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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1199)**

# ANNUAL RESULTS ANNOUNCEMENT FOR 2017

## Announcement of Results for the Year Ended 31 December 2017

- The Group has achieved a total throughput of 100,202,185 TEU in 2017, total equity throughput was 31,999,491 TEU. Excluding the throughput of Qingdao Port International Co., Ltd. ("QPI"), the throughput increased by 13.4% to 87,932,185 TEU (2016: 77,572,219 TEU), equity throughput increased by 11.0% to 29,740,584 TEU (2016: 26,798,320 TEU)[Note 1].

- In May 2017, the Group completed the subscription of non-circulating domestic shares in 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[Note 2] totalling US$285,392,000.

## Financial Highlights

| | **2017** | 2016 | **Change** |
|---|---|---|---|
| | ***US$'000*** | *US$'000* | |
| Revenue | **634,710** | 556,377 | +14.1% |
| Gross profit | **209,275** | 199,083 | +5.1% |
| Share of profits less losses from joint ventures and associates | **236,568** | 200,242 | +18.1% |
| Operating profit (after finance income and costs) | **409,290** | 57,365 | +613.5% |
| Profit after tax from one-off exceptional items[Note 2] | **285,392** | - | N/A |
| Profit attributable to equity holders of the Company | | | |
| - Continuing operations | **512,454** | 180,937 | +183.2% |
| - Discontinued operation | **-** | 66,094 | N/A |
| Earnings per share – Basic (US cents) | **16.93** | 8.30 | +104.0% |
| Adjusted net profit attributable to equity holders of the Company[Note 3] | **227,062** | 180,937 | +25.5% |
| Adjusted earnings per share – Basic[Note 3] (HK cents) | **58.44** | 47.17 | +23.9% |
| Dividend per share (HK cents) | | | |
| - Interim | **10.3** | 18.0 | -42.8% |
| - Final | **13.1** | 7.8 | +67.9% |
| Payout ratio[Note 4] | **40%** | 40% | - |

Note 1: Excluded QPI's throughput of May to December 2017 and Qingdao Qianwan Terminal's throughput in 2016.

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

Note 3: 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.

Note 4: Excluding one-off exceptional items.

## FINAL RESULTS

The board of directors (the "Board") of COSCO SHIPPING Ports Limited (the "Company" or "COSCO SHIPPING Ports") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017. The following financial information, including comparative figures, has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

### CONSOLIDATED BALANCE SHEET
### AS AT 31 DECEMBER 2017

| | *Note* | **2017**<br>***US$'000*** | 2016<br>*US$'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **2,980,498** | 2,367,602 |
| Investment properties | | **8,410** | 8,135 |
| Land use rights | | **278,706** | 201,804 |
| Intangible assets | | **451,859** | 5,435 |
| Joint ventures | | **1,196,648** | 1,409,044 |
| Loans to joint ventures | | **1,672** | 60,239 |
| Associates | | **2,579,493** | 1,405,835 |
| Loans to associates | | **158,539** | 114,944 |
| Available-for-sale financial assets | | **276,553** | 156,939 |
| Deferred income tax assets | | **108,277** | 11 |
| Other non-current assets | 3 | **61,283** | 60,960 |
| | | **8,101,938** | 5,790,948 |
| **Current assets** | | | |
| Inventories | | **10,942** | 9,951 |
| Trade and other receivables | 4 | **271,430** | 148,015 |
| Current income tax recoverable | | **3,370** | 442 |
| Restricted bank deposits | | **6,333** | 2,868 |
| Cash and cash equivalents | | **560,067** | 834,232 |
| | | **852,142** | 995,508 |
| **Total assets** | | **8,954,080** | 6,786,456 |

**CONSOLIDATED BALANCE SHEET (Continued)**
**AS AT 31 DECEMBER 2017**

| | *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 | | **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 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | | **133,439** | 52,914 |
| Long term borrowings | | **1,823,770** | 1,071,406 |
| Loans from non-controlling shareholders of subsidiaries | | **53,012** | - |
| Loans from a fellow subsidiary | | **20,293** | 28,805 |
| Derivative financial instruments | | **6,527** | - |
| Other long term liabilities | | **39,886** | 31,584 |
| | | **2,076,927** | 1,184,709 |
| **Current liabilities** | | | |
| Trade and other payables | 5 | **502,440** | 395,955 |
| Current income tax liabilities | | **15,925** | 8,403 |
| Current portion of long term borrowings | | **33,858** | 256,609 |
| Short term borrowings | | **476,721** | 174,976 |
| Derivative financial instruments | | **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 |

**CONSOLIDATED INCOME STATEMENT**
**FOR THE YEAR ENDED 31 DECEMBER 2017**

| | *Note* | **2017** | 2016 |
|---|---|---|---|
| | | ***US$'000*** | *US$'000* |
| **Continuing operations:** | | | |
| Revenues | 2 | **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 | 7 | **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 | 6 | **38,434** | - |
| Gain on disposal of a joint venture | 6 | **283,961** | - |
| **Operating profit** | 8 | **452,598** | 94,640 |
| Finance income | 9 | **12,668** | 14,867 |
| Finance costs | 9 | **(55,976)** | (52,142) |
| Operating profit (after finance income and costs) | | **409,290** | 57,365 |
| Share of profits less losses of | | | |
| - joint ventures | | **86,531** | 112,081 |
| - associates | | **150,037** | 88,161 |
| **Profit before income tax from continuing operations** | | **645,858** | 257,607 |
| Income tax expenses | 10 | **(94,709)** | (48,170) |
| **Profit for the year from continuing operations** | | **551,149** | 209,437 |
| **Discontinued operation:** | | | |
| Gain on disposal of a subsidiary | 11 | **-** | 59,021 |
| Profit for the year from discontinued operation | 11 | **-** | 7,526 |
| | | **-** | 66,547 |
| **Profit for the year** | | **551,149** | 275,984 |
| **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 | 12 | **US16.93 cents** | US6.08 cents |
| - from discontinued operation | 12 | **-** | US2.22 cents |
| | | **US16.93 cents** | US8.30 cents |
| Diluted | | | |
| - from continuing operations | 12 | **US16.93 cents** | US6.08 cents |
| - from discontinued operation | 12 | **-** | US2.22 cents |
| | | **US16.93 cents** | US8.30 cents |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 DECEMBER 2017

| | 2017 | 2016 |
|---|---|---|
| | *US$'000* | *US$'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 |

## NOTES

## 1. BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2017 have been prepared in accordance with HKFRS and the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for the Common Control Combinations" issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA"). These accounting policies have been consistently applied to all the years presented unless otherwise mentioned.

The consolidated financial statements of the Company have been prepared in accordance with 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.

### (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.

## 1. 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

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 |

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 deemed disposal of an available-for-sale financial asset.

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.

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.

**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 date of the announcement, 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.

## 2. SEGMENT INFORMATION

### (a) Operating segments

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

The performance of the operating segments was assessed based on their segment profit/loss attributable to equity holders of the Company and segment assets, which is measured in a manner consistent with that in the consolidated financial statements.

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

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

### Segment assets

| | **Terminals and related businesses** *US\$'000* | **Others** *US\$'000* | **Elimination** *US\$'000* | **Total** *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 |

## 2. 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)** |

## 2. 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) |

## 2. SEGMENT INFORMATION (Continued)

### (b) Geographical information

#### (i) Revenues

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

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

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'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 |

## 2. SEGMENT INFORMATION (Continued)

### (b) Geographical information (Continued)

#### (ii) Non-current assets

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

In respect of the 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.

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'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 |

## 3. OTHER NON-CURRENT ASSETS

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

## 4. TRADE AND OTHER RECEIVABLES

| | 2017 | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Trade receivables | | |
| - third parties | **72,503** | 36,646 |
| - fellow subsidiaries | **14,729** | 12,396 |
| - non-controlling shareholders of subsidiaries | **4,905** | 4,486 |
| - a joint venture | **21** | 3 |
| - related companies | **9,895** | 1,029 |
| | **102,053** | 54,560 |
| Bills receivables | **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 | **78,324** | 19,180 |
| Amounts due from | | |
| - fellow subsidiaries | **3,361** | 20,446 |
| - non-controlling shareholders of subsidiaries | **2,597** | 823 |
| - joint ventures | **244** | 243 |
| - associates | **16,732** | 9,923 |
| - related companies | **377** | - |
| | **271,430** | 148,015 |

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 | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'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 |

## 5. TRADE AND OTHER PAYABLES

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Trade payables | | |
| - third parties | **104,173** | 23,602 |
| - fellow subsidiaries | **1,322** | 5,142 |
| - non-controlling shareholders of subsidiaries | **1,355** | 3,563 |
| - joint ventures | **318** | - |
| - related companies | **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 | **10,315** | 9,256 |
| Loans from a joint venture | **42,622** | 40,147 |
| Loan from an associate | **15,304** | - |
| Loans from non-controlling shareholders of subsidiaries | **111,103** | 167,772 |
| Amounts due to | | |
| - 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 |

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

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'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 |

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

On 20 January 2017, Shanghai China Shipping Terminal Development Co., Ltd. ("SCSTD", a wholly-owned subsidiary of the Company) and QPI entered into an agreement under which, SCSTD subscribed for 1,015,520,000 non-circulating domestic shares in QPI at a total consideration of RMB5,798,619,200 (equivalent to US$843,858,000, being RMB5.71 per share), of which RMB3,198,650,840 (equivalent to US$465,491,000) was settled by the transfer of a 20% equity interest in Qingdao Qianwan Terminal to QPI and the remaining RMB2,599,968,360 (equivalent to US$378,367,000) was settled in cash. The disposal was completed on 19 May 2017 and resulted in a gain of US$283,961,000 recognised in the consolidated income statement for the year ended 31 December 2017. The subscription was completed on 22 May 2017 and recognised a gain of US$38,434,000 as a result of remeasuring its 1.59% equity interest in QPI held and accounted for as an available-for-sale financial asset before the subscription in the consolidated income statement for the year ended 31 December 2017.

## 7. OTHER OPERATING INCOME

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'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 |

## 8. OPERATING PROFIT

Operating profit is stated after charging the following:

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| **Charging:** | | |
| Amortisation of | | |
| - land use rights | **5,200** | 5,020 |
| - intangible assets | **4,499** | 1,097 |
| - other non-current assets (note 3) | **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 |
| 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 3) | **48,051** | 38,840 |
| - concession from third parties | **1,633** | - |
| Total staff costs (including directors' emoluments and retirement benefit costs) | **214,759** | 190,117 |

## 9. FINANCE INCOME AND COSTS

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| **Finance income** | | |
| Interest income on | | |
| - bank balances and deposits | **4,343** | 9,494 |
| - deposits with COSCO Finance Co., Ltd. ("COSCO Finance") | **873** | 540 |
| - deposits with China Shipping Finance Co., Ltd. ("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 | **(4,586)** | (2,792) |
| - loans from a joint venture | **(954)** | (872) |
| - loan from an associate | **(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 | **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) |

## 10. INCOME TAX EXPENSES

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'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 | **(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.

## 11. DISCONTINUED OPERATION

On 24 March 2016, the Company completed the disposal of all the issued shares in Florens Container Holdings Limited (now known as Florens International Limited) ("FCHL") (representing the discontinued operation from the container leasing, management and sale, and related businesses of the Group) to China Shipping Container Lines (Hong Kong) Co., Limited (now known as COSCO SHIPPING Development (Hong Kong) Co., Limited) ("CSCLHK") for a total consideration of US$1,241,032,000. The FCHL's shareholder's loans in the aggregate sum of US$285,000,000 were transferred on the same day to CSCLHK at the consideration of US$285,000,000. 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. The disposal resulted in a gain of US$59,021,000, while the profit after tax of FCHL for the three months ended 31 March 2016 was US$7,526,000.

## 12. 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 operations 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.

## 13. DIVIDENDS AND SPECIAL CASH DIVIDEND

| | **2017** | 2016 |
|---|---|---|
| | ***US$'000*** | *US$'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 US1.684 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.

## AUDITOR’S WORK ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2017 have been compared by the Company’s auditor, PricewaterhouseCoopers, to the corresponding figures set out in the Group’s draft consolidated financial statements for the year ended 31 December 2017 and found to be in agreement. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## FINAL DIVIDEND

The directors recommend the payment of a final dividend of HK13.1 cents (2016: HK7.8 cents) per share for the year ended 31 December 2017 with an option to receive new fully paid shares in lieu of cash (“Scrip Dividend Scheme”).

The proposed final dividend will be payable on 18 July 2018 to shareholders whose names appear on the register of members of the Company at the close of business on 29 May 2018. The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the final dividend by the shareholders of the Company at the Annual General Meeting to be held on 17 May 2018 (“2018 AGM”) and the granting of the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme by the Listing Committee of The Stock Exchange of Hong Kong Limited. Dividend warrants and share certificates for new shares to be issued under the Scrip Dividend Scheme will be despatched by ordinary mail on 18 July 2018.

Details of the Scrip Dividend Scheme and the election form will be sent to shareholders on or about 22 June 2018.

## CLOSURES OF REGISTER OF MEMBERS

### (a) For determining the entitlement to attend and vote at the 2018 AGM

The 2018 AGM of the Company is scheduled to be held on Thursday, 17 May 2018. For determining the entitlement to attend and vote at the 2018 AGM, the register of members of the Company will be closed from 14 May 2018 to 17 May 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2018 AGM, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company’s Hong Kong Registrar and Transfer Office, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 11 May 2018.

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

The proposed final dividend for the year ended 31 December 2017 is subject to approval by the shareholders of the Company at the 2018 AGM. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 24 May 2018 to 29 May 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company’s Hong Kong Registrar and Transfer Office, Tricor Secretaries Limited, for registration not later than 4:30 p.m. on Wednesday, 23 May 2018.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 Noatum Port Holdings S.L. in Spain, including its two container terminals and two railway companies (collectively the "NPH Group"), the acquisition of additional equity interest in APM Terminals Zeebrugge NV (now known as CSP Zeebrugge Terminals NV) ("Zeebrugge Terminal") in Belgium, which became a wholly-owned subsidiary of the Company, the acquisition of a 51% equity interest in Nantong Tonghai Port Co., Ltd. ("Nantong Terminal") and a 70% equity interest in Wuhan Yangluo Jiutong Port Services Limited (now known as CSP Wuhan Company Ltd.) ("Wuhan Yangluo Terminal") and the integration project of Dalian Container Terminal Co., Ltd. ("DCT"), where DCT 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. Excluding 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 Container Terminal S.A. ("Piraeus Terminal") in Greece and Guangzhou South China Oceangate Container Terminal Company Limited ("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, 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 Container Terminal Co., Ltd. ("Xiamen Ocean Gate Terminal") and Jinzhou New Age Container Terminal Co., Ltd. ("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 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 CSP Abu Dhabi Terminal L.L.C. ("Khalifa Terminal Phase II"), and the acquisition of equity interests in Nantong Terminal and Wuhan Yangluo 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 DCT 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 Liman Hizmetleri ve Lojistik Sanayi ve Ticaret A. Ş. ("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 Rotterdam B.V. ("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 Terminals (Hong Kong) Limited ("COSCO-HIT Terminal"), Asia Container Terminals Limited ("Asia Container Terminal") and Hongkong International Terminals Limited ("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 International Container Terminals Limited ("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 Terminals Limited ("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 DCT. Excluding taxation related to Exceptional Items and the deferred income tax generated by the integration of DCT, 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 Yangluo Terminal for US$45,521,000. Furthermore, the acquisition of a 40% equity interest in Reefer Terminal S.p.A. ("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 Qingdao Port Dongjiakou Ore Terminal Co., Ltd. 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 |

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

**Financial guarantee contracts**

As at 31 December 2017, CSTD 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.

# 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 China COSCO Shipping Corporation Limited ("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, 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 full year 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.

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 opportunities to align with one of its key strategies, ie, Globalisation. In China, the Group seized the development opportunity presented by the "Yangzte River Economic Belt" by taking a majority stake in Wuhan Yangluo Terminal and Nantong 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 Khalifa Terminal Phase II 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.

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 design 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 design 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 Private Limited ("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 Khalifa Terminal Phase II 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 Port Euroasia International Container Terminal Co., Ltd. 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 Terminals Company Limited ("Yingkou Container Terminal") and Yingkou New Century Container Terminal Co., Ltd. ("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 International Terminals Co., Ltd. ("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 Container Terminals Limited ("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 Container Terminal Co., Ltd. and Jinjiang Pacific Ports Development Co., Ltd. ("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 Nansha Stevedoring Corporation Limited of the Port of Guangzhou ("Guangzhou Nansha Stevedoring Terminal") 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 Container Terminal Co., Ltd. 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. Excluding 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 vigourous growth of 34.3% to 18,247,181 TEU.

All overseas terminals have recorded throughput increases, except for the Suez Canal Container Terminal S.A.E. 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 Gateway NV 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 Port Terminal Co., Ltd. ("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).

Throughput of the Group for the year ended 31 December 2017 was set out below:

| | 2017 (TEU) | 2016 (TEU) | Change (%) |
|---|---|---|---|
| **Bohai Rim** Note 1 | **15,974,976** | **15,112,768** | **+5.7** |
| Dalian Port Container Terminal Co., Ltd. Note 2 | 6,758,148 | 5,866,247 | +15.2 |
| Dalian Dagang China Shipping Container Terminal Co., Ltd. | 24,582 | 21,094 | +16.5 |
| Tianjin Port Euroasia International Container Terminal Co., Ltd. | 2,469,753 | 2,232,973 | +10.6 |
| Tianjin Five Continents International Container Terminal Co., Ltd. | 2,580,943 | 2,571,772 | +0.4 |
| Yingkou Terminal Note 3 | 3,011,107 | 3,456,184 | -12.9 |
| Jinzhou New Age Container Terminal Co., Ltd. | 571,113 | 449,016 | +27.2 |
| Qinhuangdao Port New Harbour Container Terminal Co., Ltd. | 559,330 | 515,482 | +8.5 |
| | | | |
| Qingdao Qianwan Container Terminal Co., Ltd. Note 4 | N/A | 17,499,703 | N/A |
| Qingdao Port International Co., Ltd. Note 5 | 12,270,000 | N/A | N/A |
| | | | |
| **Yangtze River Delta** | **19,630,693** | **18,508,168** | **+6.1** |
| Shanghai Pudong International Container Terminals Limited | 2,650,396 | 2,556,220 | +3.7 |
| Shanghai Mingdong Container Terminals Limited | 6,500,062 | 5,900,056 | +10.2 |
| Ningbo Yuan Dong Terminals Limited | 2,980,839 | 2,536,182 | +17.5 |
| Lianyungang New Oriental International Terminals Co., Ltd. | 2,872,563 | 3,100,243 | -7.3 |
| Zhangjiagang Win Hanverky Container Terminal Co., Ltd. | 735,918 | 675,062 | +9.0 |
| Yangzhou Yuanyang International Ports Co., Ltd. | 489,108 | 454,104 | +7.7 |
| Nanjing Port Longtan Container Co., Ltd. | 2,881,008 | 2,773,005 | +3.9 |
| Taicang International Container Terminal Co., Ltd. | 520,799 | 513,296 | +1.5 |
| | | | |
| **Southeast Coast and others** | **5,079,660** | **4,533,026** | **+12.1** |
| Xiamen Ocean Gate Container Terminal Co., Ltd. | 1,501,001 | 1,131,197 | +32.7 |
| Quan Zhou Pacific Container Terminal Co., Ltd. | 1,384,479 | 1,308,652 | +5.8 |
| Jinjiang Pacific Ports Development Co., Ltd. | 495,993 | 364,255 | +36.2 |
| Kao Ming Container Terminal Corp. | 1,698,187 | 1,728,922 | -1.8 |
| | | | |
| **Pearl River Delta** | **27,049,187** | **24,697,218** | **+9.5** |
| Yantian International Container Terminals Co., Ltd. | 12,703,733 | 11,696,492 | +8.6 |
| Guangzhou Terminal Note 6 | 10,856,559 | 10,567,976 | +2.7 |
| Hong Kong Terminal Note 7 | 3,488,895 | 2,432,750 | +43.4 |
| | | | |
| **Southwest Coast** | **1,357,005** | **1,138,057** | **+19.2** |
| Qinzhou International Container Terminal Co., Ltd. | 1,357,005 | 1,138,057 | +19.2 |
| | | | |
| **Overseas** | **18,840,664** | **13,582,982** | **+38.7** |
| Piraeus Container Terminal S.A. | 3,691,815 | 3,470,981 | +6.4 |
| CSP Zeebrugge Terminals NV | 316,448 | 277,363 | +14.1 |
| Noatum Port Holdings S.L. Note 8 | 554,028 | N/A | N/A |
| COSCO-PSA Terminal Private Limited | 2,044,536 | 1,809,428 | +13.0 |
| Reefer Terminal S.p.A. Note 9 | 39,455 | N/A | N/A |
| Euromax Terminal Rotterdam B.V. Note 10 | 2,693,337 | 653,808 | +311.9 |
| Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret A. Ş. | 1,063,335 | 665,398 | +59.8 |
| Suez Canal Container Terminal S.A.E. | 2,528,647 | 2,547,597 | -0.7 |
| Antwerp Gateway NV | 2,166,096 | 1,922,281 | +12.7 |
| SSA Terminals (Seattle), LLC | 188,455 | 151,534 | +24.4 |
| Busan Port Terminal Co., Ltd. | 3,554,512 | 2,084,592 | +70.5 |
| | | | |
| **Total** | **87,932,185** | **77,572,219** | **+13.4** |
| **Total (included QPI in 2017 and Qingdao Qianwan Terminal in 2016)** | **100,202,185** | **95,071,922** | **+5.4** |

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

Note 2: The merger of DCT, DPCT and DICT was completed in October 2017. The figure of DCT in 2016 included the throughput of DPCT and DICT; while the figure of DCT in 2017 included the throughput of DPCT and DICT for the first ten months and the throughput of DCT in November and December.

Note 3: The merger of Yingkou Container Terminal and Yingkou New Century Terminal was completed in May 2017. Therefore, the throughputs of the two terminals were combined within the throughput of Yingkou Terminal.

Note 4: The throughput of Qingdao Qianwan Terminal was excluded since 1 January 2017.

Note 5: The throughput of QPI was included since 1 May 2017.

Note 6: 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.

Note 7: 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.

Note 8: The throughput of NPH Group was included since 1 November 2017.

Note 9: The throughput of Vado Reefer Terminal was included since 1 April 2017.

Note 10: The throughput of Euromax Terminal was included since 1 October 2016.

Note 11: The total throughput of bulk cargo (excluding QPI) in 2017 was 80,810,524 tons (2016: 80,821,924 tons), which was similar to last year. The throughput of Dalian Automobile Terminal Co., Ltd. was 711,040 vehicles (2016: 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.

**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 terminal companies, Noatum Container Terminal Valencia S.A.U. ("Valencia Terminal") and Noatum Container Terminal Bilbao S.L. ("Bilbao Terminal"), as well as two facilitative rail terminals, Conte-Rail, S.A. and Noatum Rail Terminal Zaragoza, S.L. 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 Co., Ltd. ("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.

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 Terminal at a total consideration of RMB 105,281,000 and to pay up the registered capital at shareholding proportion of RMB 297,840,000. The transaction was completed on 29 September 2017. Nantong 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 Yangluo 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 Yangluo Terminal and the sea-rail combined transportation project. Wuhan Yangluo 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 RMB 1,526,000,000. 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 Yangluo 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 RMB 5,798,619,200, 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 August 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 dismantling yard 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 acres 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 acres. 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.

## CORPORATE GOVERNANCE

The Company continues to maintain high standards of corporate governance so as to promote transparency and ensure better protection of shareholders' interest as a whole. The Company has fully complied with the code provisions of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules'') throughout the year ended 31 December 2017.

## BOARD COMMITTEES

### Audit Committee

The Audit Committee of the Company comprises three independent non-executive directors of the Company. The Audit Committee has reviewed, in the presence of the internal and external auditors, the Group's principal accounting policies and the consolidated financial statements for the year ended 31 December 2017.

### Remuneration Committee

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

### Nomination Committee

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

### Other Board Committees

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2017.

## PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

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

## OVERALL MANAGEMENT AND AWARDS

COSCO SHIPPING Ports' efforts in the fields of corporate governance and investor relations have been widely acclaimed externally and in 2017, our high level of corporate transparency and good corporate governance continued to earn market recognition.

- A "Gold Award in Environmental, Social Responsibility and Corporate Governance" from The Asset magazine;
- 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;
- The "Outstanding China Enterprise Award" from Capital magazine for the sixth consecutive year;
- The "Best Investor Relations Company" from Corporate Governance Asia magazine for the sixth consecutive year;
- "Shipping In-House Team of the Year" from Asian Legal Business, a well-recognised professional magazine, for the sixth consecutive year;
- The "Excellence in Investor Relations Award" from IR Magazine; and
- The 2016 Annual Report was recognised with "Traditional Annual Report Bronze Award" and the "Cover Design Honors" under the Marine Transportation category in the 2017 ARC Awards.

## INVESTOR RELATIONS

The Company has always regarded investor relations as an important aspect of corporate governance and has been seeking to continuously heighten its level of corporate information disclosure. During the year, the management actively communicated with stakeholders in the investment community to explain to investors the Company's business strategies and the impact of market changes on the Company and, in doing so, to enhance investors' understanding of the industry and the Company, strengthening their confidence in investing in the Company. Additionally, the Company participated in investor conferences organised by investment banks and conducted roadshows. The Company met with a total of 263 investors and related parties (with 62% being fund managers, 19% being securities industry, 8% being investment banks and 11% being medias) through press conferences, analyst seminars and one-on-one and group meetings.

## CORPORATE SUSTAINABLE DEVELOPMENT

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.

**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 globalisation and development of COSCO SHIPPING Ports' corporate brand.

**Optimise Terminal Portfolio and Operational Efficiency**

The Group implemented a globalisation 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.

## 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 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 in 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.

## MEMBERS OF THE BOARD

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

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

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

Hong Kong, 26 March 2018