	–	–	–	**39,455**
QPI		–	–	–	–	–	–	–	–	–	**12,270,000**
Dalian Container Terminal		–	–	–	–	–	–	–	–	–	**1,324,584**
Total		45,878,875	43,549,810	48,523,870	50,695,897	55,685,225	61,284,891	67,326,122	90,485,975	95,071,922	**100,202,185**

Corporate Information

BOARD OF DIRECTORS

Mr. HUANG Xiaowen[2] *(Chairman)*
Mr. ZHANG Wei (張為)[1] *(Vice Chairman and 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]
Prof. CHAN Ka Lok[3]

1 Executive Director
2 Non-executive Director
3 Independent Non-executive Director

GENERAL COUNSEL & COMPANY SECRETARY

Ms. HUNG Man, Michelle

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Holman Fenwick Willan
Linklaters
Slaughter & May
Woo, Kwan, Lee & Lo

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Development Bank
China Merchant Bank
DBS Bank Ltd
Industrial and Commercial Ban of China (Asia) Limited
ING Bank N.V.
The Hongkong and Shanghai Banking Corporation Limited

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Reuters: 1199.HK

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