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

ANNUAL REPORT 2018

Strengthening Global Footprint

PLAN GROWTH GLOBAL NETWORK

COVER STORY

The Globe with the lines interlinking betokens our development strategy of globalisation. COSCO SHIPPING Ports is committed to building a world-class and well-balanced terminal network to meet the needs of clients, which aligns with the corporate vision of building "The Ports for ALL", a synergistic platform that offers mutual benefits and maximises shared value for all stakeholders.

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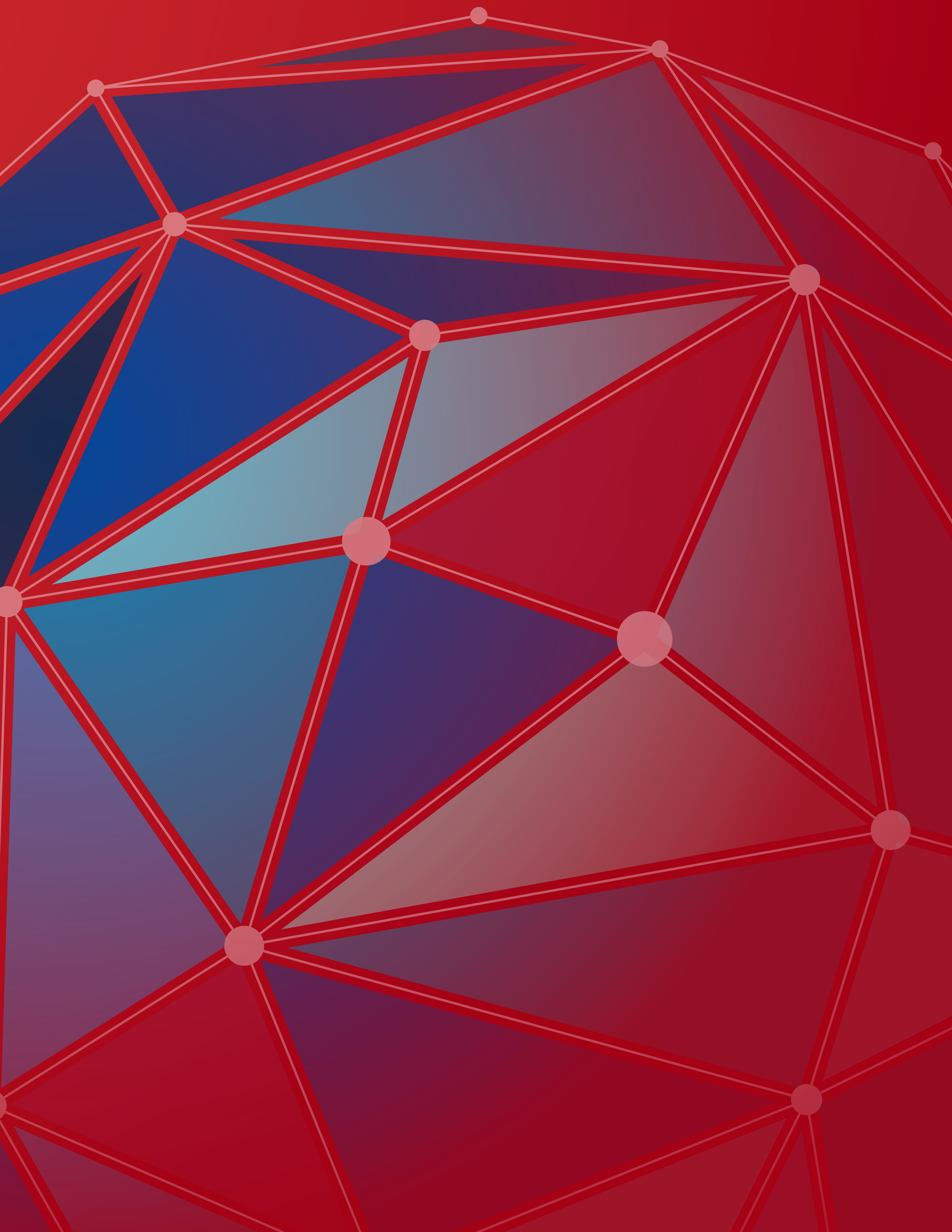
CORPORATE PROFILE

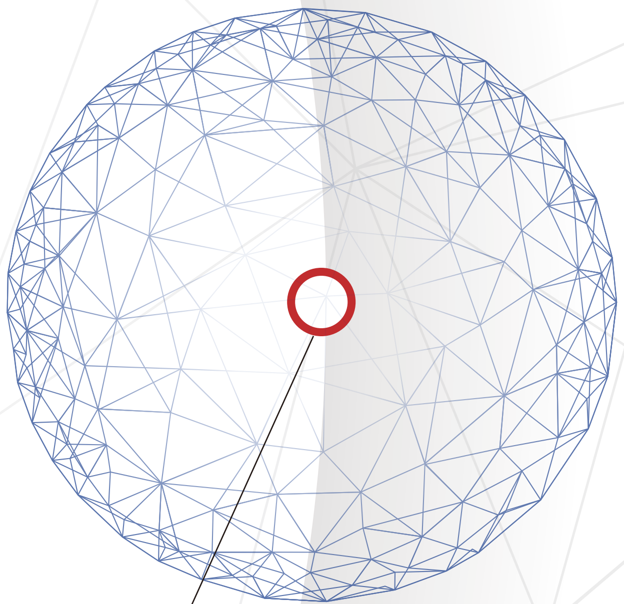
COSCO SHIPPING Ports Limited (Stock Code: 1199) is a leading ports operator in the world and its terminals portfolio covers the five main port regions in Mainland China, Southeast Asia, Middle East, Europe and the Mediterranean. As at 31 December 2018, COSCO SHIPPING Ports operated and managed 283 berths at 36 ports worldwide, of which 192 were for containers, with a total designed annual handling capacity of approximately 106 million TEU.

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



Three Core Strategies

Following the reorganisation in 2016, COSCO SHIPPING Ports has established "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 COSCO SHIPPING and the OCEAN Alliance; and to strengthen the control and management of its ports and terminals business.



GLOBALISATION

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

SYNERGY

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

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

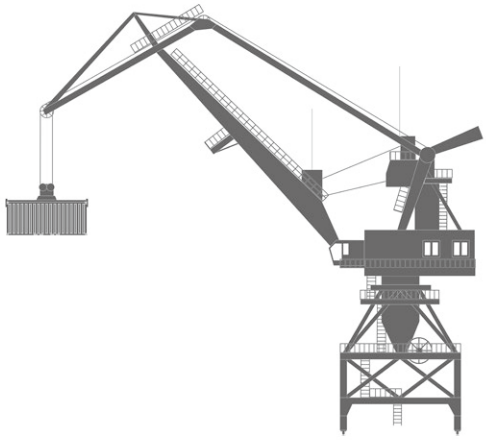
CONTROL

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

globalisation

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

MAJOR EVENTS



JANUARY

The signing ceremony of Wuhan Yangluo sea-rail intermodal transportation project and grand opening of Wuhan Terminal project were held in Wuhan

COSCO SHIPPING Ports signed for the concession terms of Zeebrugge Terminal with Port of Zeebrugge and took over Zeebrugge Terminal

FEBRUARY

COSCO SHIPPING Ports entered into a subscription agreement with Navis, for Navis N4 terminal operating system to further enhance the efficiency of its port operations

MARCH

Awarded "Outstanding ESG" by Economic Digest magazine

APRIL

Awarded "Best Investor Relations 2018 – Transportation" by Global Business Outlook magazine

MAY

The Port of Zeebrugge strategically invested 5% stake in Zeebrugge Terminal

Strategically alliance with GLP China Holdings Limited and Eshipping Global Supply Chain Management (Shenzhen) Company Limited and signed MOU to develop terminal extended logistic business

JUNE

Nantong Tonghai Terminal was inaugurated on 30 June and it is dedicated to becoming a transshipment hub in the lower reaches of the Yangtze River to optimise the terminals network in the region

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

Major Events

JULY

CMA CGM strategically invested 10% stake in Zeebrugge Terminal

Awarded "Outstanding China Enterprise" by Capital magazine for the seventh consecutive year

Awarded "Most Innovative Port Operator" by International Finance magazine

SEPTEMBER

Awarded "Best ESG Report-Mid-Cap" Grand award and "Excellence in GRI Report" Grand award by Alaya Consulting

Awarded "Shipping In-House Team of the Year" from Asian Legal Business, a well-recognised professional magazine, for the seventh consecutive year

OCTOBER

Won "Corporate Website Honors Prize", "Corporate Website Bronze Prize - Shipping and Logistics" and "2017 Annual Report Bronze Prize" in 2018 Galaxy Awards

Won "Annual Report Design Silver Prize", "Annual Report Bronze Prize - Shipping Services", "Annual Report Photography Honors Prize", "Sustainability Report Interior Design Bronze Prize" and Sustainability Report Infographics Bronze Prize" by ARC Awards

NOVEMBER

COSCO SHIPPING Ports and PSA Corporation Limited signed MOU for the addition of two new berths at the COSCO-PSA Terminal in Singapore. The official agreement was signed in December 2018

Won "Gold Award in the H-share Companies and Other Mainland Enterprises Category" in the 2018 Best Corporate Governance Awards by the Hong Kong Institute of Certified Public Accountants

DECEMBER

Inaugurated Abu Dhabi Terminal at the Khalifa Port, Abu Dhabi

Took 4.34% stake in Beibu Gulf Port Co., Ltd. by subscribing 70,943,455 shares of the company

Won "Gold Award in Environmental, Social Responsibility and Corporate Governance" by the Asset magazine

Awarded "Best Port Operator 2018" by International Business Magazine

FINANCIAL HIGHLIGHTS

	2018	2017	Change
	US$	US$	%
Revenue	**1,000,350,000**	634,710,000	+57.6
Operating profits after finance income and finance costs	**147,514,000**	409,290,000	-64.0
Share of profit less losses of joint ventures and associates	**292,452,000**	236,568,000	+23.6
Profit attributable to equity holders of the Company	**324,583,000**	512,454,000	-36.7
Adjusted profit attributable to equity holders of the Company (excluding One-off Exceptional Items) [1]	**324,583,000**	227,062,000	+42.9
	US cents	US cents	%
Basic earnings per share	**10.58**	16.93	-37.5
Adjusted earnings per share (excluding One-off Exceptional Items) [1]	**10.58**	7.50	+41.1
Dividend per share	**4.232**	3.000	+41.1
– Interim dividend	**2.212**	1.316	+68.1
– Final dividend	**2.020**	1.684	+20.0
Payout ratio (excluding One-off Exceptional Items) [1]	**40%**	40%	–
	US$	US$	%
Consolidated total assets	**9,045,452,000**	8,954,080,000	+1.0
Consolidated total liabilities	**3,225,802,000**	3,108,706,000	+3.8
Consolidated net assets	**5,819,650,000**	5,845,374,000	-0.4
Capital and reserves attributable to the equity holders of the Company	**5,165,212,000**	5,188,567,000	-0.5
Consolidated net debts	**1,873,214,000**	1,767,949,000	+6.0
	%	%	ppt
Return on equity holders of the Company (excluding One-off Exceptional Items) [1]	**6.3**	4.8	+1.5
Return on total assets (excluding One-off Exceptional Items) [1]	**3.6**	2.9	+0.7
Net debt-to-total-equity ratio	**32.2**	30.2	+2.0
Dividend yield	**4.3**	2.9	+1.4

Notes:

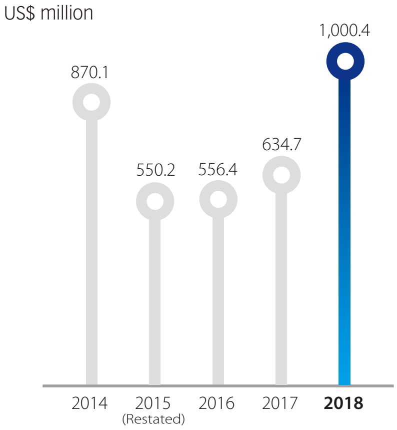
1. In May 2017, the Group completed the subscription of non-circulating domestic shares in QPI and the disposal of equity interests in Qingdao Qianwan Container Terminal Co., Ltd. ("Qingdao Qianwan Terminal"), which recorded (1) a gain after tax of US$244,596,000 from the disposal of Qingdao Qianwan 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, totalling US$285,392,000 ("One-off Exceptional Items").

Financial Highlights

Five-year Financial Summary

REVENUE

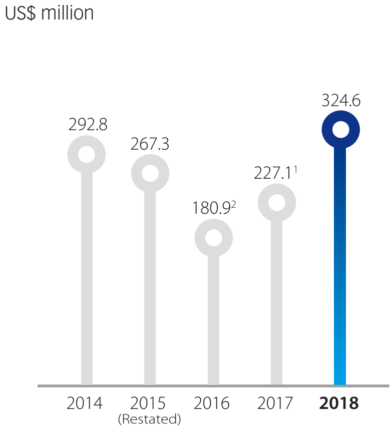
US$ **1,000.4** million



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

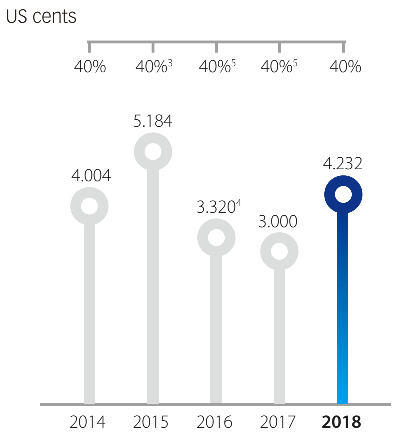
(Excluding One-off Exceptional Items and discontinued operations)

US$ **324.6** million



DIVIDEND PER SHARE AND PAYOUT RATIO

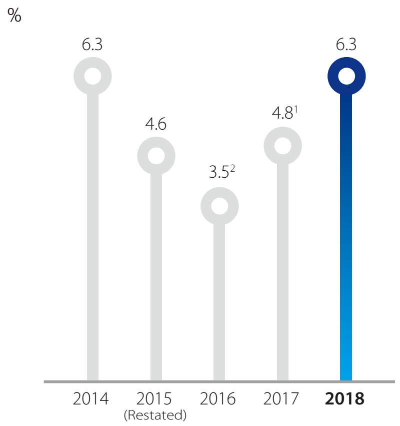
US **4.232** cents



RETURN ON EQUITY HOLDERS OF THE COMPANY

(Excluding One-off Exceptional Items and discontinued operations)

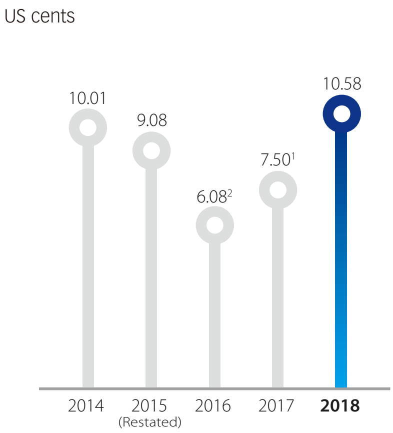
6.3%



BASIC EARNINGS PER SHARE

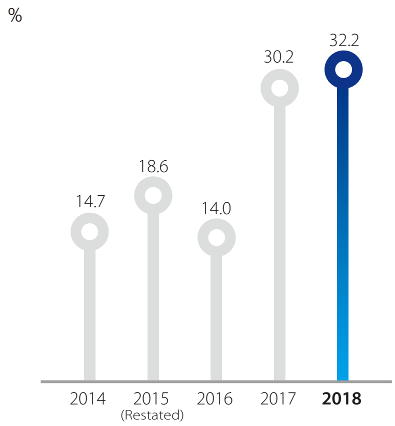
(Excluding One-off Exceptional Items and discontinued operations)

US **10.58** cents



NET DEBT-TO-TOTAL-EQUITY RATIO

32.2%



Notes:

2. On 24 March 2016, the Company completed the disposal of Florens International Limited (formerly known as Florens Container Holdings Limited) ("FCHL"), and recorded a gain on disposal of US$59,021,000. For the three months ended 31 March 2016, the profit of FCHL attributable to equity holders of the Company was US$7,073,000.
3. The 2015 payout ratio was 40.0% (before restatement).
4. Excluding conditional special cash dividend in 2016.
5. One-off Exceptional Items in 2017 and the conditional special cash dividend of HK80.0 cents (equivalent to US10.317 cents) per share in 2016 were excluded in the calculation of dividend payout ratio of the year 2017 and 2016.

CHAIRMAN'S STATEMENT

HUANG Xiaowen
Chairman

Dear shareholders,

2018 has been an outstanding one for COSCO SHIPPING Ports; we had a year of strong performance despite uncertainties casting shadow over global trade.

Revenue of the Group for the year ended 31 December 2018 increased significantly by 57.6% to US$1,000,350,000 compared with US$634,710,000 of 2017, thanks to the continued growth of subsidiaries including CSP Spain Group which the Group acquired in 2017. Adjusted net profit increased by 42.9% to US$324,583,000 million; adjusted earnings per share was US10.58 cents.

Chairman's Statement

Backed by the increased calls by the shipping fleets of OCEAN Alliance and COSCO SHIPPING at the subsidiaries, as well as the contributions from newly acquired terminals, total throughput of the Group increased by 17.1% to 117,365,360 TEU and outperformed the market. Throughput of the Group's subsidiaries increased by 29.7% to 22,507,686 TEU and made up 19.2% of the Group's total. Throughput of the non-controlling terminals rose by 14.5% to 94,857,674 TEU.

With this set of results in 2018, I am delighted to report that COSCO SHIPPING Ports is on track to achieve its Five-Year Plan which was devised in 2016 right after the reorganisation of the Group. The Five-Year Plan strives to achieve 50% growth in total assets, 60% growth in equity throughput and to double net profit from continuing operations by year 2021.

Chairman's Statement

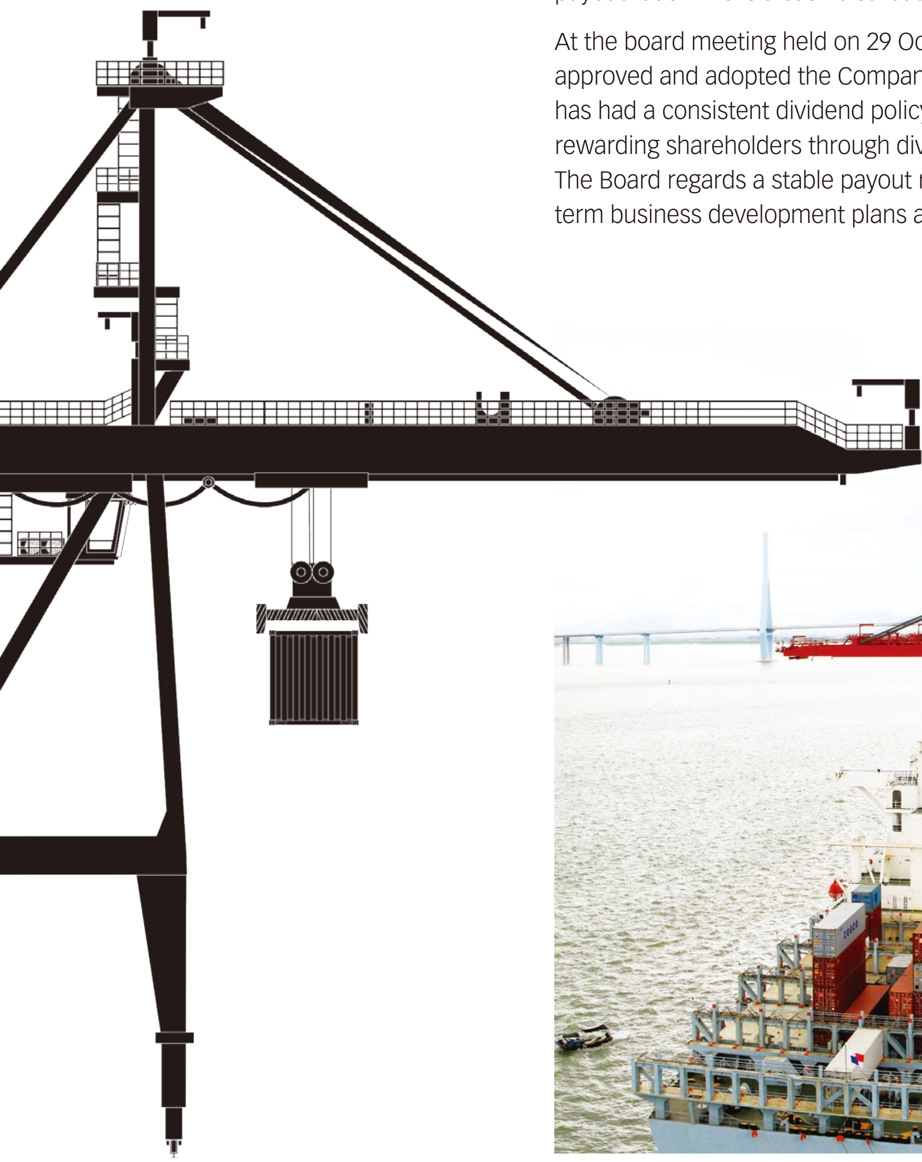
CREATING VALUE FOR SUSTAINABLE GROWTH

At COSCO SHIPPING Ports, sustainability remains as the core value of all operations and is the commitment of the Group to grow a successful business, create long-term value for various stakeholders, and give back to society. The Group has actively fulfilled its firm commitment to care for its people, put customers first, promote green development, achieve win-win cooperation and invest in communities. The Group also believes that outstanding businesses adhere to the values of honesty, integrity and compliance, which form the foundation of the Group's efforts to foster trust and build mutually beneficial relationships with its stakeholders and society.

DIVIDEND

The Board of Directors is recommending a final dividend of US2.020 cents per share, subject to shareholders' approval at the Company's forthcoming Annual General Meeting. Together with the interim dividend of US2.212 cents per share, it brings the total dividend for 2018 to US4.232 cents per share, represents a 40% payout ratio. This is a cash distribution with a scrip dividend alternative.

At the board meeting held on 29 October 2018, the Board of Directors had approved and adopted the Company's dividend policy. COSCO SHIPPING Ports has had a consistent dividend policy that balances the objective of appropriately rewarding shareholders through dividends and to support the future growth. The Board regards a stable payout ratio and steady implementation of long-term business development plans as key commitments to shareholders.



Chairman's Statement

The Group will continue to make good use of its capital, ensure sustainable development of its business, create and enhance value for shareholders on a continuous basis. Shareholders can visit the Group's corporate website https://ports.coscoshipping.com for the dividend policy.

BOARD AND CORPORATE GOVERNANCE

COSCO SHIPPING Ports holds fast to the highest standards of corporate governance. The Board and its committees play an active role in guiding the Company and leading its strategy and we are determined to ensure that we have the right resources and skillset to steer the Group forward. In a business evolving at pace, we maintain a corporate governance structure that underpins and encourages growth, while ensuring effective controls and safeguards are in place.

On behalf of the Board, I would like to thank the Management and the staff for their commitment and continued dedication towards the Group throughout the year. We are also thankful for the continued support and positive alliance from our various stakeholders and, last but not least, the continuing support from our shareholders.

Yours sincerely,

HUANG Xiaowen
Chairman
28 March 2019

LETTER FROM VICE CHAIRMAN AND MANAGING DIRECTOR

ZHANG Wei
Vice Chairman and
Managing Director

DEAR SHAREHOLDERS, BUSINESS PARTNERS AND COLLEAGUES,

I am proud to announce that 2018 has been a remarkable year for COSCO SHIPPING Ports. The culmination of the efforts since we established as a ports operator two years ago has yielded a record financial performance for the Group in the year. Our total revenue grew 57.6% to US$1,000,350,000 for the year, adjusted net profit soared 42.9% to US$324,583,000. Our total throughput growth stayed ahead of the market at 17.1%, and the organic growth was 7.8%.

STAY FOCUS AND STRENGTHEN STRATEGIC PARTNERSHIPS

Our strategy stems from our vision of building "The Ports for ALL", a synergistic platform that offers mutual benefits to all in the shipping industry, connecting global routes and becoming truly "the ports for all people". While we remain committed to strengthening our global terminal network, we took a step back in 2018 amidst the lingering

Letter from Vice Chairman and Managing Director

geopolitical uncertainties and trade tensions, spent more time in better preparing ourselves for the inauguration of Abu Dhabi Terminal in December 2018, and enhancing our relationships with our strategic partners and clients to secure higher volume growth.

We believe by strategic alliance with our business partners can further strengthen our competitiveness and maximise our value in port operations when the maritime industry is reshaping by various new trends. Zeebrugge Terminal became our wholly owned subsidiary in November 2017. With a view to foster its development, Port of Zeebrugge and CMA CGM Group took up 5% and 10% respectively in the terminal.

We have deepened our collaboration with PSA Corporation Limited by adding two new berths at COSCO-PSA Terminal and the berths have started operation since January 2019. Added the two berths, the terminal is now equipped with five container berths with annual capacity of 5 million TEU. It is also in align with our strategy of strengthening presence in South East Asia and supporting the needs of our parent company with the advent of mega-vessels and mega-alliances in the shipping industry.

We inaugurated Abu Dhabi Terminal, our first international green-field subsidiary, in December 2018. With designed annual capacity of 2.5 million TEU, the terminal includes the largest Container Freight Station in the Middle East; we planned to have its official operations in the third quarter of 2019 with 1.5 million TEU handling capacity to start with. With the support of our parent company, we will harness our unparalleled strengths to turn Abu Dhabi into a regional hub and a competitive shipping service center.

Our global footprint further extended to South America when we announced the acquisition of 60% stake in Chancay Terminal, Peru in January 2019. The transaction is expected to complete in the second quarter 2019, upon the completion it will be our second overseas green-field subsidiary.

The pace of our globalisation though was a bit behind our original plan in 2018; we remain committed to building a

Letter from Vice Chairman and Managing Director

well-balanced global terminal network and will continue to explore opportunities in South East Asia, Africa and South America with prudent financial disciplines.

UNPARALLELED STRENGTHS DRIVE AHEAD OF THE MARKET GROWTH

The unique advantage of backup by the shipping fleets of parent company allows us to enjoy ahead of the market growth in volume. While the market had an average growth of 4.2% in 2018, we have achieved 17.1% growth in total throughput, equity throughput increased by 15.8% and we achieved an organic growth of 7.8% in total throughput.

Synergies with OCEAN Alliance further strengthened, volume contributions from OCEAN Alliance increased by 33.7% compared with 2017, and it made up 49.9% of total throughput of our six major subsidiaries. Volume from COSCO SHIPPING Lines and OOCL increased by 33.7% and 29.5% respectively compared with 2017.

With a balanced network of terminals, we were not only benefited from the synergies from our parent company and OCEAN Alliance, but also the support of other shipping alliances; volume contributions from 2M and THE Alliance increased significantly by 58.8% and made up 31.7% of the six major subsidiaries' total throughput.

DEEPEN INVESTMENTS IN CHINA

While we stay focused on the globalisation, port consolidations in China provide us good chance to deepen and broaden our investments in China. As we reported, we are actively participating in the restructuring of major China port groups with a view to enlarge the Group's operation scale and influence in China; and we expect to have some meaningful progress in 2019 and contribute positively to the Group.

The investment we made in Beibu Gulf Port Co. Ltd. will facilitate us to strengthen our presence in Southwest Coast where we now only have small operation at present.

We plan also to step up the development of terminal extended logistic business and divestment of non-performing assets in 2019 to further enhance our profitability. As we announced, we will start the terminal extended logistic business in Pearl River Delta where we have already secured resources in the region and gradually expand the business to other regions of China.

ENHANCE EFFICIENCY TO MAXIMISE RETURNS

While we are expanding in a fast pace, we believe efficiency enhancement in our port operations will facilitate us to have a better performance and it is also one of our key initiatives as a leading ports operator in the world. Trainings about integrating Navis N4 system to terminal operation were held at subsidiaries in 2018. Zeebrugge Terminal, Valencia Terminal under the CSP Spain Group and Lianyungang New Oriental Terminal have successfully integrated the system in their operations during the year. We planned to roll out to one or two subsidiaries in 2019 to further strengthen the efficiency of the terminal operation.

GROWTH CONTINUES DESPITE HEADWINDS IN 2019

As we progress towards another year of growth in 2019 amid the macroeconomic and geopolitical uncertainties, we are facing some headwinds i.e. the adoption of HKFRS 16 and start-up costs of Abu Dhabi Terminal are expected to have negative impacts on the Group's performance.

Under the HKFRS 16, all future concession payments recognised as lease would be calculated at the net present value as "right-of-use" assets similar to other non-financial assets and "lease liabilities" similar to other financial liabilities; as a result depreciation and interest expenses will be incurred. However, it is only an accounting treatment and is a non-cash item.

As for the start-up costs of Abu Dhabi Terminal, it's a necessary step that we need to go through when we bring our green-field project to formal operation. However, with a view to lower the impact of the costs on the Group's overall performance, we will start the trial operation in April 2019 and gradually ramp up the volume so the costs can be partly offset by the income generated when it commences official operation in the third quarter of 2019. With the support of OCEAN Alliance, shipping routes were confirmed to reshuffle from nearby to call at Abu Dhabi Terminal and the first two services will start calling in April 2019.

Nantong Tonghai Terminal, which we started trial operations in June 2018, is expected to achieve throughput of over one million TEU for the full year of 2019 thanks to the unique advantage of the Group. Nantong Tonghai Terminal and Abu Dhabi Terminal will set good examples of bringing a greenfield project into a sizeable and profitable operation at a fast pace.

With these headwinds, we remain confident to grow ahead of the market especially in volume and we will see increased contributions from our subsidiaries so as to offset these negative impacts on the Group.

As we grow from strength to strength, we focus on creating sustainable value. We will remain financially disciplined while stay focus on our growth strategy and value creation. I am confident that COSCO SHIPPING Ports is set for further growth and success in the years ahead.

The hard work, commitment and collaboration of our people will remain cornerstones of our long-term success. I would like to take this opportunity to thank all our colleagues around the world for their hard work, professionalism and tremendous support, which have enabled COSCO SHIPPING Ports to achieve such remarkable results in 2018.

Yours sincerely,

ZHANG Wei
Vice Chairman and Managing Director
28 March 2019

CORPORATE STRUCTURE

TERMINALS BUSINESSES

Bohai Rim

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

Yangtze River Delta

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

Corporate Structure

COSCO SHIPPING HOLDINGS CO., LTD.
Stock Code: 1919

47.61%

COSCO SHIPPING PORTS LIMITED
Stock Code: 1199

Overseas

20%	Antwerp Terminal
26%	Kumport Terminal
49%	COSCO-PSA Terminal
100%	Piraeus Terminal
5.5%	Busan Terminal
13.33%	Seattle Terminal
35%	Euromax Terminal
20%	Suez Canal Terminal
90%	Abu Dhabi Terminal
85%	Zeebrugge Terminal
39.78%	Bilbao Terminal
51%	Valencia Terminal
40%	Vado Reefer Terminal

Pearl River Delta

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

Southwest Coast

40%	Qinzhou International Terminal

Southeast Coast and Others

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

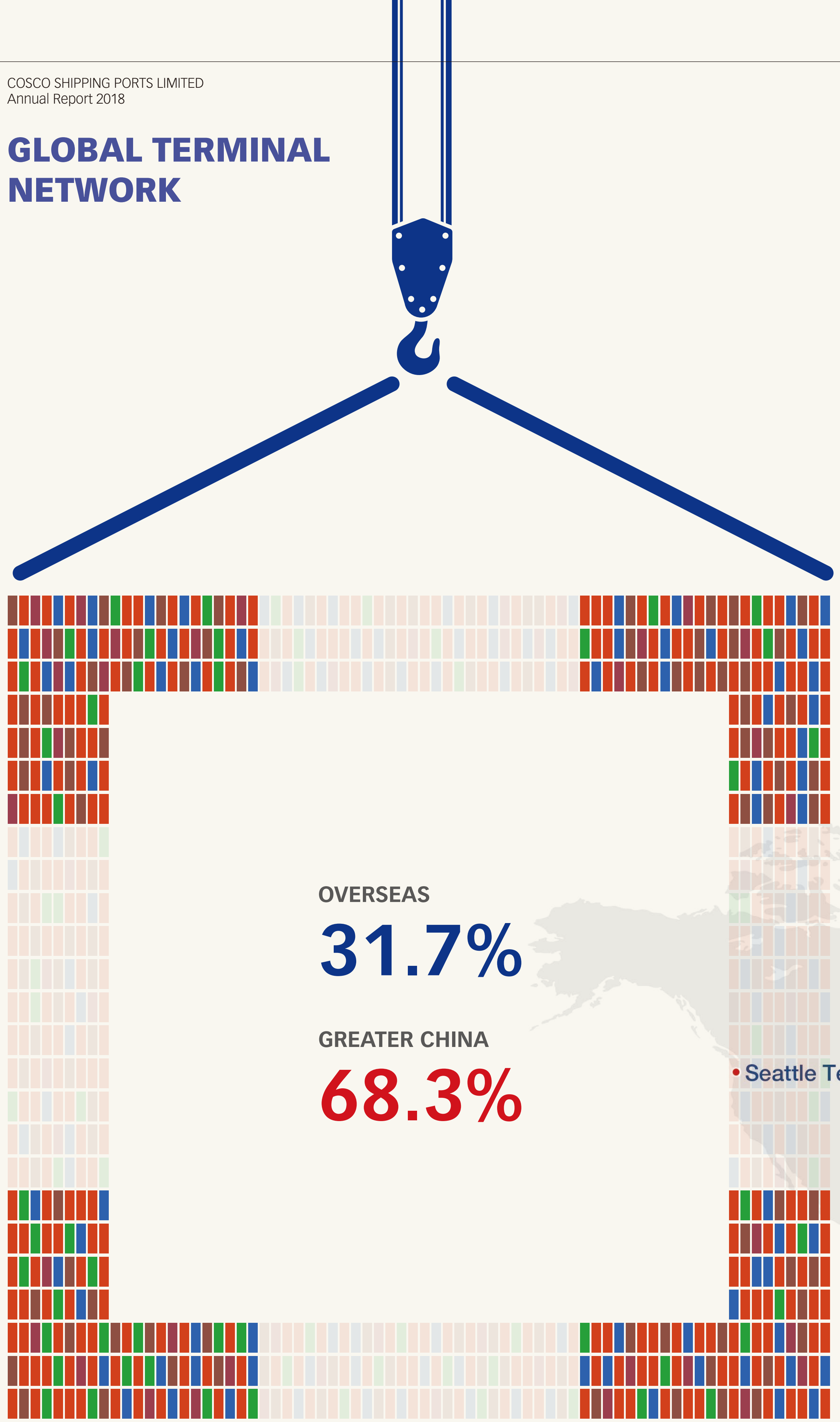
synergy

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

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

Global Terminal Network

GLOBAL TERMINAL NETWORK

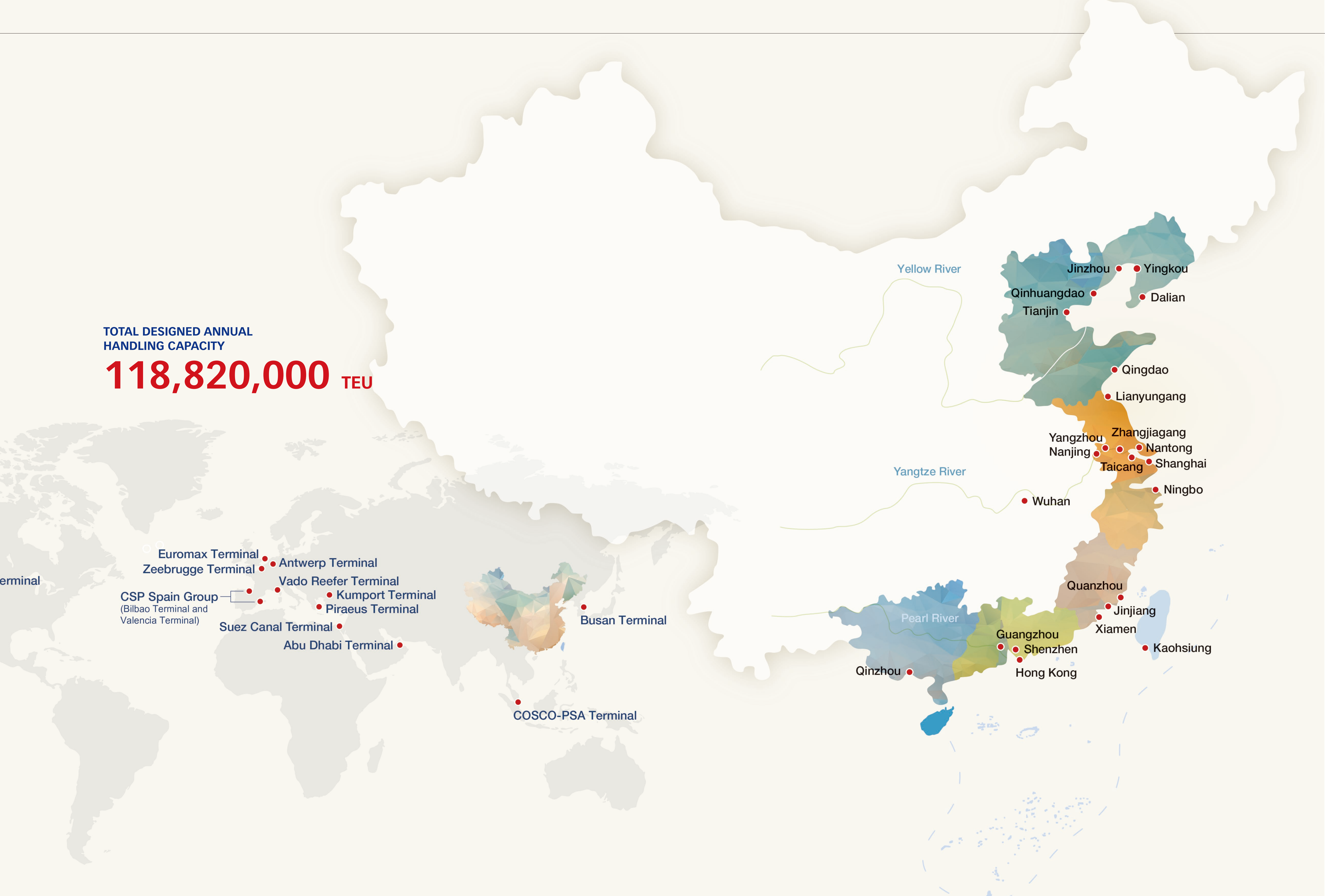


OVERSEAS
31.7%

GREATER CHINA
68.3%

TOTAL DESIGNED ANNUAL HANDLING CAPACITY

118,820,000 TEU



The Ports for ALL

Greater China
(Mainland China,
Hong Kong and Taiwan)

Terminal Coverage	23 Ports
Target Container Berths	145
Designed Annual Handling Capacity	81,120,000 TEU

Overseas

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

Bohai Rim

22.4% Percentage of total designed annual handling capacity

57 Target Container Berths

26,600,000 TEU
Designed Annual Handling Capacity

Yangtze River Delta

17.1% Percentage of total designed annual handling capacity

39 Target Container Berths

20,320,000 TEU
Designed Annual Handling Capacity

Southeast Coast and others

6.2% Percentage of total designed annual handling capacity

13 Target Container Berths

7,400,000 TEU
Designed Annual Handling Capacity

Pearl River Delta

21.6% Percentage of total designed annual handling capacity

34 Target Container Berths

25,600,000 TEU
Designed Annual Handling Capacity

Southwest Coast

1.0% Percentage of total designed annual handling capacity

2 Target Container Berths

1,200,000 TEU
Designed Annual Handling Capacity

Overseas

31.7% Percentage of total designed annual handling capacity

62 Target Container Berths

37,700,000 TEU
Designed Annual Handling Capacity

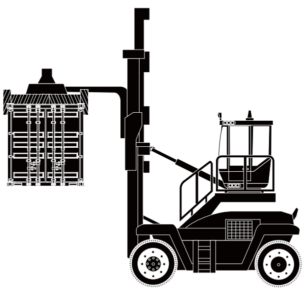

ZPMC
WSD

OPERATIONAL REVIEW

MARKET REVIEW

2018 has been a year filled with many challenges and opportunities, despite global economy growth continued after the recovery in 2017, different countries experienced slow down at varying degrees in the second half of the year. Sino-US trade frictions, Brexit looms, geopolitical uncertainties, the rise of protectionism and the upward trend of interest rates placed serious pressure on global trade and economy. The International Monetary Fund (IMF), the first time since July 2016, revised down its projections of global economy growth from 3.9% to 3.7% for 2018 and 2019.

China, however, experienced strong growth in 2018. According to China Customs statistics, in terms of US dollars, the total value of China's foreign trade reached US$4.62 trillion in the year, an increase of 12.6% from 2017. Notwithstanding the Sino-US trade frictions, China's exports to US increased by 11.3% in 2018, import and export increased by 15.8% and 9.9% respectively for the year.



OVERALL PERFORMANCE

Despite uncertainty casting shadow over the global trade, COSCO SHIPPING Ports achieved robust results in 2018. Backed by the increased calls by the OCEAN Alliance and parent company at the subsidiaries, as well as the contributions from newly acquired terminals, total throughput of the Group increased by 17.1% to 117,365,360 TEU (2017: 100,202,185 TEU) and outperformed the market. Throughput of QPI has been included since May 2017; excluding QPI, total throughput increased by 11.5% to 98,045,360 TEU on a comparable basis. Throughput of the Group's subsidiaries increased by 29.7% to 22,507,686 TEU (2017: 17,353,422 TEU), made up 19.2% of the Group's total. Throughput of the non-controlling terminals rose by 14.5% to 94,857,674 TEU (2017: 82,848,763 TEU).

Total equity throughput rose by 15.8% to 37,062,172 TEU (2017: 31,999,491 TEU) in 2018. Excluding QPI, equity throughput increased by 12.7% to 33,505,360 TEU. Equity throughput of the Group's subsidiaries increased by 28.7% to 14,230,256 TEU (2017: 11,053,112 TEU), accounting for 38.4% of the Group's total equity throughput. Equity throughput of the Group's non-controlling terminals increased by 9.0% to 22,831,916 TEU (2017: 20,946,379 TEU).

Operational Review

90 **target bulk berths**

with a total designed annual handling capacity of

273,740,000
tons

With strong volume growth achieved in subsidiaries, excluding newly acquired terminals, organic growth of COSCO SHIPPING Ports increased by 7.8% to 94,158,905 TEU compared with 2017, outperformed the average market growth of 4.2%.

Volume contributed by the OCEAN Alliance accounted for about 49.9% of total throughput of six major subsidiaries for the year, representing an increase of 33.7% compared with 2017.

	2018 (TEU)	2017 (TEU)	Change (%)
Total Throughput	**117,365,360**	**100,202,185**	**17.1**
Total Throughput (Organic Growth*)	**94,158,905**	**87,378,157**	**7.8**
Throughput from the Group's subsidiaries	22,507,686	17,353,422	29.7
Throughput from the Group's non-controlling terminals	94,857,674	82,848,763	14.5
Equity Throughput	**37,062,172**	**31,999,491**	**15.8**
Equity Throughput (Organic Growth)**	**31,274,896**	**29,381,203**	**6.4**
Equity throughput from the Group's subsidiaries	14,230,256	11,053,112	28.7
Equity throughput from the Group's non-controlling terminals	22,831,916	20,946,379	9.0

* Excluding QPI, the CSP Spain Group and Nantong Tonghai Terminal.

** Excluding QPI, the CSP Spain Group, Zeebrugge Terminal and Nantong Tonghai Terminal.

Operational Review

Operational Review

207 target container berths

with a total designed annual handling capacity of

118,820,000
TEU

EQUITY THROUGHPUT BY REGION

	Throughput (TEU)	Year-on-year change (%)	Percentage of total (%)
Bohai Rim	8,718,334	+17.0	23.5
Yangtze River Delta	5,718,573	+2.4	15.4
Southeast Coast and others	3,352,167	+14.5	9.0
Pearl River Delta	8,032,453	-0.2	21.7
Southwest Coast	548,420	+1.0	1.5
Overseas	10,692,225	+43.6	28.9
Total	37,062,172	+15.8	100.0

TOTAL THROUGHPUT BY REGION

	Throughput (TEU)	Year-on-year change (%)	Percentage of total (%)
Bohai Rim	38,328,815	+35.7	32.6
Yangtze River Delta	19,808,646	+0.9	16.9
Southeast Coast and others	5,699,718	+12.2	4.9
Pearl River Delta	27,388,896	+1.3	23.3
Southwest Coast	1,371,051	+1.0	1.2
Overseas	24,768,234	+31.5	21.1
Total	117,365,360	+17.1	100.0

Operational Review

Greater China
Total Throughput
92,597,126 TEU[1]
▲13.8%

Overseas
Total Throughput
24,768,234 TEU
▲31.5%

QPI [1]	19,320,000	+57.5%
Dalian Container Terminal [2]	9,512,744	+40.8%
Dalian Dagang Terminal	22,047	-10.3%
Tianjin Euroasia Terminal	2,717,331	+10.0%
Tianjin Five Continents Terminal	2,708,817	+5.0%
Yingkou Terminals [3]	2,752,429	-8.6%
Jinzhou New Age Terminal	710,746	+24.4%
Qinhuangdao New Harbour Terminal	584,701	+4.5%

Yantian Terminals	13,159,705	+3.6%
Guangzhou Terminals [4]	10,969,992	+1.0%
Hong Kong Terminals [5]	3,259,199	-6.6%

Notes:

1. Throughput of QPI was included since 1 May 2017.
2. The merger of Dalian Container Terminal, DPCT and DICT was completed in October 2017. The figure of Dalian Container Terminal for the year 2017 included throughput of DPCT and DICT; while the figure for the year 2018 was throughput of Dalian Container Terminal after the merger.
3. Yingkou Container Terminal and Yingkou New Century Terminal began their operations under same management since May 2017. Therefore, throughput of the two terminals was combined within throughput of Yingkou Terminal.
4. The integration of operation of Nansha Stevedoring Corporation Limited of Port of Guangzhou and Guangzhou South China Oceangate Container Terminal was commenced in August 2017. Therefore, throughput of the two terminals was combined within throughput of Guangzhou Terminal.
5. The co-management and operation of COSCO-HIT Terminal, Asia Container Terminal and Hongkong International Terminals was commenced on 1 January 2017. Therefore, throughput of COSCO-HIT Terminal and Asia Container Terminal was combined within throughput of Hong Kong Terminal.
6. Throughput of Nantong Tonghai Terminal was included since 1 August 2018.
7. Throughput of CSP Spain Group was included since 1 November 2017.
8. Throughput of Reefer Terminal S.p.A. was included since 1 April 2017.

Operational Review

Shanghai Pudong Terminal	**2,602,151**	**-1.8%**
Shanghai Mingdong Terminal	**6,252,083**	**-3.8%**
Ningbo Yuan Dong Terminal	**3,060,010**	**+2.7%**
Lianyungang New Oriental Terminal	**2,876,355**	**+0.1%**
Zhangjiagang Terminal	**761,849**	**+3.5%**
Yangzhou Yuanyang Terminal	**500,340**	**+2.3%**
Nanjing Longtan Terminal	**2,930,391**	**+1.7%**
Taicang Terminal	**561,212**	**+7.8%**
Nantong Tonghai Terminal [6]	**264,255**	**N/A**

Piraeus Terminal	**4,409,205**	**+19.4%**
Zeebrugge Terminal	**392,484**	**+24.0%**
CSP Spain Group [7]	**3,622,200**	**+553.8%**
COSCO-PSA Terminal	**3,198,874**	**+56.5%**
Vado Reefer Terminal [8]	**66,565**	**+68.7%**
Euromax Terminal	**3,054,115**	**+13.4%**
Kumport Terminal	**1,258,294**	**+18.3%**
Suez Canal Terminal	**2,609,978**	**+3.2%**
Antwerp Terminal	**2,230,418**	**+3.0%**
Seattle Terminal	**167,824**	**-10.9%**
Busan Terminal	**3,758,277**	**+5.7%**

Xiamen Ocean Gate Terminal	**1,968,613**	**+31.2%**
Quan Zhou Pacific Terminal	**1,559,899**	**+12.7%**
Jinjiang Pacific Terminal	**425,533**	**-14.2%**
Kao Ming Terminal	**1,745,673**	**+2.8%**

Qinzhou International Terminal	**1,371,051**	**+1.0%**

Operational Review

TERMINAL PORTFOLIO* (as of 31 December 2018)

Terminal company	Share holdings	Target Number of Berths	Designed annual handling capacity (TEU)	Depth (m)
		57	26,600,000	
Bohai Rim		3	780,000 vehicles	
		63	236,020,000 tons	
QPI	18.41%	23	10,000,000	N/A
		61	207,020,000 tons	N/A
Dalian Container Terminal	19%	18	9,500,000	17.8
Dalian Dagang Terminal	35%	1	100,000	9.1
Dalian Automobile Terminal	24%	3	780,000 vehicles	11
Tianjin Euroasia Terminal	30%	3	1,700,000	16.5
Tianjin Five Continents Terminal	28%	4	1,500,000	16.5
Yingkou Container Terminal	50%	2	1,200,000	14
Yingkou New Century Terminal	40%	2	1,200,000	15.5
Jinzhou New Age Terminal	51%	2	600,000	15.4
Qinghuangdao New Harbour Terminal	30%	2	800,000	15.8
Dongjiakou Ore Terminal	25%	2	29,000,000 tons	19.2-24.5
Yangtze River Delta		39	20,320,000	
		22	28,520,000 tons	
Shanghai Pudong Terminal	30%	3	2,300,000	12
Shanghai Mingdong Terminal	20%	7	5,600,000	12.8
Ningbo Yuan Dong Terminal	20%	3	1,800,000	17-22
Ningbo Meishan Terminal	20%	2	1,200,000	17
Lianyungang New Oriental Terminal	55%	4	1,200,000	15
Zhangjiagang Terminal	51%	3	1,000,000	10-11
Yangzhou Yuanyang Terminal	55.59%	2	700,000	12
		8	10,950,000 tons	8-12
Nanjing Longtan Terminal	16.14%	10	4,500,000	12.5-14.5
Taicang Terminal	39.04%	2	550,000	12
		2	4,000,000 tons	12
Nantong Tonghai Terminal	51%	3	1,470,000	12.5
		1	5,370,000 tons	N/A
Wuhan Terminal	70%	4	4,200,000 tons	9
Jiangsu Petrochemical	30.4%	7	4,000,000 tons	4.5-13
Southeast Coast and others		13	7,400,000	
		5	9,200,000 tons	
Xiamen Ocean Gate Terminal	70%	4	2,600,000	16
		1	4,000,000 tons	6.6-13.6
Quan Zhou Pacific Terminal	82.35%	3	1,200,000	7.0-15.1
		2	1,000,000 tons	5.1-9.6

Operational Review

TERMINAL PORTFOLIO* (as of 31 December 2018)

Terminal company	Share holdings	Target Number of Berths	Designed annual handling capacity (TEU)	Depth (m)
Jinjiang Pacific Terminal	80%	2	800,000	9.5-15.3
		2	4,200,000 tons	7.5-9.5
Kao Ming Terminal	20%	4	2,800,000	16.5
Pearl River Delta		34	25,600,000	
Yantian Terminal Phases I & II	14.59%	20	13,000,000	14-17.6
Yantian Terminal Phase III	13.36%			
Guangzhou Nansha Stevedoring Terminal	40%	4	5,000,000	14.5-15.5
Guangzhou South China Oceangate Terminal	39%	6	4,200,000	15.5
COSCO-HIT Terminal	50%	2	1,800,000	15.5
Asia Container Terminal	60%	2	1,600,000	15.5
Southwest Coast		2	1,200,000	
Qinzhou International Terminal	40%	2	1,200,000	15.1
Overseas		62	37,700,000	
		2	600,000 pallets	
Piraeus Terminal	100%	8	6,200,000	14.5-18.5
Suez Canal Terminal	20%	8	5,100,000	16
Kumport Terminal	26%	6	3,000,000	15-16.5
Zeebrugge Terminal	85%	3	1,000,000	17.5
Antwerp Terminal	20%	6	3,500,000	14.5-16.5
COSCO-PSA Terminal	49%	3	3,000,000	18
Busan Terminal	5.50%	8	4,000,000	15-16
Seattle Terminal	13.33%	2	900,000	15
Euromax Terminal	35%	5	3,200,000	16.65
Abu Dhabi Terminal	90%	3	2,400,000	18
Vado Reefer Terminal	40%	1	300,000	14.1
		2	600,000 pallets	14.1
Valencia Terminal	51%	6	4,100,000	16
Bilbao Terminal	39.78%	3	1,000,000	21
Total		302		
Total number of container berths/ designed annual handling capacity		207	118,820,000	
Total number of bulk berths/ designed annual handling capacity		90	273,740,000 tons	
Total number of automobile berths/ designed annual handling capacity		3	780,000 vehicles	
Total number of reefer berths/ designed annual handling capacity		2	600,000 pallets	

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

Operational Review

GREATER CHINA

In 2018, throughput of the Greater China region increased by 13.8% to 92,597,126 TEU (2017: 81,361,521 TEU) for the year and made up 78.9% of the Group's total.

Bohai Rim

The Bohai Rim region delivered strong growth, throughput soared by 35.7% to 38,328,815 TEU compared with 28,244,975 TEU in 2017; mainly because QPI has a year-full contribution in 2018 while last year only had 8-month. Throughput excluding QPI increased by 19.0% to 19,008,815 TEU (2017: 15,974,975 TEU) and made up 19.4% of the Group's total. QPI achieved throughput of 19,320,000 TEU. Total throughput of Dalian Container Terminal increased by 40.8% to 9,512,744 TEU (2017: 6,758,147 TEU) after the merger held in 2018. Total throughput of Yingkou Container Terminal and Yingkou New Century Terminal dropped by 8.6% to 2,752,429 TEU (2017: 3,011,107 TEU) mainly due to bankruptcy of a local client.

Yangtze River Delta

Throughput of the Yangtze River Delta region made up 16.9% of the Group's total and increased by 0.9% to 19,808,646 TEU (2017: 19,630,693 TEU) for the year. Throughput of Shanghai Pudong Terminal and Shanghai Mingdong Terminal decreased by 1.8% and 3.8% compared with 2017 respectively in 2018, mainly due to adjustment of shipping routes within the port area and the prolonged foggy weather in the third quarter of 2018. Benefit from shipping line adjustment and optimisation, throughput of Ningbo Yuan Dong Terminal increased by 2.7% to 3,060,010 TEU for the year (2017: 2,980,839 TEU).

Nantong Tonghai Terminal was inaugurated on 30 June 2018 and operation at Langshan Port was gradually migrated to the new terminal and completed at the end of August 2018. With three container berths and one bulk berth, Nantong Tonghai Terminal delivered 264,255 TEU container throughput in its trial operation during 2018.

Southeast Coast region

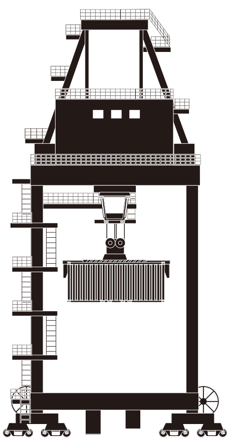
Throughput of the Southeast Coast region increased by 12.2% to 5,699,718 TEU (2017: 5,079,660 TEU) and made up 4.9% of the Group's total. Xiamen Ocean Gate Terminal increased throughput by 31.2% to 1,968,613 TEU (2017: 1,501,001 TEU) for the year, mainly due to increased calls by the OCEAN Alliance. With increased shipping capacity, throughput of Quan Zhou Pacific Terminal increased by 12.7% to 1,559,899 TEU (2017: 1,384,479 TEU).

Pearl River Delta

Performance of the Pearl River Delta region was rather weak compared with other regions in China, throughput of the region increased marginally by 1.3% to 27,388,896 TEU (2017: 27,049,188 TEU) and made up 23.3% of the Group's total. Throughput of Yantian Terminal Phases I & II increased by 3.6% to 13,159,705 TEU compared with 12,703,733 TEU in 2017. Throughput from Guangzhou Nansha Stevedoring Terminal and Guangzhou South China Oceangate Terminal increased by 1.0% to 10,969,992 TEU (2017: 10,856,560 TEU). The throughput of Hong Kong region decreased by 6.6% compared with 2017, mainly due to competition from neighbouring area.

Southwest Coast

Operation scale of the Group in Southwest Coast remained small in the year, throughput of the region increased slightly by 1.0% to 1,371,051 TEU (2017: 1,357,005 TEU) and made up 1.2% of the Group's total. Planned to enhance presence in the region, COSCO SHIPPING Ports took 4.34% stake in Beibu Gulf Port Co., Ltd. by subscribing 70,943,455 shares of the company in December 2018. Beibu Gulf being the gateway of the New International Land-Sea Trade Corridor is strategically significance in development. It connects the Silk Road Economic Belt in the north, and 21st-Century Maritime Silk Road in the south via Guangxi and the Association of Southeast Asian Nations ("ASEAN") countries such as Singapore, it forms a complete route of the Belt and Road Initiative through western China, plays a key role in the construction of the Belt and Road Initiative, it not only promotes the development of western China, but also strengthens the cooperation among China and ASEAN countries.



OVERSEAS

Performance of overseas terminals posed a strong growth in the year. With contributions from newly acquired terminals including the CSP Spain Group and Zeebrugge Terminal and the supports from shipping alliances, throughput of the overseas portfolio increased by 31.5% to 24,768,234 TEU (2017: 18,840,664 TEU) for the year and made up 21.1% of the Group's total.

The CSP Spain Group delivered throughput of 3,622,200 TEU, mainly benefit from increased calls from parent company and shipping alliances after the Group completed the acquisition of it at the end of October 2017. Backed by the continuous support from the OCEAN Alliance and other shipping alliances, Piraeus Terminal achieved 19.4% growth in volume to 4,409,205 TEU (2017: 3,691,815 TEU) for the year.

Added a new berth of one million TEU in January 2018, throughput of COSCO-PSA Terminal surged 56.5% to 3,198,874 TEU (2017: 2,044,536 TEU). In view of the strong demand in South East Asia and align with the Company's strategy of strengthening presence in South East Asia, COSCO-PSA Terminal announced the launch of two new berths with about 2 million TEU in total in January 2019; with the launch of the two new berths, COSCO-PSA Terminal is equipped with five container berths, increasing its annual handling capacity from 3 million TEU of the current three berths to about 5 million TEU. The new berths will further strengthen COSCO SHIPPING Ports' presence in Singapore and support the needs of parent company with the advent of mega-vessels and mega-alliances in the shipping industry.

Operational Review

Throughput of Zeebrugge Terminal increased by 24.0% to 392,484 TEU compared with 316,448 TEU in 2017. The terminal became a wholly owned subsidiary of the Group in November 2017, and with an aim to foster the development of the terminal, COSCO SHIPPING Ports strategically partnered with Port of Zeebrugge and CMA CGM by inviting the two companies to take up 5% and 10% stake in the terminal respectively.

Kumport Terminal, despite instability of local currency, achieved 18.3% growth in volume for the year to 1,258,294 TEU. Euromax Terminal increased volume by 13.4% to 3,054,115 TEU in 2018.

Abu Dhabi Terminal, the first overseas green-field subsidiary of the Company, was inaugurated on 10 December 2018 after just about two years in construction. With an annual design capacity of 2.5 million TEU, the terminal will begin trial operations in April 2019 with 1.5 million TEU handling capacity and will gradually ramp up the volume until the official operations scheduled to commence in the third quarter of 2019. Abu Dhabi Terminal, building with the largest Container Freight Station in the Middle East covering 275,000 square meters, is planned to be a container gateway port and an important hub port in the Middle East.

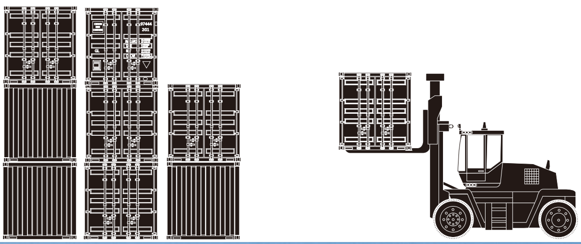
PROSPECTS

With the strong support from parent company and the OCEAN Alliance as well as debut of Abu Dhabi Terminal and added capacity at COSCO-PSA Terminal in 2019, COSCO SHIPPING Ports is well positioned to continue to outperform the market, especially throughput growth. Though the adoption of

Operational Review

HKFRS 16 (non-cash impact) and the start-up costs of a new terminal will negatively impact the performance of the Group in the year, increased contributions from its subsidiaries will continue to drive the growth, and offset part of the negative impacts.

It is expected that macroeconomic and geopolitical uncertainties will continue in 2019 and likely to create headwinds in some regions in the year; COSCO SHIPPING Ports while stays committed to building well-balanced terminal network globally, will remain financially disciplined, and initiatives have been taken to optimise cost structure of the Group to maximise returns.



Enhancing port operation efficiency is one of the Group's key initiatives as a leading global port operator. After the subscription agreement signed with Navis, a supplier of terminal operation system, at the beginning of 2018, it is the Group's plan to gradually deploy the Navis N4 system to its subsidiaries. During the year, trainings were held to better prepare terminals for integrating the Navis N4 system to terminal operation. At present, three terminals namely Zeebrugge Terminal, Valencia Terminal under the CSP Spain Group and Lianyungang New Oriental Terminal have successfully integrated the Navis N4 system in their operations and it is expected that the terminal operating system will gradually roll out to one or two subsidiaries in 2019 to further strengthen the efficiency of the terminal operation.

It is also the Group's strategy to step up the development of terminal extended logistic business and divestment of non-performing assets in 2019 to further enhance its profitability. The terminal extended logistic business will be launched in Pearl River Delta to leverage on the resources the Group secured in the region; and gradually expand to other regions of China.

Meanwhile, the Group will actively seize the opportunities to take part in reorganisation of major port groups in China to enlarge the Group's operation scale and influence.

COSCO SHIPPING Ports will continue to strengthen its global terminal network by actively exploring investment opportunities in South East Asia, South America and Africa by adopting a prudent investment strategy and discipline, hurdle rate guiding the investment ranges from 8% to 12% IRR.

control

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

FINANCIAL REVIEW

Following the acquisition of 51% equity interests in the CSP Spain Group, the acquisition of additional equity interests in Zeebrugge Terminal in Belgium, which became a subsidiary of the Company and the subscription for the non-circulating domestic shares in QPI in 2017, COSCO SHIPPING Ports has seen significant growth in throughput and revenue from its terminals business. Meanwhile, through various efforts, the OCEAN Alliance and THE Alliance have also been calling at certain terminals of the Company since April 2017, resulting in increased terminals operations and further increase in profit from the terminals business. Excluding the profit from One-off Exceptional Items in 2017 (see note 1 on page 10 of this Annual Report), COSCO SHIPPING Ports recorded a profit attributable to equity holders of the Company of US$324,583,000 in 2018 (2017: US$227,062,000), representing a significant increase of 42.9% compared with last year; or 36.7% lower taking into account the profit from One-off Exceptional Items for 2017.

Excluding One-off Exceptional Items for 2017, the Group recorded a profit from the terminals business of US$363,958,000 in 2018 (2017: US$299,866,000), an increase of 21.4% compared with last year. Of this, profit from terminal companies in which the Group has controlling stakes amounted to US$65,701,000 (2017: US$58,037,000), an increase of 13.2% compared with last year; profit from non-controlling terminals was US$298,257,000 (2017: US$241,829,000), an increase of 23.3% compared with last year.

Profit from terminal companies in which the Group has controlling stakes was mainly attributable to Piraeus Terminal in Greece, Guangzhou South China Oceangate Terminal and Xiamen Ocean Gate Terminal. In 2018, throughput of Piraeus Terminal increased by 19.4% compared with last year. In addition, due to the appreciation of the Euro, profit recorded by Piraeus Terminal in 2018 increased to US$23,829,000 (2017: US$20,000,000), representing a 19.1% increase compared with last year. Throughput of Guangzhou South China Oceangate Terminal for 2018 had a mild increase of 2.1% compared with last year. However, as the 50% corporate income tax exemption for Guangzhou South China Oceangate Terminal expired at the end of 2017, its corporate income tax has been increased to 25% from 2018 onwards (2017: 12.5%). As a result, its profit for the year dropped to US$14,228,000 (2017: US$15,210,000), a 6.5% lower compared with last year. Since the OCEAN Alliance started calling at Xiamen Ocean Gate Terminal in April 2017, throughput of Xiamen Ocean Gate Terminal in 2018 increased by 31.2% compared with last year, while its bulk cargo throughput also increased by 24.7% compared with last year. Xiamen Ocean Gate Terminal recorded a profit of US$12,047,000 for 2018 (2017: US$4,214,000), increased by 185.9% when compared with last year. In 2018, the CSP Spain Group (acquired in the fourth quarter of 2017) and Zeebrugge Terminal in Belgium (equity interests increased in the fourth quarter of 2017) recorded a profit of US$10,333,000 (2017: US$753,000) and a loss of US$14,787,000 (2017: a loss of US$822,000), respectively.

In respect of non-controlling terminals, profit from non-controlling terminals for 2018 was US$298,257,000 (2017: US$241,829,000), a 23.3% increase compared with last year. In May 2017, COSCO SHIPPING Ports completed the subscription for shares in QPI and started to account for its share of profit of QPI using the equity method. In 2018, COSCO SHIPPING Ports' share of profit of QPI for the year amounted to US$95,747,000, while it only shared QPI's profit from May to December for the 2017, which amounted to US$53,524,000. Excluding that of QPI, profit from non-controlling terminals business for 2018 was US$202,510,000 (2017: US$188,305,000), an increase of 7.5% compared with last year. The increase was mainly attributable to the fair value gain from Euromax Terminal in the Netherlands, Kumport Terminal in Turkey, and Beibu Gulf Port Co., Ltd. ("Beibu Gulf Port"). Due to the increase in throughput of Euromax Terminal in the Netherlands, the share of profit of Euromax Terminal for 2018 increased to US$9,034,000 (2017: US$2,752,000). With new shipping lines started to call at Kumport Terminal, throughput for 2018 recorded a significant growth of 18.3%. Meanwhile, benefited from the investment incentive policy newly introduced in Turkey, the share of profit of Kumport Terminal during the year further increased to US$18,594,000 (2017: US$12,673,000), an increase of 46.7% compared with last year. In December 2018, COSCO SHIPPING Ports acquired Beibu Gulf Port, and such investment was accounted for as financial assets at FVPL. The fair value gain of Beibu Gulf Port for 2018 amounted to US$4,283,000 (2017: N/A).

FINANCIAL ANALYSIS

Revenues

Revenues of the Group for 2018 amounted to US$1,000,350,000 (2017: US$634,710,000), a 57.6% increase compared with last year. As the Group completed the acquisition of the CSP Spain Group and increased its equity interests in Zeebrugge Terminal in the fourth quarter of 2017, revenues of the CSP Spain Group and Zeebrugge Terminal have been consolidated into the Group's revenues since November and December 2017, respectively. In 2018, the CSP Spain Group recorded revenue of US$292,148,000 (2017: US$44,596,000), while the revenue of Zeebrugge Terminal amounted to US$17,576,000 (2017: US$1,283,000). On the other hand, Piraeus Terminal also saw an increase in its throughput as compared with last year. As a result, Piraeus Terminal recorded revenue of US$230,767,000 during the year (2017: US$183,219,000), a 26.0% increase compared with last year. Benefiting from the calling of the OCEAN Alliance, Xiamen Ocean Gate Terminal recorded strong performance during the year, with a 31.2% growth in throughput and a 24.7% increase in bulk cargo throughput; its revenue increased by 41.8% to US$90,046,000 compared with last year (2017: US$63,490,000).

Cost of sales

Cost of sales mainly comprised the operating expenses of terminal companies in which the Group has controlling stakes. Cost of sales for 2018 was US$706,659,000 (2017: US$425,435,000), a 66.1% increase compared with last year. The increase was mainly attributable to the cost of sales of the CSP Spain Group and Zeebrugge Terminal newly added in 2017, which increased by US$198,248,000 and US$19,592,000 respectively, as well as that from Piraeus Terminal and Xiamen Ocean Gate Terminal. Due to higher overall operational costs at Piraeus Terminal, which resulted from a 19.4% increase in throughput, raised concession rates, as well as higher fuel prices and labour costs, the cost of sales of Piraeus Terminal for the year increased to US$182,065,000 (2017: US$140,784,000), a 29.3% 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$54,816,000 (2017: US$43,357,000), a 26.4% increase compared with last year.

Administrative expenses

Administrative expenses in 2018 were US$110,871,000 (2017: US$114,290,000), a 3.0% decrease compared with last year. The inclusion of the provisions for professional service fees resulting from the acquisition of equity interests in the CSP Spain Group, the increase in equity interests in Zeebrugge Terminal, the completion of the establishment of Abu Dhabi Terminal, the acquisition of the equity interests in Nantong Tonghai Terminal and Wuhan Terminal in 2017 contributed to lower administrative expenses compared with last year. Similar professional service fees decreased in 2018, and such differences were partially offset by the higher administrative expenses of newly added terminal companies during the year.

Other operating income/(expenses), net

Net other operating income in 2018 was US$30,374,000 (2017: US$35,218,000), of which the fair value gain before taxation of Beibu Gulf Port for 2018 amounted to US$4,283,000 (2017: N/A). Net other operating income in 2017 included the integrated profit before taxation of Dalian Container Terminal of US$7,301,000 and the profit before taxation of the increased equity interest in Zeebrugge Terminal of US$30,000. There was no such profit in 2018.

Finance costs

The Group's finance costs for 2018 amounted to US$78,022,000 (2017: US$55,976,000), a 39.4% increase compared with last year. The average balance of bank

Financial Review

loans for the year increased to US$2,370,355,000 (2017: US$1,691,875,000), representing a 40.1% increase compared with last year. The increase in finance costs was mainly attributable to bank loan interests of the terminals newly added by the Group in the second half of 2017. Taking into account the capitalised interest, the average cost of bank borrowings in 2018 (including the amortisation of transaction costs over bank loans and notes) was 3.58% (2017: 3.22%).

Share of profits less losses of joint ventures and associates

The Group's share of profits less losses of joint ventures and associates for 2018 totalled US$292,452,000 (2017: US$236,568,000), a 23.6% increase compared with last year. This included the share of QPI's profit in 2018 of US$95,747,000, while the Group only shared QPI's profit of US$53,524,000 from May to December during 2017. Excluding the profit of QPI, the Group's share of profits less losses of joint ventures and associates for 2018 amounted to an aggregate of US$196,705,000 (2017: US$183,044,000), a 7.5% increase compared with last year. The increase was mainly attributable to Euromax Terminal in the Netherlands and Kumport Terminal in Turkey.

Income tax expenses

Income tax expenses for the year amounted to US$66,042,000 (2017: US$94,709,000), a 30.3% decrease compared with last year. Of this, income tax expenses for 2017 included taxation related to exceptional items, including income tax provision 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 2017. Excluding taxation related to exceptional items, income tax expenses for 2018 amounted to US$66,042,000 (2017: US$57,706,000), a 14.4% increase compared with last year. Such increase was mainly contributed to the addition in income tax expenses by the CSP Spain Group during the year, and the expiry of the 50% corporate income tax exemption for both Xiamen Ocean Gate Terminal and Guangzhou South China Oceangate Terminal at the end of 2017, which resulted in the increase in their corporate income tax to 25% from 2018 onwards (2017: 12.5%).

FINANCIAL POSITION

Cash flow

In 2018, the Group continued to receive steady cash flow income. The Group's net cash generated from operating activities amounted to US$265,809,000 for the year (2017: US$252,900,000). In 2018, the Group borrowed loans of US$721,073,000 (2017: US$763,520,000) and repaid loans of US$514,222,000 (2017: US$449,635,000). During the year, an amount of US$312,824,000 (2017: US$198,483,000) was paid in cash by the Group for the expansion of berths and the purchase of property, machines and equipment. In addition, an amount of US$59,761,000 was paid to subscribe for the preference shares of COSCO-PSA Terminal during the year. Moreover, the Group subscribed for 70,943,455 shares in Beibu Gulf Port at a consideration of RMB6.64 per share, representing 4.34% equity interests, with a net investment cash outflow of US$68,632,000. On the other hand, the Group completed the disposal of 15% equity interests in Zeebrugge Terminal for a consideration of US$8,780,000 in 2018.

The subscription for 1,015,520,000 non-circulating domestic shares in QPI at a total consideration of RMB5,798,619,200 (equivalent to approximately US$843,858,000, being RMB5.71 per share) was completed in 2017, of which RMB3,198,650,840 (equivalent to approximately US$465,491,000) was settled by the transfer of 20% equity interests in Qingdao Qianwan Terminal to QPI, and the remaining RMB2,599,968,360 (equivalent to approximately US$378,367,000) was settled in cash. Moreover, in 2017, the Group completed the acquisition of 51% equity interests in the CSP Spain Group with a net investment amount of US$218,035,000 in cash, the increase of equity interests in Zeebrugge Terminal and provision of shareholder's loan totalling US$40,212,000, and the acquisition of Wuhan Terminal with a net investment amount of US$45,521,000 in cash. Furthermore, the acquisition of 40% equity interests in

Vado Reefer Terminal was completed in 2017, in connection with which an amount of US$7,465,000 was invested and an additional shareholders' loan of US$37,061,000 was provided to Vado Reefer Terminal. Additionally, the Group increased its investment in Qingdao Port Dongjiakou Ore Terminal Co., Ltd. for an amount of US$22,601,000 in 2017.

Financing and credit facilities

As at 31 December 2018, the Group's total outstanding borrowings amounted to US$2,479,903,000 (31 December 2017: US$2,334,349,000) and cash balance amounted to US$606,689,000 (31 December 2017: US$566,400,000). Banking facilities available but unused amounted to US$764,138,000 (31 December 2017: US$976,365,000).

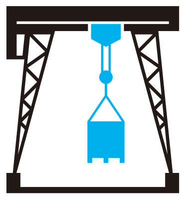
Assets and liabilities

As at 31 December 2018, the Group's total assets and total liabilities were US$9,045,452,000 (31 December 2017: US$8,954,080,000) and US$3,225,802,000 (31 December 2017: US$3,108,706,000), respectively. Net assets were US$5,819,650,000 (31 December 2017: US$5,845,374,000).

Net current assets as at 31 December 2018 amounted to US$75,552,000 (31 December 2017: net current liabilities of US$179,637,000). As at 31 December 2018, the net asset value per share of the Company was US$1.87 (31 December 2017: US$1.91).

As at 31 December 2018, the net debt-to-total-equity ratio was 32.2% (31 December 2017: 30.2%) and the interest coverage was 6.6 times (2017: 12.5 times).

As at 31 December 2018, certain non-current assets of the Group with an aggregate net book value of US$167,178,000 (31 December 2017: US$157,298,000) and the Company's restricted bank deposits and interest in subsidiaries were pledged to secure bank loans and a loan from CS Finance totalling US$1,017,631,000 (31 December 2017: US$816,026,000).



Debt analysis

	As at 31 December 2018		As at 31 December 2017	
	US$	**(%)**	**US$**	**(%)**
By repayment term				
Within the first year	**196,374,000**	**7.9**	510,579,000	21.9
Within the second year	**233,126,000**	**9.4**	76,324,000	3.3
Within the third year	**258,830,000**	**10.5**	215,863,000	9.2
Within the fourth year	**379,635,000**	**15.3**	231,351,000	9.9
Within the fifth year and after	**1,411,938,000**	**56.9**	1,300,232,000	55.7
	2,479,903,000*	**100.0**	2,334,349,000*	100.0
By category				
Secured borrowings	**1,017,631,000**	**41.0**	816,026,000	35.0
Unsecured borrowings	**1,462,272,000**	**59.0**	1,518,323,000	65.0
	2,479,903,000*	**100.0**	2,334,349,000*	100.0
By denominated currency				
US dollar borrowings	**721,698,000**	**29.1**	1,011,840,000	43.4
RMB borrowings	**560,147,000**	**22.6**	449,093,000	19.2
Euro borrowings	**853,360,000**	**34.4**	873,416,000	37.4
HK dollar borrowings	**344,698,000**	**13.9**	–	–
	2,479,903,000*	**100.0**	2,334,349,000*	100.0

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

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Financial guarantee contracts

As at 31 December 2018, China Shipping Terminal Development Co., Ltd., a wholly-owned subsidiary of the Company, released the guarantees on loan facilities granted to a joint venture (31 December 2017: US$9,226,000).

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 much as possible. The functional currency of the Group's terminals business is either the Euro or Renminbi, the same currency of 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 are 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 2018, 41.1% (31 December 2017: 29.2%) of the Group's borrowings were at fixed rates. In light of market conditions, the Group will continue to monitor and regulate its fixed and floating-rate debt portfolio, with a view to minimising its potential interest rate exposure.

Events after balance sheet date

On 21 January 2019, QPI completed its A share offering and listed on the Shanghai Stock Exchange. As a result, the Group's 18.41% equity interests in QPI was diluted to 17.12%. As the share of contribution from the A share offer is less than the cost of deemed disposal, the Group recognised a loss of approximately US$23,000,000 on deemed disposal of partial interest in QPI.

On 23 January 2019, the Company, COSCO SHIPPING Ports (Chancay) Limited ("CSP (Chancay)", a wholly-owned subsidiary of the Company), Volcan Compañia Minera S.A.A. ("Volcan") and Chancay Terminal entered into a subscription and investment agreement pursuant to which Chancay Terminal has conditionally agreed to issue, and CSP (Chancay) has conditionally agreed to subscribe for, shares representing 60% of the shares of Chancay Terminal at a subscription price of US$225,000,000, and Chancay Terminal will become a subsidiary of the Company. As at the date of this Annual Report, the subscription was not completed.

CORPORATE SUSTAINABLE DEVELOPMENT

The Group takes sustainability as its core value in business development and enhancement of operational performance; with the establishment of sustainable development strategy, COSCO SHIPPING Ports while striving to further enhance the terminal efficiency, places the overall and long-term interests of the stakeholders as a top priority and dedicates to contributing positively to the environment and community, which it sees as fundamental in realising its corporate development strategy. COSCO SHIPPING Ports continued to strengthen its global terminal network in 2018, integrate resources and capitalise on the scale and synergies to become “The Ports for ALL”, a platform that offers mutual benefits, creates shared value and win-win outcomes for all in the industry.

In corporate sustainable development, COSCO SHIPPING Ports is constantly exploring, standardising and improving aspects of management and policy to incorporate sustainability to its terminal operations.

EMPLOYEE-ORIENTED

During the year, the Group continued to improve its employee performance appraisal system and incentive mechanism. Through active development of various staff events and internal publications as well as 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 ENHANCE OPERATIONAL EFFICIENCY

The Group implemented the globalisation strategy to expand its container terminal network globally. COSCO SHIPPING Ports has adopted a unified management and information system to promote the unification of information systems for the subsidiaries terminal companies, by doing so the headquarter can examine the operation of its terminals in real time and quantify the business performance of the terminal companies by a unified performance indicators. The Group also introduced and applied innovative information technology to optimise workflow and business operations of various departments so as to provide customers with high-quality services while enhancing safety and overall operational efficiency.

CUSTOMER-FIRST

COSCO SHIPPING Ports is committed to offering customers with high quality and efficient services, by promoting automation in terminal operations, the Group aims to further enhance efficiency and safety. During the year, it continued to strengthen global terminal network and brand awareness to create shared values for its customers at home and abroad.

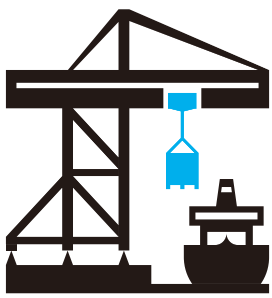
COMMIT TO THE DEVELOPMENT OF “GREEN PORTS”

As a leading global terminal operator, COSCO SHIPPING Ports has dedicated its efforts in environmental protection and took the lead in promoting the development of green port. During the year, the Group remained committed to “Green Ports” development, the terminals under the Group have good progress in measures of environmental protection by adopting emission-reduction technologies and better utilisation of resources, and have achieved good results in reducing impact on environment and carbon footprint.

WIN-WIN COOPERATION

With the corporate vision of building a platform providing mutual benefit for all stakeholders, the Group formulated the policy and centralised the management system of its supplier sourcing to enhance the effectiveness of the supply chains. Care for the community is one of the core value of the terminal companies in our global network, actions were taken in education, poverty alleviation, and talent training. All these are in line with the corporate mission of growing with the industry and society.

During the year, sustainability remained at the heart of everything COSCO SHIPPING Ports did. The Group continued to strengthen internal training, optimised data collection, report preparation, and improved reporting quality, so as to enhance the effectiveness of sustainability related information disclosure. This year, apart from external stakeholders, COSCO SHIPPING Ports, through a third party consultant, sent an evaluation survey to external stakeholders, all internal staff and senior management and received nearly 240 response with an aim to better understand the views of internal and external stakeholders about the sustainability development the Group implemented so far. With the launch of Task Force on Climate-related Financial Disclosures (“TCFD”), COSCO SHIPPING Ports is assessing the possibility of adding the TCFD criteria to its sustainability report next year.



INVESTOR RELATIONS

COSCO SHIPPING Ports places great importance on investor relations and enhances daily communications with investors. It is an important part of corporate governance. The Group remains committed to improving transparency; releases corporate information and business updates in a timely manner to fulfill more strict and transparent standards of disclosure.

The year 2018 is the Group's second operational year after the reorganisation held in 2016. We believe that it is the core value of Investor Relations to let investors and shareholders understand the Group's business operation and strategy when the Group remains committed to strengthening its global terminal network.

Investor Relations Department is committed to enhancing communications with shareholders, investors and analysts; ensures proper disclosure of corporate information and answers investor's enquiries on time; releases monthly terminal throughput and quarterly results voluntarily; improves corporate transparency; arranges reverse roadshow, investor presentation, results announcement conference call, media tour and press conference for investors, analysts and journalists to visit the Group's terminals in order to have a better understanding of the Group's business operation; publishes Sustainability Report to enhance corporate governance.

STRENGTHENING COMMUNICATIONS WITH INVESTORS

As a leading global terminal operator, investors and analysts show great interests in the Group's business and developments. The Group has arranged a series of events, including roadshow, press conference, investor presentation, investor meeting, results announcement conference call, media luncheon, media tour and etc. COSCO SHIPPING Ports endeavors to let the market fully understand its financial results, business strategies and growth prospect through its frequent communication with the capital market. Only if the market fully understands and recognises COSCO SHIPPING Ports' business model and development strategies can the Group's valuation truly reflect its intrinsic value. In 2018, senior management and Investor Relations Department proactively communicated with investors and

Investor Relations

shareholders, comprehensively explained strategies and the impacts of market changes on the Group to the investors, in order to deepen investors' knowledge of the industry and the Group and to enhance their confidence in the Group.

In 2018, the Group met a total of 500 shareholders, investors and analysts, a significant increase of 113.7% compared with 234 shareholders, investors and analysts in 2017. The Group met a total of 40 journalists in 2018, increasing by 37.9% compared with 29 journalists in 2017. Meanwhile, the Group attended 5 non-deal roadshows and 11 investor conferences. The Group arranged its first reverse roadshow in September, in which over 20 investors and analysts attended. In 2017, the Group participated in 2 non-deal roadshows and 3 investor conferences. The Group actively arranges events and attends investor conferences to strengthen communications with shareholders, investors and analysts.

	2018	2017	Change (%)
Number of Shareholders, investors and analysts met	**500**	234	+113.7
Number of journalists met	**40**	29	+37.9
Number of non-deal roadshows attended	**5**	2	+150.0
Number of Investor conferences attended	**11**	3	+266.7

CONTINUE TO ENHANCE CORPORATE TRANSPARENCY

The disclosure practice the Group implements is well above regulatory requirements. Since 1997, the Group has posted the monthly terminal throughput on its corporate website, which serves an important reference for investors and media. Furthermore, the Group has started to announce quarterly results since the third quarter of 2007 to provide investors with latest operational updates and financial performance. In order to further enhance corporate transparency, Investor Relations Department has arranged results announcement conference call since 2018, which provides a two-way communication platform for investors all over the world to have an in-depth understanding of the Group's financial results and business operations. The Group continues to

Investor Relations

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

improve disclosure of the results announcement; regularly distributes press release with the latest updates of M&A project, signing ceremony and business operations to investors and media, in order to let them have a deeper understanding of the Group's operation and financial performance.

The Group believes that interim and annual reports are essential reference for shareholders and investors to better understand COSCO SHIPPING Ports' business operation and growth strategy. Every year, COSCO SHIPPING Ports spares no effort in preparing the report to reflect the Group's culture, business operations and growth strategies.

Meanwhile, the Group also publishes an independent Sustainability Report. The headquarters and the terminals collected sustainability data of employees and environmental protection to strengthen the depth and accuracy of data disclosure. In addition, the Group provides stakeholders with relevant information, including the efforts undertaken by the terminals in promoting environmental protection, enhancing customer service, supply chain management and community engagement.

FACILITATING TWO-WAY COMMUNICATION BETWEEN THE GROUP AND INVESTORS

Investor Relations Department formulates disclosure policy. Apart from regularly reporting to senior management,

Investor Relations

Investor Relations Department prepares investor relations report and informs senior management of the latest market perceptions of the Group, investors' concerns and changes in regulations or compliance requirements, and optimises investor relations' work according to international best practice.

The Company regularly conducts shareholder registry analysis through professional services provider with the aim of better understanding the shareholding structure of the Group. IR department proactively contacts investors and answers their enquiries about the Group and the industry to strengthen effective communications. IR department also constantly reaches out to potential investors, communicates with institutional investors who are interested in the industry and the Group with a view to broaden the shareholder base of the Group.

AWARDS

Efforts of investor relations that COSCO SHIPPING Ports made in enhancing effective communications with shareholders and investors were highly recognised by the market especially in 2018; the Group received a number of awards in the field of investor relations offered by various organisations. In April 2018, the Group was awarded "Best Investor Relations 2018" under the Transportation category by Global Business Outlook; In June, the Group was awarded "Best Investor Relations Company" for the seventh consecutive year and "Best Investor Relations Professional" by Corporate Governance Asia magazine. The achievements of the Group in ESG are also highly recognised by the market. In March 2018, the Group was awarded "Outstanding ESG Award" by Economic Digest magazine; In September, the Group was awarded "Excellence in GRI Report" Grand Award and the "Best ESG Report" Grand Award under the Mid-Cap category from Alaya Consulting magazine; In November, the Group was awarded "Gold Award in the H-share Companies and Other Mainland Enterprises Category" in the Best Corporate Governance Awards by the Hong Kong Institute of Certified Public Accountants; In December, the Group was awarded "Gold Award in Environmental, Social Responsibility and Corporate Governance" by The Asset magazine. The Group also places great importance on the contents and designs of interim, annual and sustainability reports and the efforts were recognised by the market with the awards of"Annual Report Design Silver Prize", "Annual Report Bronze Prize" under the Shipping Services category, "Annual Report Photography Honors Prize", "Sustainability Report Interior Design Bronze Prize" and "Sustainability Report Infographics Bronze Prize" that the Group got in the 2018 ARC Awards.

Investor Relations

INVESTOR RELATIONS EVENTS

Jan
- Deutsche Bank "dbAccess Asia Conference 2018"
- Goldman Sachs "Conglomerates & Gaming Corporate Day"

Mar
- 2017 Annual Results Announcement Investor Presentation
- 2017 Post Annual Results Hong Kong Non-deal Roadshow

Apr
- 2017 Post Annual Results Hong Kong New York Non-deal Roadshow

May
- JPMorgan 14th Annual Global China Summit
- Deutsche Bank "dbAccess Asia 2018 (Singapore)"

Market Capitalisation

As at 31 December	2014	2015	2016	2017	2018
Closing price (HK$)	11.02	8.54	7.79	8.13	7.70
Market capitalisation (in HK$ million)	32,404	25,334	23,495	24,854	23,971

Share Price Performance

(HK$)	2018	2017
Highest closing price	8.72	9.32
Lowest closing price	6.13	7.23
Average	7.35	8.21
Closing price on 31 December	7.70	8.13
Daily average trading volume (million shares)	3.64	3.12
Total number of shares issued (shares)	3,113,125,479	3,057,112,720
Market capitalisation on 31 December (in HK$ million)	23,971	24,854

Source: Bloomberg

Investor Relations

Jun
- London, Hamburg and Frankfurt Non-deal Roadshow
- HSBC "Annual Transport & Logistics Conference (HK)"
- Daiwa "Auto & Industrial Leaders Conference (HK)"

Aug
- 2018 Interim Results Announcement Investor Presentation
- 2018 Post Interim Results Hong Kong Non-deal Roadshow

Sep
- Reverse Roadshow
- HSBC "Global Emerging Markets Investor Forum"
- 2018 Post Interim Results Singapore Non-deal Roadshow

Oct
- 2018 Third Quarter Post-results Conference Call

Nov
- HSBC "Global Investment Forum"
- Daiwa Investment Conference Hong Kong
- Citi China Investor Conference (Macau)
- Morgan Stanley Singapore Summit

Analyst Coverage

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

ABBREVIATIONS

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

Abbreviations

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

CORPORATE GOVERNANCE REPORT

The corporate governance framework of COSCO SHIPPING Ports Limited (the "Company") aims to ensure that the highest standards of corporate conduct are in place within the Company and attaches great importance to corporate governance processes and systems, so as to achieve its corporate objectives, ensure greater transparency and better protect shareholders' interests. The board of directors of the Company (the "Board") sustains and enhances the Company's corporate governance through timely, transparent, effective and accountable approaches and policies. The Board strongly believes that good corporate governance is the core of a well-managed organisation.

In its constant pursuit of excellence, the Company endeavors to improve corporate governance and strengthen investor relations, gaining extensive market recognition from stakeholders for its high level of transparency and good corporate governance. The Company has also been included as a constituent stock of the Hang Seng Corporate Sustainability Benchmark Index. In 2018, the Company was awarded "Gold Award in the H-share Companies and Other Mainland Enterprises Category" in the 2018 Best Corporate Governance Awards by the Hong Kong Institute of Certified Public Accountants, demonstrating that its achievements in corporate governance are highly recognised by the industry. In addition, the Company has won its first title of the "Best Port Operator 2018" by the International Business magazine and the "Most Innovative Port Operator" by the International Finance magazine. The Company's excellent port operation and well-established global terminal network are recognised by the market. In addition, the Company was awarded "Shipping In-House Team of the Year" for the seventh consecutive year by Asian Legal Business, a well-recognised professional magazine. Other notable awards received during the year include "Gold Award for Environmental, Social Responsibility and Corporate Governance" from the Asset magazine, "Outstanding ESG Award" by the Economic Digest magazine, "Excellence in GRI Report" grand award and "Best ESG Report" grand award under the Mid-Cap category by Alaya Consulting magazine, "Best Investor Relations Company" for the seventh consecutive year and the "Best Investor Relations Professional" award from the Corporate Governance Asia magazine, and "Outstanding China Enterprise Award" for the seventh consecutive year from Capital magazine. In addition, COSCO SHIPPING Ports has also won "Annual Report Design Silver Prize", "Annual Report Photography Honors Prize", "Annual Report Bronze Prize" under the Shipping Services category, "Sustainability Report Interior Design Bronze Prize" and "Sustainability Report Infographics Bronze Prize" in 2018 ARC Awards. The Company has won "2017 Annual Report Bronze Prize", "Corporate Website Honors Prize", "Corporate Website Bronze Prize" under the Shipping and Logistics category by 2018 Galaxy Awards. The Company also won the "Best Investor Relations 2018" award under the Transportation category from the Global Business Outlook magazine.

CORPORATE GOVERNANCE PRACTICES

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

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

Corporate Governance Report

The Company believes that good corporate governance is essential to the sustainability of the Company's business and performance. The Company is pleased to confirm that for the year ended 31 December 2018, it has fully complied with the code provisions of the Corporate Governance Code.

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

Code Provision A.1.8

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

Code Provisions A.5.1 to A.5.4

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

In order to promote transparency, the Company will review, from time to time, the recommended best practices in the Corporate Governance Code that the Company may comply with. Set forth below are major recommended best practices in the Corporate Governance Code with which the Company continued to comply during the year ended 31 December 2018:

Recommended Best Practice C.1.6

Recommended best practice C.1.6 of the Corporate Governance Code states that a listed company should announce and publish quarterly financial results. The Company published the announcements of its first and third quarterly results on 26 April 2018 and 29 October 2018, respectively, on a voluntary basis. The Company considers the publication of quarterly results a regular compliance practice.

Recommended Best Practice C.2.6

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

The Board of the Company has received confirmation from its management with respect to the effectiveness of the Company's risk management and internal control systems for 2018. Details of the effectiveness of the risk management and internal control systems of the Company are set out in the section headed "Risk Management and Internal Control" below.

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

Corporate Governance Report

BOARD OF DIRECTORS

Board Functions and Responsibilities of Directors

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

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

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

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

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

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

Board Composition

As at 28 March 2019 (the date on which the Board approved this report), the Board consisted of 14 members. Among them, four are executive directors, five are non-executive directors and five are independent non-executive directors, including Mr. HUANG Xiaowen[2] (Chairman), Mr. ZHANG Wei (張為)[1] (Vice Chairman & Managing Director), Mr. FANG Meng[1], Mr. DENG Huangjun[1], Mr. FENG Boming[2], Mr. ZHANG Wei (張煒)[2], Mr. CHEN Dong[2], Mr. WANG Haimin[2], Dr. WONG Tin Yau, Kelvin[1], Dr. FAN HSU Lai Tai, Rita[3], Mr. Adrian David LI Man Kiu[3], Mr. FAN Ergang[3], Mr. LAM Yiu Kin[3] and Prof. CHAN Ka Lok[3].

1 Executive director
2 Non-executive director
3 Independent non-executive director

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

Procedures for Directors to Seek Independent Professional Advice

To assist the directors in fulfilling their duties to the Company, the Board has established written procedures for them, upon reasonable request, to seek independent professional advice at the Company's expense in appropriate circumstances. No request was made by any director for such independent professional advice in 2018.

Separation of Chairman and Managing Director

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

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

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

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

Corporate Governance Report

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

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

Board Meetings

Board meetings are scheduled one year in advance to facilitate maximum attendance by directors. The Board held four regular Board meetings during the financial year ended 31 December 2018 at quarterly intervals. The average attendance rate was 91.43%. The meetings were held to approve the 2017 final results, 2018 interim results and 2018 first and third quarterly results of the Company respectively. As the members of the Board are either in Hong Kong or in Mainland China, all of these meetings were conducted by video and/or telephone conference as permitted under the Bye-laws of the Company. The senior management in charge of the Finance Department and the General Counsel & Company Secretary also attended the Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and financial aspects.

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

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

Set out below are the details of all directors' attendance at the Board meetings and general meetings during the financial year ended 31 December 2018 which illustrate the attention given by the directors in overseeing the Company's affairs and understanding shareholders' views:

Attendance Record of Board Members at Board Meetings and General Meetings in 2018

	No. of Board meetings attended/held	Attendance rate of Board meetings (%)	No. of general meetings attended/held	Attendance rate of general meetings (%)
Directors				
Mr. HUANG Xiaowen[2] (Chairman)	1/4	25	1/3	33
Mr. ZHANG Wei (張為)[1] (Vice Chairman & Managing Director)	4/4	100	3/3	100
Mr. FANG Meng[1]	4/4	100	3/3	100
Mr. DENG Huangjun[1]	4/4	100	3/3	100
Mr. FENG Boming[2]	4/4	100	2/3	67
Mr. ZHANG Wei (張煒)[2]	4/4	100	2/3	67
Mr. CHEN Dong[2]	3/4	75	2/3	67
Mr. WANG Haimin[2]	4/4	100	3/3	100
Dr. WONG Tin Yau, Kelvin[1]	4/4	100	3/3	100
Dr. FAN HSU Lai Tai, Rita[3]	4/4	100	3/3	100
Mr. Adrian David LI Man Kiu[3]	4/4	100	3/3	100
Mr. FAN Ergang[3]	3/4	75	2/3	67
Mr. LAM Yiu Kin[3]	4/4	100	3/3	100
Prof. CHAN Ka Lok[3]	4/4	100	3/3	100
Ex-director				
Mr. XU Zunwu[2] (resigned on 23 May 2018)	2/2	100	0/1	0

1 Executive director
2 Non-executive director
3 Independent non-executive director

During the year ended 31 December 2018, the Chairman held a meeting with non-executive directors (including independent non-executive directors) without the executive directors present pursuant to code provision A.2.7 of the Corporate Governance Code.

Appointment, Re-Election and Removal of Directors

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

Details of the selection process of new directors and a summary of work performed by the Nomination Committee in 2018 are set out in the "Nomination Committee" section below.

Corporate Governance Report

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

Directors' Commitment

The Company has received confirmation from all directors that they have given sufficient time and attention to the affairs of the Company during the year ended 31 December 2018. Directors have also disclosed to the Company the number and nature of their offices held in public companies or organisations and other significant commitments, as well as the identity of the said public companies and an indication of time involved in such offices.

Directors are required to participate in continuous professional development to ensure that they have a proper understanding of the Company's operations and business and are fully aware of their responsibilities under the Listing Rules and other applicable laws and regulations. During the year ended 31 December 2018, directors participated in various training programmes and seminars at the Company's expense. The following table sets out the details of all directors' participation in continuous professional development during the year ended 31 December 2018:

Directors' Participation in Continuous Professional Development Programmes in 2018

	Reading regulatory updates	Making visits to management of the Company and/or its subsidiaries	Attending directors' training organised by the Company or other listed companies/ professional organisations
Directors			
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. WANG Haimin[2]	✓	✓	✓
Dr. WONG Tin Yau, Kelvin[1]	✓	✓	✓
Dr. FAN HSU Lai Tai, Rita[3]	✓	✓	✓
Mr. Adrian David LI Man Kiu[3]	✓	✓	✓
Mr. FAN Ergang[3]	✓	✓	✓
Mr. LAM Yiu Kin[3]	✓	✓	✓
Prof. CHAN Ka Lok[3]	✓	✓	✓
Ex-director			
Mr. XU Zunwu[2] (resigned on 23 May 2018)	✓	✓	✓

1 Executive director
2 Non-executive director
3 Independent non-executive director

Directors'/Senior Management's Securities Transactions

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

Specific confirmation has been obtained from the directors and senior management of the Company regarding their compliance with the Model Code and the aforementioned guidelines in 2018. No incidents of non-compliance were identified by the Company in 2018.

GENERAL COUNSEL & COMPANY SECRETARY

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

All directors have access to the General Counsel & Company Secretary who is responsible for ensuring good information flow within the Board and accurate execution of the Board policies and procedures. The General Counsel & Company Secretary is also responsible for providing advice to the Board in relation to directors' obligations regarding disclosure of interest in securities and regarding disclosure requirements on notifiable transactions, connected transactions and inside information. In respect of information disclosure, the General Counsel & Company Secretary shall advise the Board on making true, accurate, complete and timely disclosures to the public strictly pursuant to the requirements of the Listing Rules, applicable laws, regulations and the Bye-laws of the Company.

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

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

DELEGATION BY THE BOARD

Management Functions

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

- implementing the strategies and plans established by the Board
- submitting reports on the Company's operations to the Board on a regular basis to ensure effective discharge of responsibilities by the Board, including but not limited to the monthly updates as required by the Listing Rules

Corporate Governance Report

Board Committees

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

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

1. Executive Committee

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

During the year ended 31 December 2018, the Executive Committee held a total of 37 meetings. All the matters considered and decided by the Executive Committee at the committee meetings have been recorded in detailed minutes. A committee member presents a summary report on the business transacted at the Executive Committee meetings to the Board at Board meetings. All directors of the Company can inspect the minutes of the committee meetings at any time and upon request, and the General Counsel & Company Secretary will provide a copy of the minutes of the committee meetings to the directors.

2. Audit Committee

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

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

In addition to providing advice and recommendations to the Board, the Audit Committee oversees all matters relating to the external auditors. It therefore plays an important role in monitoring and maintaining the independence of the external auditors. The internal auditor is directly accountable to the Chairman of the Audit Committee.

Regular meetings of the Audit Committee are held four times a year on a quarterly basis, with additional meetings arranged as and when required. During the year ended 31 December 2018, a total of five meetings were held and attended by all members of the Audit Committee.

The key matters deliberated on by the Audit Committee in 2018 include but are not limited to:

- reviewed the accounting principles and practices adopted by the Group and other financial reporting matters
- reviewed the drafts of annual, interim and quarterly results announcements as well as those of annual and interim reports of the Company, and assured the completeness, accuracy and fairness of the financial statements of the Company
- reviewed the results of the external audit, and discussed any significant findings and audit issues with the external auditors
- reviewed the internal audit plans and reports
- reviewed the Risk Management and Internal Control Policy of the Company; discussed the effectiveness of the risk management and internal control systems throughout the Group, including financial, operational and compliance controls, and reviewed the risk management report for the first half of 2018
- reviewed the summary of continuing connected transactions of the Company on a quarterly basis

Attendance Record of Audit Committee Members in 2018

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

1 Independent non-executive director

3. Remuneration Committee

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

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

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

The work of the Remuneration Committee in 2018 is summarised as follows:

- conducted annual review and made recommendations to the Board on the remuneration packages of all directors and members of senior management
- reviewed the reports in relation to the grant of share options under the share option scheme of the Company

Corporate Governance Report

Attendance Record of Remuneration Committee Members in 2018

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

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

Remuneration policy

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

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

4. Nomination Committee

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

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

During 2018, the work performed by the Nomination Committee included the following:

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

According to the terms of reference of the Nomination Committee, all new appointments of directors and nominations of retiring directors proposed for re-election at the annual general meeting should first be considered by the Nomination Committee and then recommended by the Nomination Committee to the Board for decision. There was no appointment of new directors during 2018.

In early 2019, the Nomination Committee nominated and the Board recommended that Mr. HUANG Xiaowen, Mr. FENG Boming, Mr. ZHANG Wei (張煒) and Mr. CHEN Dong, being directors longest in office since their last re-election, retire by rotation at the forthcoming annual general meeting. All the retiring directors, being eligible, will offer themselves for re-election by shareholders of the Company.

Attendance Record of Nomination Committee Members in 2018

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

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

Nomination Policy

The Board adopted a policy on the nomination of directors (the "Nomination Policy") on 29 October 2018, which was prepared with reference to the Board Diversity Policy and the existing procedures for nomination of directors of the Nomination Committee. The Nomination Policy sets out the nomination procedures and the criteria for selecting and recommending candidates for directorship.

According to the Nomination Policy, for filling a casual vacancy or appointing new additions to the Board, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election or re-election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation. The secretary of the Nomination Committee shall call a meeting of the Nomination Committee and invite candidates nominated by Board members for consideration by the Committee prior to its meeting. The Nomination Committee may also propose candidates who are not nominated by Board members. Furthermore, shareholders may nominate a person as a director, without the Board's recommendation or the Nomination Committee's nomination, according to the provisions and procedures set out in the paragraph headed "Procedures for Shareholders to Propose a Person for Election as a Director" below.

In evaluating a candidate for directorship, the Nomination Committee will take into account his/her reputation, accomplishment and experience, particularly those concerning the industry where the Company operates its business, diversity in all aspects and independent judgment. For the appointment of independent non-executive directors, independence factors as required under applicable laws, rules or regulations will be considered. Apart from the personal data to be disclosed on relevant websites, the Nomination Committee may request candidates to provide additional information and documents, if necessary, for the reference of the Nomination Committee and the Board.

Corporate Governance Report

Board Diversity Policy

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

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

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

Board Diversity

1. Designation	Executive directors (4)	Non-executive directors (5)	Independent non-executive directors (5)
2. Gender	Male (13)	Female (1)	
3. Ethnicity	Chinese (14)		
4. Age group	40 to 50 (5)	51 to 60 (6)	Over 60 (3)
5. Length of service (years)	Over 10 (2)	3 to 10 (8)	Less than 3 (4)
6. Skills, knowledge and professional experience Note 1	Terminals operation and management (9)	Accounting and finance (5)	Banking (2)
	Law (2)	Management and commerce (1)	Capital management and investor relations (1)
7. Academic background	University (14)		

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

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

5. Corporate Governance Committee

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

In 2018 and early 2019, the Corporate Governance Committee of the Company performed the following work in relation to reviewing the implementation of corporate governance by the Company:

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

Attendance Record of Corporate Governance Committee Members in 2018

Names of members	No. of meetings attended/held	Attendance rate (%)
Dr. WONG Tin Yau, Kelvin[1] (Chairman)	4/4	100
Ms. HUNG Man, Michelle	4/4	100
Mr. HUANG Chen	4/4	100
Mr. LI Huadong	2/4	50
Ms. ZHOU Lan	3/4	75
Ms. CHAN Kar Yau, Michelle (appointed on 12 March 2018)	4/4	100

1 Executive director

Note: In order to facilitate the annual review of the corporate governance and sustainable development of the Company, the above meetings were convened between 24 July 2018 and 15 March 2019, i.e. during the year prior to the publication of the 2018 final results announcement.

6. Investment and Strategic Planning Committee

The Investment and Strategic Planning Committee, led by an executive director, comprises 14 members, including executive directors, members of senior management and management members. It is responsible for the consideration, evaluation and review of and making recommendations to the Board on proposed major investment plans, acquisitions and disposals, and conducting post-investment evaluation of investment projects. It also reviews and considers the direction of the overall strategy and business development of the Company.

Attendance Record of Investment and Strategic Planning Committee Members in 2018

	No. of meetings attended/held	Attendance rate (%)
Members		
Mr. ZHANG Wei (張為)[1] (Chairman)	4/4	100
Mr. FANG Meng[2]	3/4	75
Mr. DENG Huangjun[2]	1/4	25
Mr. GUAN Shuguang	2/4	50
Mr. ZHANG Dayu	3/4	75
Mr. LI Yingwei	1/4	25
Mr. YANG Zhikui (appointed on 12 March 2018)	3/4	75
Mr. HUANG Chen	4/4	100
Ms. ZHOU Lan	4/4	100
Mr. LI Huadong	2/4	50
Ms. CHAN Kar Yau, Michelle (appointed on 12 March 2018)	3/4	75
Ms. HUANG Li	4/4	100
Mr. LI Wei (appointed on 20 December 2018)	1/1	100
Ms. YAO Li (appointed on 20 December 2018)	1/1	100
Ex-members		
Mr. QIU Jincheng (resigned on 12 March 2018)	N/A	N/A
Mr. SHEN Xuan (resigned on 12 March 2018)	N/A	N/A
Mr. HONG Minghui (resigned on 12 March 2018)	N/A	N/A
Mr. LUI Sai Kit, Eddie (resigned on 15 March 2018)	N/A	N/A
Mr. CHENG Bing (appointed on 12 March 2018 and resigned on 20 December 2018)	2/3	67
Mr. WONG Chi Ho (resigned on 20 December 2018)	1/3	33

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

Note: Taking into account of the need for a brief review on the implementation of strategies in 2018, the above meetings were convened between 21 May 2018 and 15 March 2019, i.e. during the year prior to the publication of the 2018 final results announcement.

7. Risk Management Committee of the Company

The Risk Management Committee of the Company, led by an executive director, comprises nine members, including executive directors, members of senior management and management members. It is responsible for identifying and minimising the operational risks of the Company, sets the direction of the Group's risk management strategy, strengthens the Group's risk management system and give opinions to the Board on risk-related matters of the Company.

Details of the role and responsibilities of the Risk Management Committee for risk management of the Company are set out in the paragraph headed "Risk Management and Internal Control" below.

Attendance Record of Risk Management Committee Members in 2018

	No. of meetings attended/held	Attendance rate (%)
Members		
Mr. ZHANG Wei (張為)[1] (Chairman)	3/4	75
Mr. FANG Meng[2]	3/4	75
Mr. DENG Huangjun[2]	2/4	50
Mr. ZHANG Dayu	4/4	100
Ms. HUNG Man, Michelle	4/4	100
Mr. HUNG Chun, Johnny	2/4	50
Mr. HUANG Chen	4/4	100
Ms. ZHOU Lan	2/4	50
Mr. LI Huadong	4/4	100
Ex-member		
Mr. CHAN Hang, Ken (resigned on 20 December 2018)	1/4	25

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

Below sets out the responsibilities of the directors in relation to the financial statements, which should be read in conjunction with, but distinguished from, the Independent Auditor's Report on pages 112 to 116 which acknowledges the reporting responsibilities of the Group's auditor.

Annual Report and Financial Statements

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

Accounting Policies

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

Accounting Records

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

Safeguarding Assets

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

RISK MANAGEMENT AND INTERNAL CONTROL

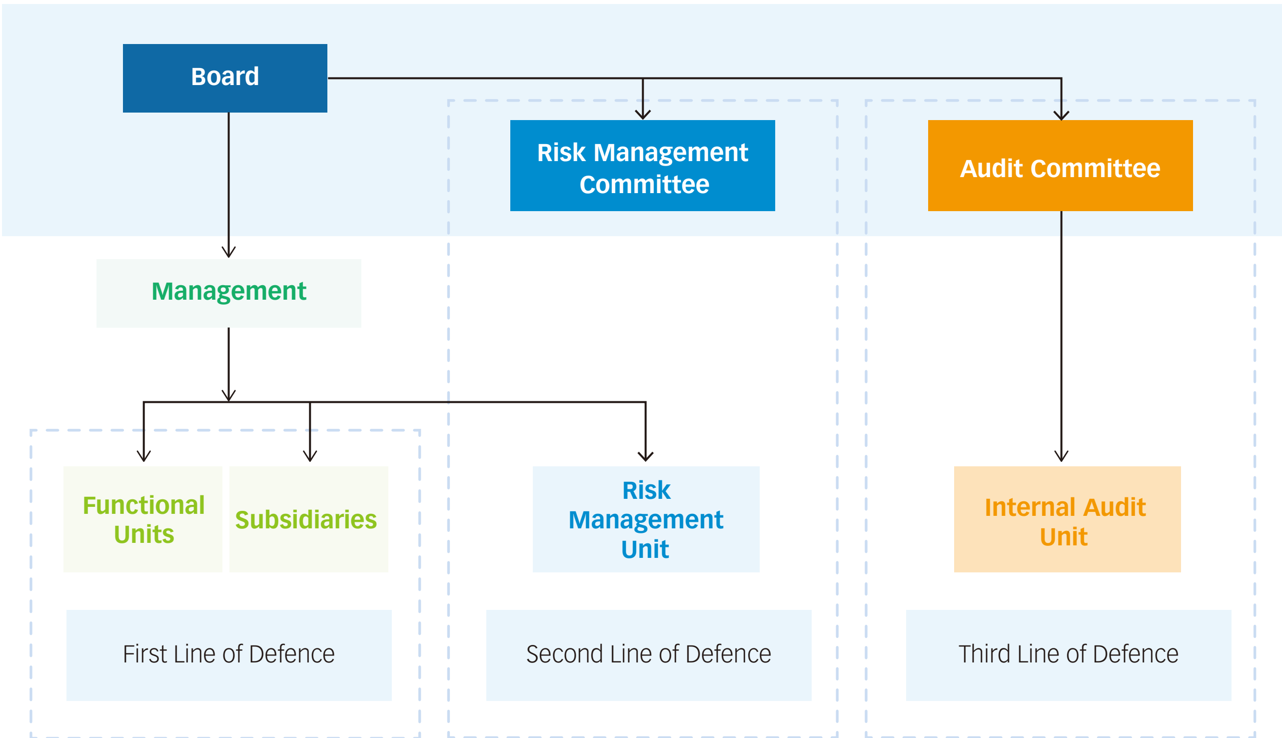
The Board is fully responsible for assessing and determining the continuous effectiveness of the risk management and internal control systems of the Company in an effort to safeguard the interests of its shareholders. Based on its control environment, risk assessment and corresponding strategies, supervision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

Corporate Governance Report

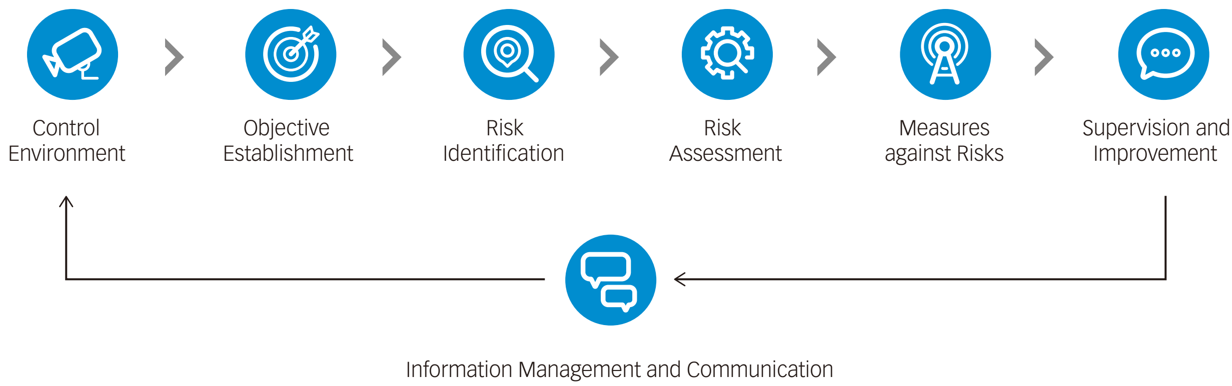
Risk Management Framework

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

Risk Management Structure



Risk Management Procedures



Corporate Governance Report

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

The Board	• Review the effectiveness of the risk management and internal control systems • Make decisions on and monitor the risk management and internal control systems of the Company • Approve the annual assessment report on risk management and internal control of the Company • Approve the work plans on risk management and internal control of the Company • Review and ensure the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions
Audit Committee	• Review the effectiveness of the risk management and internal control systems of the Company, ensure that the management has performed their duties of establishing effective systems, and report to the Board on the conclusion of the review
Risk Management Committee	• Establish a scientific risk management mechanism, enhance the ability to prevent and control the risks relating to assets and business, improve work efficiency, and ensure a smooth rollout and steady implementation of operational management • Consider and approve the risk management policy, and monitor and provide guidance on the implementation of the policy • Monitor and provide guidance on the identification, prevention and control of risks regarding funds, assets, projects, business and management • Consider and approve the risk control review report regarding material funds, assets, projects, business and matters, and monitor their implementation • Give opinions to the Board on risk-related matters of the Company • A total of four meetings were held for the year to identify material risks and review the risk management during the stage concerned
Management	• Implement, maintain and continuously monitor the risk management and internal control systems of the Company • Provide the Board with a confirmation on the effectiveness of the risk management and internal control systems on an annual basis • Make annual work arrangement for the upcoming year with appropriate emphases, based on the assessment reports on risk management and internal control of the Company issued by external agencies

Corporate Governance Report

Risk Management Unit	• Organise the drafting of basic systems and processes for risk management and internal control, standardise and regulate the risk management and internal control of the Company • Organise the drafting of the routine and annual work plans on risk management and internal control, and organise their implementation • Organise risk assessment by functional units and subsidiaries, and prepare the annual risk assessment report for the Company • Organise the evaluation on the effectiveness of the internal control by functional units and subsidiaries, and prepare the annual evaluation report on internal control • Organise, coordinate, guide and monitor the work on risk management and internal control by functional units and subsidiaries • Complete other tasks in relation to risk management and internal control assigned by the Board
Functional Units and Subsidiaries	• Amend and implement the regulatory policies and management procedures within their scope of duties, and establish and optimise the risk management and internal control mechanisms • Carry out risk management and internal control functions, including identifying, analysing, evaluating and handling operational and management risks within their scope of duties • Conduct self-evaluation, correction, and rectification of risk management and internal control for areas within their scope of duties • Establish, maintain and monitor on a daily basis the risk alert indicators for areas within their scope of duties, report major risks and take contingency measures in case of a significant risk incident • Assist in completing other routines on risk management and internal control
Internal Audit Unit	• Examine the suitability and effectiveness of the risk management and internal control systems, and supervise in an independent manner the risk management and internal control exercised by functional units and subsidiaries • Prepare the audit plan at the beginning of each year, and enhance supervision over the implementation of various requirements from supervisory level

Corporate Governance Report

The risk management procedures include the following major tasks:

Objective establishment	• Establish strategic, operational, reporting, compliance and other relevant objectives based on the risk tolerance levels of the Company, fully taking into account the impact of various risks during objective establishment
Risk identification	• All functional units and subsidiaries collect internal and external information relating to risks on a regular basis, and carry out necessary screening, refinement, comparison, classification and combination • Identify the risks in the Company's major business operations and key business processes in accordance with the risk management framework established
Risk assessment	• Define the identified risks and their characteristics, and analyse and describe the likelihood and impact of the risks • Determine the Company's major risks after assessing their importance in accordance with the evaluation criteria established with the evaluation criteria established
Measures against risks	• All functional units and subsidiaries choose corresponding strategies to address risks based on risk assessment results and the causes of the risks • Prepare solutions to managing various risks or each category of material risks, according to the strategies to address risks • Design practical risk control activities and effectively implement corresponding solutions to risk management
Supervision and improvement	• All functional units and subsidiaries carry out ongoing day-to-day monitoring and analysis of the major and related risks under their management • The risk management unit prepares risk management reports based on risk monitoring information and makes cross-departmental recommendations on significant changes in risks • The risk management unit supervises and assesses the risk control at all functional units and subsidiaries and the effectiveness thereof

Control Environment

Maintaining a high standard of control environment has been a top priority of the Company. Hence, the Company has been dedicated to continuous enhancement and improvement of its control. The Board recognises the importance of integrity, character, operating philosophy and team building capabilities (the overall quality of staff) and other core values of the management, and has drawn up guidelines on the internal control system to ensure that the Group's objectives are achieved and discrepancies can be detected with effective rectification adopted.

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

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

As the control environment serves as the foundation for other components in the internal control system, the Company has defined its business structure and compiled an instruction manual to control those business processes and activities. Apart from the establishment of an effective internal control system, the Company attaches great importance to the conduct and qualifications of its accounting, internal audit and finance personnel, and has imposed relevant requirements in that regard.

Assessment of and Measures against Risks

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

During the year, the Company carried out an annual risk assessment in accordance with the requirements of COSCO SHIPPING, the parent company, by applying the weighted average method to the opinions collected through a survey from the senior management, department heads and external risk management experts. The assessment indicates that terminals operation presents prominent risks, particularly in global operation. As such, the Company considers that it is worth paying attention to the risks relating to overseas talent reserve as well as changes in international politics and policy. Meanwhile, subtle changes in market competition will elevate the risk of our rivals. Besides, given the improvement in refined operations management of the Company and the reliance on information systems by global operation, the risks will become even more evident in respect of information system security. As the Company continues with its overseas expansion and investment, the risks concerning investment decision-making remain significant.

Corporate Governance Report

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
Operational risk	**Risks relating to overseas talent reserve** Given the absence of a strategy on overseas talent resource and a lack of talent reserve (especially talents familiar with local language and culture as well as equipped with overseas operations management capability), there will be a shortage of human resources and capabilities in developing overseas operations, which will affect the orderly implementation of overseas operational activities.	• Dispatched general managers, financial controllers and office directors with ports operation and managerial experience, and strengthened the capabilities on the operation and management of overseas ports; • Added efforts to develop HR directors familiar with local language and culture, as well as recruited and trained such ports operation and management talents with local cultural background.	↑
Market risk	**Risks relating to changes in international politics and policy** Changes may occur to the factors of domestic and international political environment, which include geopolitics, ethnic group and religion, energy and resource, etc. Such changes result in continuous friction in global trade, which, in turn, may cause trade war in the global sphere, affect the strategic decision-making of the Company and have an adverse effect on its normal operation.	• Enhanced the survey on regional political environment, government policy, legal compliance, local society and culture, during project development planning and investment decision-making; • Enhanced the promotion of legal compliance and institutional development in the project region, and boosted the communication with relevant authorities such as the local government; • Recruited talents of port operations and management that are familiar with local policies and culture, which supported the social development and employment policies of the local government.	↑
Market risk	**Competitor risk** Due to new market strategies or tactics of competitors, port operators with the same or common hinterland terminal in the same region may cause the Company to fall behind in competition, or the entry of new competitors deteriorate the competition environment, landing the enterprise in an even worse position in market competition.	• Enhanced business coordination of COSCO SHIPPING, actively participated and supported the planning of shipping routes and business development demand of COSCO SHIPPING; • Changed the traditional marketing model of the Company, bolstered the marketing capability for its end customers, to transition from providing traditional service to shipping companies to joining hands with shipping companies to serve the end customers with shipping demand; • Actively raised the number of global shipping hub terminals controlled by the Company, established and developed a global shipping hub network.	→

Corporate Governance Report

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
Operational risk	**Risks relating to information system security** A standard and robust mechanism is yet to be established for managing information system security, coupled with inadequate information backup, weak prevention against computer virus and a lack of effective physical environment protection and access control for the information equipment. Such inadequacy may cause information to be leaked, lost or accessed by unauthorised parties or damaged with malicious intents, all of which would result in economic loss to the Company.	• Employed professional agencies to integrate the information systems of all the business segments of the Company, adopted a unified information system for all the ports and terminals under the Company, and provided regular business training for frontline staff who used the information system to improve their safety awareness of the information system; • Strengthened the port connection among the systems of different terminal companies, to ensure the accuracy and completeness of information transmission and realise the sharing of customer and service information.	↑
Strategic risk	**Risks relating to investment decision-making** Investment plans did not fit into the strategies of the Company, with insufficient demonstration in the early stage, coupled with a lack of objective evidence and theoretical support. Instead, subjective judgment and personal experience were relied on excessively, which might led to inaccurate investment decision-making, uninformed expansion or loss of development opportunities.	• Enhanced the participation of relevant personnel in the early stage of market survey, and improved the knowledge and understanding of the status-quo and basic information on the projects to be invested by the Company; • Set up appraisal indicators from project survey to decision-making during relevant investment decision-making, and increased the attention paid by the management and relevant departments to investment decision-making.	↑

The risk management and internal control report for 2018 was approved by the Risk Management Committee and the Audit Committee and submitted to the Board for review, forming the basis for the Board's assessment of the effectiveness of the risk management and internal control systems for the year 2018.

Corporate Governance Report

Internal Control System and Mechanism

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

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

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

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

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

   - Ascertaining the extent to which the Company's assets are accounted for and safeguarded to avoid any form of asset losses
   - Reviewing and evaluating the soundness, adequacy and effective application of accounting, financial and other controls in the Company
   - Ascertaining the compliance with established policies, procedures and statutory regulations
   - Monitoring and evaluating the effectiveness of the risk management system
   - Monitoring the operational efficiency, and the appropriateness of resources utilisation
   - Evaluating the reliability and availability of the information provided by the financial and operating systems of the Company
   - Ensuring that findings and recommendations arising from the internal audit are communicated to the management, and monitoring the implementation of corrective measures
   - Conducting ad hoc projects and investigation work as required by the management and/or the Audit Committee

Particular attention is also paid to activities which are considered to present higher risks under monitoring, including income, expenditure and other areas of particular concern to the management. The internal auditor has free access to the Audit Committee without consulting the management, and reports directly to the Vice Chairman and Managing Director of the Company and the Chairman of the Audit Committee. He attends meetings of the Audit Committee quarterly and brings matters identified during the course of the internal audit to the Audit Committee. This reporting structure allows the internal auditor to stay independent and effective.

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

Supervision and Improvement

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

In 2018, the Risk Management Unit initiated an integrated evaluation on the operation of internal control of the Company. The results of internal control evaluation showed that the internal control system of the Company was effective. No material errors or weakness on monitoring and control was found during the period.

During 2018, the Internal Audit Unit completed a total of 16 audit assignments. All the internal audit reports were reviewed and approved by the Audit Committee. All internal audit work scheduled for the year 2018 was completed. The Company will follow up all the matters of concern reported by the internal auditor till corrective measures are adopted and implemented properly.

Management and Dissemination of Information

1. The Company has a policy on open communication which allows access to both internally and externally collected information at any time. Pertinent information is identified, captured and communicated as appropriate.

2. The Company provides each employee with an employee manual, which states how employees can communicate with the Company on any problem that arises. The Company considers this as an adequate mechanism to encourage communication between the Company and its employees. The Company has also updated the Policy on Staff Reporting and Whistleblowing, pursuant to which its employees may report any illegal, inappropriate or fraudulent behaviour in financial reporting, internal control and other aspects.

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

Corporate Governance Report

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

   - is well aware of its obligations under the Securities and Futures Ordinance, the Listing Rules and the overriding principle that information which is considered as inside information should be announced promptly when it is the subject of a decision
   - conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission
   - informs all directors, senior management and related staff of the latest regulations and requirements according to the letters issued or announcements published by the Securities and Futures Commission and the Stock Exchange
   - has developed procedures and mechanisms for the disclosure of inside information, and established the Inside Information Evaluation Group to evaluate whether disclosure of the inside information is required
   - has included in its Code of Conduct strict prohibition on unauthorised use of confidential, sensitive or inside information, and has communicated this to all staff
   - has established and implemented procedures for responding to the enquiries from external enquiries about the Company's affairs. Only directors and designated management personnel of the Company may act as the Company's spokespersons and respond to enquiries on designated areas

The Board has obtained the management's confirmation on the effectiveness of the Company's risk management and internal control systems, and considered that the risk management and internal control systems established during the year were effective and adequate for the Company's existing business scope and operations and that no significant factor has been identified which might affect the interests of shareholders. However, the systems aim to manage but not eliminate the risks relating to failure to achieve business objectives, and the Board will only give reasonable but not absolute assurance against material misstatement or loss.

INSTITUTIONAL DEVELOPMENT ON LEGAL GOVERNANCE

The Company strictly observes laws and regulations and strives to promote the institutional development on legal governance, to ensure that business operations comply with the law. In 2018, the Company continued to pay attention to the developments in domestic and foreign legislations and law enforcement in relation to port investment, construction and operation, maintain the implementation of compulsory compliance requirements, and sort out its institutional development on legal governance comprehensively. These efforts were designed to further improve the Company in its management capability over legal affairs, enhance the foundation of its work, and perfect its work system. These efforts included the formulation and implementation of the Compliance Management Regulation on International Sanctions, and the modification of such corporate governance regulations as the Management Regulations on Connected Transactions. Meanwhile, management was over strengthened on the entire process such as contract review, with standard contracts for port operations and other aspects formulated and promoted. Activities such as dissemination and training on laws also took place to raise the legal awareness of the entire staff. During the year, no significant incident occurred which violated any laws and regulations.

AUDITOR'S REMUNERATION

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

For the year ended 31 December 2018, the remuneration paid or payable in respect of the audit and other non-audit services provided by the auditor to the Company was as follows:

Nature of Service	**2018** **US$**	2017 US$
Audit services	**850,000**	617,000
Audit related services	**257,000**	275,000
Non-audit services:		
– Circular related services	**–**	148,000
– Financial advisory services	**–**	119,000
– Tax related services	**92,000**	42,000

INVESTOR RELATIONS

The Company continues to promote investor relations and enhance communications with its investors. Our dedicated investor relations department supports designated executive directors and senior management in maintaining regular dialogue with institutional investors and analysts to keep them abreast of the Company's development and in attending to any queries promptly. The Company maintained close communications with the media, analysts and fund managers by way of individual meetings, roadshows and conferences. Also, press and analysts conferences are held at least twice a year subsequent to the interim and annual results announcements at which the executive directors and senior management are available to answer questions regarding the Group's operational and financial performances.

COMMUNICATION WITH SHAREHOLDERS

Shareholders' Communication Policy

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

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

Corporate Governance Report

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

Procedures for Shareholders to Convene a Special General Meeting

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

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

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

Procedures for Shareholders to Put Forward Proposals at General Meetings

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

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

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

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

SHAREHOLDINGS AND SHAREHOLDERS' INFORMATION

Share Capital (as at 31 December 2018)

Authorised share capital	HK$400,000,000 divided into 4,000,000,000 shares of a par value of HK$0.1 each
Issued and fully paid-up capital	HK$311,312,547.9 comprising 3,113,125,479 shares of a par value of HK$0.1 each

Type of Shareholders (as at 31 December 2018)

Type of shareholders	No. of shares held	% of the total number of issued shares
China COSCO (Hong Kong) Limited and its subsidiary	1,482,053,652	47.61
Other corporate shareholders	1,625,612,947	52.22
Individual shareholders	5,458,880	0.17
Total	**3,113,125,479**	**100**

Location of Shareholders (as at 31 December 2018)

Location of shareholders[1]	No. of shareholders	No. of shares held
Hong Kong	511	3,113,116,479[2]
The People's Republic of China	1	4,000
United Kingdom	1	5,000
Total	**513**	**3,113,125,479**

1 The location of shareholders is prepared according to the address of shareholders registered in the register of members of the Company.
2 These shares include 1,932,727,085 shares registered in the name of HKSCC Nominees Limited which may hold these shares on behalf of its clients in or outside Hong Kong.

OTHER CORPORATE INFORMATION

Memorandum of Association and Bye-laws

There was no change to the Memorandum of Association and Bye-laws of the Company during the year ended 31 December 2018.

Key Corporate Event Dates

The following are the dates for certain key corporate events:

Event	Date
Payment of 2018 Interim Dividend	26 October 2018
2018 Annual Results Announcement	28 March 2019
2019 First Quarter Results Announcement	25 April 2019
Closures of Register of Members	
(a) for attending the 2019 Annual General Meeting	20 May 2019 to 23 May 2019
(b) for receiving the 2018 Final Dividend	29 May 2019 to 3 June 2019
Annual General Meeting	23 May 2019
Payment of 2018 Final Dividend	19 July 2019
2019 Interim Results Announcement	August 2019
2019 Third Quarter Results Announcement	October 2019

DIRECTORS AND SENIOR MANAGEMENT PROFILES

DIRECTORS

HUANG Xiaowen

Chairman of the Board,
Non-executive Director

Mr. HUANG, aged 56, has been the Chairman of the Board and a Non-executive Director of the Company since March 2016. He is also an Executive Vice President and Party Committee Member of China COSCO Shipping Corporation Limited, the Vice Chairman and Executive Director of COSCO SHIPPING Holdings Co., Ltd., the Chairman and an Executive Director of COSCO SHIPPING Energy Transportation Co., Ltd., the Chairman of COSCO SHIPPING Lines Co., Ltd., the Chairman of COSCO SHIPPING Bulk Co., Ltd. and an Executive Director and Chief Executive Officer of Oriental Overseas (International) Limited. Mr. HUANG started his career in 1981 and had been the section chief of the Container Shipping Section of Guangzhou Ocean Shipping Company Limited, General Manager of Container Transportation Department of China Ocean Shipping Company Limited, Container Business Adviser of Shanghai Haixing Shipping Company Limited, Vice Chairman, Executive Director, Deputy Managing Director, Managing Director and Vice Party Secretary of COSCO SHIPPING Development Co., Ltd., the Chairman of China Shipping Haisheng Co., Ltd. and the Executive Vice President and Party Community Member of China Shipping (Group) Company. Mr. HUANG has over 30 years of experience in shipping industry. Mr. HUANG graduated from China Europe International Business School with an Executive Master of Business Administration (EMBA) degree. He is a senior engineer.

ZHANG Wei（張為）

Vice Chairman of the Board
and Managing Director,
Executive Director

Mr. ZHANG, aged 45, has been an Executive Director, the Vice Chairman of the Board and the Managing Director of the Company since April 2016. Before re-designation, he was a Non-executive Director of the Company since August 2015. Mr. ZHANG is the Chairman of the Executive Committee, the Risk Management Committee and the Investment and Strategic Planning Committee and a member of the Nomination Committee and the Remuneration Committee of the Company. He is also an Executive Director and a Deputy General Manager of COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings"), an Executive Director of Orient Overseas (International) Limited and a Non-executive Director of Qingdao Port International Co., Ltd. Mr. ZHANG joined COSCO group in 1995. He had been a Director of COSCO SHIPPING Lines Co., Ltd. ("COSCO SHIPPING Lines"), the Assistant Manager, Deputy Manager and Manager of Pricing Department of Marketing and Sales Division of COSCO SHIPPING Lines, Executive Deputy General Manager of America Trade Division of COSCO SHIPPING Lines, Executive Vice President of COSCO SHIPPING Lines (North America) Inc., General Manager of Strategy and Development Division of COSCO SHIPPING Lines, General Manager of the Operating Management Division of COSCO SHIPPING Holdings, and General Manager of the Operating Management Division and Executive Deputy Director of the Integration Management Office of China COSCO Shipping Corporation Limited. Mr. ZHANG obtained a Master of Management degree from Fudan University, majoring in change management programme. He is an engineer. Mr. ZHANG is responsible for the overall management, fully responsible for formulating and organising the implementation of development strategic plans, etc.

Directors and Senior Management Profiles

FANG Meng
Executive Director

Mr. FANG, aged 60, has been an Executive Director and a Deputy Managing Director of the Company since April 2016. He is a member of the Executive Committee, Investment and Strategic Planning Committee and Risk Management Committee of the Company. He is also a Supervisor representing employees of COSCO SHIPPING Holdings Co., Ltd. Mr. FANG was the Manager of Science and Technology Department of Enterprise Managing Division, the Deputy General Manager of Enterprise Managing Division of China Shipping (Group) Company and the Managing Director of China Shipping International Trading Co., Ltd. Mr. FANG graduated from Shanghai Jiao Tong University with Ship Engineering major in February 1982 and obtained an EMBA degree from a joint education post-graduate program of "Shanghai University/San Francisco USA" in April 1995. He is a senior engineer. Mr. FANG is responsible for managing the basic construction of global investment projects, innovation and technology, administration and corporate culture development of the Company.

DENG Huangjun
Executive Director

Mr. DENG, aged 57, has been an Executive Director and a Deputy Managing Director of the Company since October 2015. He is a member of the Executive Committee, Investment and Strategic Planning Committee and Risk Management Committee of the Company. He is also a Supervisor representing employees of COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings") Mr. DENG joined the COSCO group in 1983. He had been the Section Manager of the Cost Section of Finance Department of Shanghai Ocean Shipping Co., Ltd., the Deputy Manager of Finance Division of COSCO SHIPPING Lines Co., Ltd. ("COSCO SHIPPING Lines"), the Manager of the Settlement Division, the Deputy General Manager and the General Manager of Finance and Accounting Department of COSCO SHIPPING Lines, the Chief Financial Officer of COSCO SHIPPING Lines and the Chief Financial Officer of COSCO SHIPPING Holdings. Mr. DENG graduated from Shanghai Maritime Transportation Institute, majoring in shipping accounting. He is a senior accountant. Mr. DENG is responsible for the corporate operation management, financial management and corporate financing of the Company.

Directors and Senior Management Profiles

FENG Boming

Non-executive Director

Mr. FENG, aged 49, has been a Non-executive Director of the Company since October 2016. He is also the General Manager of the Strategic and Corporate Management Department of China COSCO Shipping Corporation Limited ("COSCO SHIPPING"), and a Non-executive Director of COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings"), COSCO SHIPPING Development Co., Ltd., COSCO SHIPPING Energy Transportation Co., Ltd. and COSCO SHIPPING International (Hong Kong) Co., Ltd., a Director of COSCO SHIPPING Bulk Co., Ltd., COSCO SHIPPING (Hong Kong) Co., Limited, COSCO SHIPPING Financial Holdings Co., Limited, Piraeus Port Authority S.A., COSCO SHIPPING (North America), Inc., and COSCO SHIPPING (Europe) GmbH, all of which are subsidiaries of COSCO SHIPPING. He served as Manager of the Commercial Section of the Ministry of Trade Protection of COSCO SHIPPING Lines Co., Ltd., the General Manager of COSCO Container Hong Kong Mercury Co., Ltd., the General Manager of the Management and Administration Department of COSCO Holdings (Hong Kong) Co., Ltd., the General Manager of COSCO International Freight (Wuhan) Co., Ltd./COSCO Logistics (Wuhan) Co., Ltd. and Supervisor of the Strategic Management Implementation Office of China Ocean Shipping Company Limited/COSCO SHIPPING Holdings. Mr. FENG has over 20 years of work experience in the shipping industry. Mr. FENG has extensive experience in enterprise strategy management, business management and container shipping management. He holds a Master of Business Administration degree from The University of Hong Kong. He is an economist.

ZHANG Wei（張煒）

Non-executive Director

Mr. ZHANG, aged 52, has been a Non-executive Director of the Company since October 2016. He is currently the General Manager of Operation and Management Department of China COSCO Shipping Corporation Limited ("COSCO SHIPPING"), a Non-executive Director of COSCO SHIPPING Holdings Co., Ltd. and COSCO SHIPPING Energy Transportation Co., Ltd., a Director of COSCO SHIPPING Specialized Carriers Co., Ltd., COSCO SHIPPING Lines Co., Ltd. ("COSCO SHIPPING Lines") and COSCO SHIPPING Bulk Co., Ltd., all of which are subsidiaries of COSCO SHIPPING. Mr. ZHANG previously served as a Deputy General Manager of Asia-Pacific Trade Division and Manager of Australia-New Zealand Operation Department of COSCO SHIPPING Lines, Deputy General Manager of European Trade Division of COSCO SHIPPING Lines, Deputy General Manager of the Enterprise Information Development Department of COSCO SHIPPING Lines, Deputy General Manager of Florens Container Holdings Limited (now known as Florens International Limited) and Executive Vice-President of Piraeus Container Terminal S.A., a wholly owned subsidiary of the Company. Mr. ZHANG has nearly 30 years of working experience in shipping enterprises and has extensive experience in container transportation marketing management and terminal operation management. Mr. ZHANG holds a Master of Business Administration degree from Shanghai Maritime University. He is an engineer.

Directors and Senior Management Profiles

CHEN Dong

Non-executive Director

Mr. CHEN, aged 44, has been a Non-executive Director of the Company since October 2016. He is also the General Manager of Financial Management Department of China COSCO Shipping Corporation Limited ("COSCO SHIPPING"), a Non-executive Director of COSCO SHIPPING Holdings Co., Ltd. and COSCO SHIPPING International (Hong Kong) Co., Ltd. and a Director of COSCO SHIPPING Specialized Carriers Co., Ltd. and COSCO SHIPPING Bulk Co., Ltd., all of which are subsidiaries of COSCO SHIPPING. Mr. CHEN previously served as the Deputy Head of Risk Control Section under the Planning and Finance Department of China Shipping (Group) Company ("China Shipping", a wholly owned subsidiary of COSCO SHIPPING), Deputy Head of the Finance Section under Planning and Finance Department of China Shipping, Senior Manager of Finance and Taxation Management Office of China Shipping, Assistant to the General Manager of the Finance Department of China Shipping, the Deputy General Manager of the Finance Department of China Shipping, and a Non-executive Director of COSCO SHIPPING Development Co., Ltd. Mr. CHEN has nearly 20 years of working experience in shipping enterprises and has extensive experience in risks control, taxation management and finance. Mr. CHEN holds a Master Degree in Economics from Shanghai University of Finance and Economics. He is a senior accountant.

WANG Haimin

Non-executive Director

Mr. WANG, aged 46, has been re-designated as a Non-executive Director of the Company since January 2015. Before his re-designation, he had been a Non-executive Director of the Company since October 2010, and an Executive Director and a Deputy Managing Director of the Company since October 2013. Mr. WANG is also an Executive Vice President and Party Committee Member, and Employee Director of China COSCO Shipping Corporation Limited ("COSCO SHIPPING"), an Executive Director, the General Manager and Deputy Party Secretary of COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings"), a Director, the General Manager and Deputy Party Secretary of COSCO SHIPPING Lines Co., Ltd. ("COSCO SHIPPING Lines"), an Executive Director of Orient Overseas (International) Limited and a Director and Co-Chief Executive Officer of Orient Overseas Container Line Limited. Mr. WANG joined COSCO group in 1995. He had been the Head of Planning and Cooperation Department of the Strategic Planning Division, the Deputy General Manager of the Corporate Planning Division and the General Manager of the Strategy and Development Division of COSCO SHIPPING Lines, the General Manager of the Transportation Division of COSCO SHIPPING, a Non-independent and Non-executive Director of COSCO SHIPPING International (Singapore) Co., Ltd., and a Deputy General Manager of COSCO SHIPPING Holdings. Mr. WANG graduated from Shanghai Maritime University and obtained his Master of Business Administration degree from Fudan University. He is an engineer.

Directors and Senior Management Profiles

WONG Tin Yau, Kelvin *JP*

Executive Director

Dr. WONG, aged 58, has been an Executive Director and a Deputy Managing Director of the Company since July 1996. He is the Chairman of the Corporate Governance Committee and a member of the Executive Committee of the Company. Dr. WONG is the immediate past Chairman and was the Chairman (2009-2014) of The Hong Kong Institute of Directors, the Chairman and was a member (2015-2018) of Financial Reporting Council and a member of Operations Review Committee of Independent Commission Against Corruption. He was a Non-executive Director of Securities and Futures Commission (2012-2018), the Chairman of Investor Education Centre (now known as Investor and Financial Education Council) (2017-2018), a member of Main Board and GEM Listing Committees of The Stock Exchange of Hong Kong Limited (2007-2013) and a member of Standing Committee on Company Law Reform (2010-2016).

Dr. WONG obtained his Master of Business Administration degree from Andrews University in Michigan, the USA in 1992 and his Doctor of Business Administration degree from The Hong Kong Polytechnic University in 2007. Dr. WONG is currently an Independent Non-executive Director of China ZhengTong Auto Services Holdings Limited, I.T Limited and Huarong International Financial Holdings Limited. He was also an Independent Non-executive Director of Asia Investment Finance Group Limited, AAG Energy Holdings Limited and Mingfa Group (International) Company Limited. All the aforementioned companies are listed in Hong Kong. In addition, he is an Independent Non-executive Director of Xinjiang Goldwind Science & Technology Co., Ltd. ("Xinjiang Goldwind") and Bank of Qingdao Co., Ltd., companies dual listed in Hong Kong and Shenzhen, and Shanghai Fosun Pharmaceutical (Group) Co., Ltd., a company dual listed in Hong Kong and Shanghai. He was also an Independent Non-executive Director of Xinjiang Goldwind from June 2011 to June 2016.

Dr. WONG is responsible for the management of the Company's work relating to strategic planning, capital markets and investor relations. He held various senior positions in several listed companies in Hong Kong before he joined the Company.

Dr. WONG was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2013.

FAN HSU Lai Tai, Rita

GBM, GBS, JP

Independent Non-executive Director

Dr. FAN, aged 73, has been an Independent Non-executive Director of the Company since January 2009. She is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Dr. FAN was appointed to the Legislative Council from 1983 to 1992 and was a member of the Executive Council from 1989 to 1992. She became the President of the Provisional Legislative Council in 1997, and has since been re-elected as the President of the First, Second and Third Legislative Council. Dr. FAN has served as the President of the legislature of the Hong Kong Special Administrative Region ("HKSAR") for 11 years. Dr. FAN was a member of the Preliminary Working Committee for the Preparatory Committee for the HKSAR from 1993 to 1995 and of the Preparatory Committee for the HKSAR from 1995 to 1997, and was the Chairman of the Board of Education from 1986 to 1989 and the Chairman of the Education Commission from 1990 to 1992. She was elected as a Hong Kong Deputy to the 9th, 10th, 11th and 12th sessions of the National People's Congress ("NPC") during 1998 to 2018, and was a Member of the Standing Committee of the 11th and 12th sessions of the NPC. Dr. FAN is currently an Independent Non-executive Director of China Overseas Land & Investment Limited and The Bank of East Asia, Limited, and was an Independent Non-executive Director of COSCO SHIPPING Holdings Co., Ltd. and China Shenhua Energy Company Limited. She is also the Chairman of Endeavour Education Trust and the Chairman of the Management Committee of the Endeavour Education Centre. Dr. FAN was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 1998 and 2007 respectively by the Government of the HKSAR.

Directors and Senior Management Profiles

Adrian David LI Man Kiu *JP*

Independent Non-executive Director

Mr. LI, aged 45, has been an Independent Non-executive Director of the Company since May 2012. He is Chairman of the Audit Committee and Nomination Committee and a member of the Remuneration Committee of the Company. Mr. LI is Executive Director & Deputy Chief Executive of The Bank of East Asia, Limited. He is an Independent Non-executive Director of two listed companies under the Sino Group (Sino Land Company Limited and Tsim Sha Tsui Properties Limited) and China State Construction International Holdings Limited. All the above are Hong Kong-listed companies. He is a Non-executive Director of The Berkeley Group Holdings plc, which is listed in London, and a member of the International Advisory Board of Abertis Infraestructuras, S.A., a company listed in Spain. He was previously an Independent Non-executive Director of Sino Hotels (Holdings) Limited, a company listed in Hong Kong. Mr. LI is a member of the Anhui Provincial Committee of the Chinese People's Political Consultative Conference and a Counsellor of the Hong Kong United Youth Association. He is a board member of The Community Chest of Hong Kong, a member of the Advisory Board of the Salvation Army, Hong Kong and Macau Command, a member of the MPF Industry Schemes Committee of the Mandatory Provident Fund Schemes Authority, a Trustee of The University of Hong Kong's occupational retirement schemes and a Vice President of The Hong Kong Institute of Bankers' Council. Furthermore, Mr. LI serves as a member of the Election Committees responsible for electing the Chief Executive of the HKSAR and deputies of the HKSAR to the 13th National People's Congress. He also sits on the Judging Panel of the BAI Global Innovation Awards. He was previously a member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference, a member of the All-China Youth Federation and Deputy Chairman of the Beijing Youth Federation. Mr. LI holds a Master of Management degree from the Kellogg School of Management, Northwestern University in the US, and a Master of Arts degree and Bachelor of Arts degree in Law from the University of Cambridge in Britain. He is a member of The Law Society of England and Wales, and The Law Society of Hong Kong.

FAN Ergang

Independent Non-executive Director

Mr. FAN, aged 64, has been an Independent Non-executive Director of the Company since August 2013. Mr. FAN had been the General Manager of Legal Affairs Division of Industrial and Commercial Bank of China Limited ("ICBC"), the Party Secretary and Head of ICBC Inner Mongolia Branch and the Vice Chairman of ICBC Financial Leasing Co., Ltd., and was the Deputy Secretary-General and Head of Legal Work Committee of China Banking Association and an arbitrator (financial law) of China International Economic and Trade Arbitration Commission. Mr. FAN holds a Bachelor of Laws degree from China University of Political Science and Law (formerly The Peking College of Political Science and Law). He has extensive experience in financial and law fields, and is a senior economist, a senior legal counsel and a practicing lawyer in the People's Republic of China.

Directors and Senior Management Profiles

LAM Yiu Kin

Independent Non-executive Director

Mr. LAM, aged 64, has been an Independent Non-executive Director of the Company since August 2015. He is a member of the Audit Committee of the Company. Mr. LAM is an Independent Non-executive Director of Bestway Global Holding Inc., CITIC Telecom International Holdings Limited, Global Digital Creations Holdings Limited, Nine Dragons Paper (Holdings) Limited, Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd., Shougang Concord Century Holdings Limited, Vital Mobile Holdings Limited and WWPKG Holdings Company Limited, all of which are companies listed in Hong Kong, and Spring Asset Management Limited as the manager of Spring Real Estate Investment Trust (listed in Hong Kong), and was an Independent Non-executive Director of Mason Group Holdings Limited, a company listed in Hong Kong. Mr. LAM was a member of the Listing Committee and the Financial Reporting Advisory Panel of The Stock Exchange of Hong Kong Limited from 1997 to 2003, a committee member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") from 1994 to 2009, and an audit partner of PricewaterhouseCoopers from 1993 to 2013. He has over 40 years of experience in accounting, auditing and business consulting. Mr. LAM is a fellow member of the HKICPA, the Association of Chartered Certified Accountants, the Chartered Accountants of Australia and New Zealand and the Institute of Chartered Accountants in England & Wales. Mr. LAM obtained a higher diploma in accountancy from The Hong Kong Polytechnic University in 1975 and was conferred an Honorary Fellow by The Hong Kong Polytechnic University in 2002.

CHAN Ka Lok

Independent Non-executive Director

Prof. CHAN, aged 57, has been an Independent Non-executive Director of the Company since October 2016. He is a member of the Remuneration Committee of the Company. Prof. CHAN is currently the Dean of The Chinese University of Hong Kong ("CUHK") Business School. He is also a member of a number of committees, including the Hang Seng Index Advisory Committee, Hong Kong Housing Authority, the EFAC Financial Infrastructure and Market Development Sub-Committee of Hong Kong Monetary Authority, Hong Kong Tracker Fund Supervisory Committee and Advisory Committee of the Securities and Futures Commission, and an Independent Non-executive Director of GF Securities Co., Ltd. (listed in Hong Kong and Shenzhen). Prof. CHAN has been Chairman of the Organising Committee of the "Outstanding Financial Management Planner Awards" of The Hong Kong Institute of Bankers since 2009. He was the Chair Professor of Finance and Acting Dean of the Hong Kong University of Science and Technology ("HKUST"). He was also Head of HKUST's Finance Department from 2003 to 2013 and the President of Asian Finance Association from 2008 to 2010. Prof. CHAN obtained his Bachelor of Social Science degree in Economics from CUHK and Doctor of Philosophy degree in Finance from Ohio State University in the USA.

Directors and Senior Management Profiles

SENIOR MANAGEMENT

ZENG Xiaomin

Deputy Managing Director

Mr. ZENG, aged 59, has been appointed as a Deputy Managing Director of the Company since April 2016. Mr. ZENG was the Manager of General Affairs Office of Executive Department of China Shipping (Group) Company, Assistant to the General Manager and the General Manager of General Affairs Department and Enterprise Managing Department of China Shipping Terminal Development Co., Ltd. Mr. ZENG graduated from Shanghai Maritime University with Marine Navigation major. He is a senior economist. Mr. ZENG is responsible for the safety management and the operation and management related tasks in the Mainland.

GUAN Shuguang

Deputy Managing Director

Mr. GUAN, aged 60, has been appointed as a Deputy Managing Director of the Company since April 2016. He is a member of the Investment and Strategic Planning Committee of the Company. Mr. GUAN was the Deputy General Manager of Shanghai Port Engineering & Design Institute and joined China Shipping group in 2003 and was the Deputy General Manager of Jinzhou New Age Container Terminal Co., Ltd., Deputy General Manager of Dalian International Container Terminal Co., Ltd. (Preparatory), General Manager of Investment and Development Department of China Shipping Terminal Development Co., Ltd. and Assistant to the General Manager and the General Manager of Investment and Management Department of China Shipping Ports Development Co., Ltd. Mr. GUAN graduated from Shanghai Maritime University with International Shipping Economy major and obtained a Master of Economics degree. He is a senior engineer. Mr. GUAN is responsible for the capital investment planning, the provision of operation management services, and investment management in the Mainland.

Directors and Senior Management Profiles

ZHANG Dayu

Deputy Managing Director

Mr. ZHANG, aged 46, has been appointed as a Deputy Managing Director of the Company since April 2016. He is a member of the Investment and Strategic Planning Committee and Risk Management Committee of the Company. Mr. ZHANG was the Managing Director of China Shipping Malta Agency Co., Ltd. and the Managing Director of China Shipping Egypt Co., Ltd., the Deputy General Manager of Container Control Division of COSCO SHIPPING Development Co., Ltd., and General Manager of Overseas Business Department and Assistant General Manager of China Shipping Ports Development Co., Ltd. Mr. ZHANG graduated from Shanghai Maritime University with Marine Navigation major. Mr. ZHANG is responsible for the management of the overseas investment and business management of the Company.

HUNG Man, Michelle

General Counsel & Company Secretary

Ms. HUNG, aged 49, has served as the General Counsel of the Group and the Company Secretary of the Company since November 1996 and March 2001, respectively.

Ms. HUNG is mainly responsible for all legal, corporate governance, compliance, company secretarial and related matters for the Company. She is currently a member of the Corporate Governance Committee and Risk Management Committee of the Company. She holds a Bachelor of Laws degree (Hons) from The University of Hong Kong.

Ms. HUNG is currently a practicing solicitor of the High Court of the Hong Kong Special Administrative Region and is qualified in England and Wales. She is also a Fellow of The Hong Kong Institute of Chartered Secretaries. Ms. HUNG was named among the top 25 "in-house high flyers" and "the best in Asia" for three consecutive years (2006-2008) by Asian Legal Business Magazine, rewarded the "Asian Company Secretary of the Year Recognition Award" for two consecutive years (2013-2014) by Corporate Governance Asia, a corporate governance magazine, and named among the top 15 general counsels of the 2015 China's Top General Counsel Rankings by Asian Legal Business Magazine.

REPORT OF THE DIRECTORS

The board of directors of the Company (the "Board") presents its report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

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

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

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development and the principal risks and uncertainties faced by the Group are provided in the Chairman's Statement on pages 12 to 15 and the Financial Review on pages 40 to 44 of this annual report.

The financial risk management objectives and policies of the Group can be found in note 4 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2018 are provided in note 42 to the consolidated financial statements.

An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Highlights on pages 10 to 11 of this annual report.

The environmental policies and performance and compliance with relevant laws and regulations are provided in the 2018 Sustainability Report, which has been published on the same date of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated income statement on page 119 of this annual report.

The directors declared an interim dividend of HK17.3 cents (equivalent to US2.212 cents) per share with a scrip dividend alternative, totalling HK$528,942,000 (equivalent to US$67,631,000), which was paid on 26 October 2018.

The directors recommend the payment of a final dividend of HK15.8 cents (equivalent to US2.020 cents) per share with a scrip dividend alternative, totalling HK$491,874,000 (equivalent to US$62,885,000), payable on 19 July 2019.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 215 of this annual report.

DONATIONS

Charitable and other donations made by the Group during the year amounted to US$694,000.

SHARES ISSUED IN THE YEAR

Details of the Shares issued by the Company during the year are set out in note 20 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as of 31 December 2018 calculated under the Companies Act of Bermuda amounted to US$2,743,326,000.

Report of the Directors

BORROWINGS

Details of the borrowings of the Group are set out in note 22 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group are set out in notes 3.22 and 34 to the consolidated financial statements.

DIRECTORS

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

Mr. HUANG Xiaowen[2] (Chairman)	
Mr. ZHANG Wei (張為)[1] (Vice Chairman and Managing Director)	
Mr. FANG Meng[1]	
Mr. DENG Huangjun[1]	
Mr. FENG Boming[2]	
Mr. ZHANG Wei (張煒)[2]	
Mr. CHEN Dong[2]	
Mr. XU Zunwu[2]	(resigned on 23 May 2018)
Mr. WANG Haimin[2]	
Dr. WONG Tin Yau, Kelvin[1]	
Dr. FAN HSU Lai Tai, Rita[3]	
Mr. Adrian David LI Man Kiu[3]	
Mr. FAN Ergang[3]	
Mr. LAM Yiu Kin[3]	
Prof. CHAN Ka Lok[3]	

1 Executive director
2 Non-executive director
3 Independent non-executive director

In accordance with Clauses 87(1) and (2) of the Bye-laws of the Company, Mr. HUANG Xiaowen, Mr. FENG Boming, Mr. ZHANG Wei (張煒) and Mr. CHEN Dong, being directors longest in office since their last re-election, shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management are set out on pages 84 to 92 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

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

PERMITTED INDEMNITY PROVISIONS

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

SHARE OPTIONS

At a special general meeting of the Company held on 8 June 2018, the shareholders of the Company approved the adoption of a share option scheme of the Company (the "Share Option Scheme"). The following is a summary of the principal terms of the Share Option Scheme:

The Share Option Scheme was designed to enable the Company (i) to establish and cultivate a performance-oriented culture, under which value is created for the shareholders of the Company (the "Shareholders"), and to establish an interests-sharing and restraining mechanism between the Shareholders and the Company's management; (ii) to further improve the Company's corporate governance structure and provide a unified mechanism to balance the interests among the Shareholders, decision-makers and executives of the Company, to secure stable and long-term development of the Company; (iii) to coordinate the short-term and long-term incentives of the management and professional talents of the Company, to cultivate and strengthen the key personnel, to attract different kinds of talents more flexibly and to improve the long-term development of the Company; (iv) to effectively motivate the management and key personnel to enhance their performance and the core competitiveness of the Company; and (v) to further enhance the Company's competitive advantage in the labour market, to attract, retain and incentivise senior management and personnel at key positions of the Company for achieving the strategic targets of the Company, to enhance the realisation of the long-term strategic targets of the Company and to strengthen cohesion of the Company.

Eligible participants for the Share Option Scheme (the "Participants" or a "Participant") include the directors of the Company, key management personnel such as senior management members at the headquarters of the Company and departmental deputy managers and above, and management personnel (including senior and mid-level management personnel) appointed to subsidiaries and other invested companies of the Company, and senior management members of the Company's subsidiaries excluding independent non-executive directors, Shareholders or de facto controllers of the Company who on their own or in aggregate holding more than 5% of the shares of the Company (the "Shares") and their respective spouses, parents, children or other associates (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")).

Report of the Directors

At the time of adoption of the Share Option Scheme, the total number of share options which might be granted under the Share Option Scheme was 59,450,724, being the aggregate of (1) 53,505,652 share options granted to 4 directors and 6 senior management of the Company and 228 key operation and management personnel, which has been confirmed on the date of approval of the Share Option Scheme, the details of which are set out in the section headed "7. Allocation of Options" of the appendix to the circular of the Company dated 18 May 2018 (the "Proposed Initial Grant"); and (2) 5,945,072 share options granted to senior management members at the headquarters of the Company and departmental general managers, and senior management members of the Company's subsidiaries (not being Participants who have already been granted share options under the Share Option Scheme) (the "Reserved Grant"). If any share options that may be granted pursuant to the Reserved Grant are not so granted within one year from the date of the Proposed Initial Grant (i.e., 19 June 2018), then no such share option may be granted.

The number of share options to be granted to each Participant shall be determined on the basis that the estimated benefit upon exercise of the share options will not exceed 40% of twice of his/her total annual emolument (inclusive of the estimated benefit upon exercise of the share options). The number of share options granted under the Proposed Initial Grant was determined according to the annual salary level in 2016. If the results of the Company is exceptionally outstanding, the cap on the benefit upon exercise of the share options mentioned above may be adjusted according to the regulations of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中國國務院國有資產監督管理委員會) (the "SASAC"). The specific operation and arrangement will be implemented by the Board in accordance with the then regulations of the SASAC.

The maximum entitlement for any one Participant (including exercised, cancelled and outstanding options) in any 12 months' period shall not exceed 1% of the total number of Shares in issue.

Of the 53,505,652 share options available for grant pursuant to the Proposed Initial Grant, a total of 53,483,200 share options were granted and the remaining 22,452 share options will not be available for further grant. As at the date of this report, a total of 56,398,417 Shares (representing approximately 1.81% of the existing issued Shares) may be issued upon exercise of all options which may be granted under the Share Option Scheme, while a total of 51,305,311 Shares (representing approximately 1.65% of the existing issued Shares) may be issued upon exercise of all options which were granted and yet to be exercised under the Share Option Scheme.

Share options cannot be exercised during the two-year period commencing from the date of grant of the share options (the "Restriction Period"). Subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, and each batch of share options vested is exercisable within the relevant exercise period. For details of the vesting and exercise periods in respect of the share options granted, please refer to note 1 of the table regarding movement of the share options during the year 2018 which is set out at the end of this section.

The validity period within which the Participants can take up the underlying Shares under the share options is 5 years from the date of grant of the share options and no consideration is payable on acceptance of the share options.

The exercise price in relation to each share option is determined based on the principle of fair market value and in any event should be the highest of (i) the closing price of the Shares as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date when an option was formally granted; (ii) the average closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date on which an option was formally granted; and (iii) the nominal value of the Shares.

The Share Option Scheme is valid and effective for a period of 10 years commencing from the date of adoption and will expire on 7 June 2028.

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

		Number of share options								
Category	Exercise price per share HK$	Outstanding at 1 January 2018	Granted during the year	Exercised during the year	Transfer (to)/from other categories during the year	Lapsed during the year	Outstanding at 31 December 2018	% of total number of issued Shares	Exercise period	Notes
Directors										
Mr. ZHANG Wei (張為)	7.27	N/A	1,500,000	–	–	–	1,500,000	0.05%	19.6.2020-18.6.2023	(1), (2)
Mr. FANG Meng	7.27	N/A	1,500,000	–	–	–	1,500,000	0.05%	19.6.2020-18.6.2023	(1), (2)
Mr. DENG Huangjun	7.27	N/A	1,200,000	–	–	–	1,200,000	0.04%	19.6.2020-18.6.2023	(1), (2)
Dr. WONG Tin Yau, Kelvin	7.27	N/A	1,200,000	–	–	–	1,200,000	0.04%	19.6.2020-18.6.2023	(1), (2)
		N/A	5,400,000	–	–	–	5,400,000			
Continuous contract employees	7.27	N/A	48,083,200	–	–	(2,067,252)	46,015,948	1.48%	19.6.2020-18.6.2023	(1), (3)
	8.02	N/A	851,966	–	–	–	851,966	0.03%	29.11.2020-28.11.2023	(4)
		N/A	48,935,166	–	–	(2,067,252)	46,867,914			
		N/A	54,335,166	–	–	(2,067,252)	52,267,914			

Notes:

(1) The share options were granted on 19 June 2018 under the Share Option Scheme at an exercise price of HK$7.27 per share. According to the provisions of the Share Option Scheme, share options under each grant have a validity period of five years commencing from the date of grant and cannot be exercised during the Restriction Period. Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. (a) 33.3% of the share options will be vested on 19 June 2020; (b) 33.3% of the share options will be vested on 19 June 2021; and (c) 33.4% of the share options will be vested on 19 June 2022. Details of the vesting conditions for the share options are more particularly set out in section headed "11. Performance Target before the Options can be granted and vested – Performance Conditions for the vesting of Share Options" of the circular of the Company dated 18 May 2018.

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

(3) The 2,067,252 share options lapsed due to resignation or retirement of, or non-acceptance by, the relevant employees.

(4) The share options were granted on 29 November 2018 under the Share Option Scheme at an exercise price of HK$8.02 per Share and were also subject to the Restriction Period. Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. (a) 33.3% of the share options will be vested on 29 November 2020; (b) 33.3% of the share options will be vested on 29 November 2021; and (c) 33.4% of the share options will be vested on 29 November 2022.

(5) No share options were exercised or cancelled under the Share Option Scheme during the year.

(6) The fair values of the share options granted during the year are estimated based on the Black-Scholes valuation model, and such fair values and significant inputs into the model are as follows:

	Fair value per share option HK$	Share price at the date of grant HK$	Exercise price HK$	Standard deviation of expected share price return	Expected life of share options	Expected dividend paid out rate	Risk-free interest rate
Granted on 19 June 2018 and outstanding as at 31 December 2018 –51,415,948 share options	1.179	6.85	7.27	28.64%	4 years	2.88%	2.21%
Granted on 29 November 2018 and outstanding as at 31 December 2018 –851,966 share options	1.538	7.93	8.02	29.35%	4 years	2.88%	2.29%

The volatility measured at the standard deviation of expected share price return is based on the historical share price movement of the Company prior to the date of grant. Changes in the subjective input assumptions could materially affect the fair value estimation.

The Group recognises the fair value of share options as expenses in the income statement over the vesting period. The fair value of the share options is measured at the date of grant.

(7) The closing prices of the Shares immediately before the date on which the share options were granted on 19 June 2018 and 29 November 2018 were HK$7.16 and HK$8.00, respectively.

Report of the Directors

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

The interest of the Company's directors in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company as at 31 December 2018 under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were as follows:

(a) Long positions in the Shares of the Company

Name of director	Capacity	Nature of interest	Number of Shares held	% of total number of issued Shares
Mr. ZHANG Wei (張為)	Beneficial owner	Personal	306,896	0.010%
Mr. FANG Meng	Beneficial owner	Personal	153,448	0.005%
Mr. DENG Huangjun	Beneficial owner	Personal	50,000	0.002%
Mr. ZHANG Wei (張煒)	Beneficial owner	Personal	30,000	0.001%
Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	582,557	0.019%

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

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

(c) Long positions in shares of associated corporations

Name of associated corporation	Name of director	Capacity	Nature of interest	Number of shares held	% of total number of issued shares of the relevant class of the relevant associated corporation
COSCO SHIPPING Energy Transportation Co., Ltd.	Mr. Adrian David LI Man Kiu	Beneficial owner	Personal	508,000 H shares	0.04%
COSCO SHIPPING Development Co., Ltd.	Mr. DENG Huangjun	Interest of spouse	Family	38,000 A shares	0.0005%
	Mr. FENG Boming	Beneficial owner	Personal	29,100 A shares	0.0004%

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2018, the directors, namely Mr. HUANG Xiaowen, Mr. ZHANG Wei (張為), Mr. FANG Meng, Mr. DENG Huangjun, Mr. FENG Boming, Mr. ZHANG Wei (張煒), Mr. CHEN Dong and Mr. WANG Haimin held directorships and/or senior management positions in China COSCO Shipping Corporation Limited ("COSCO SHIPPING"), the ultimate holding company of the Company and its subsidiaries or associates and/or other companies which are interested in terminals operation and management business (the "Terminals Interest").

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

SUBSTANTIAL INTEREST IN THE SHARE CAPITAL OF THE COMPANY

So far as is known to any directors or chief executive of the Company, as at 31 December 2018, the interest of shareholders in the Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company or the Stock Exchange were as follows:

			Number of Shares/Percentage of total number of issued Shares as at 31 December 2018				
Name	**Capacity**	**Nature of interests**	**Long positions**	**%**	**Short positions**	**%**	**Notes**
COSCO Investments Limited	Beneficial owner	Beneficial interest	213,989,277	6.87	–	–	(1), (2)
China COSCO (Hong Kong) Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,437,683,072	46.18	–	–	(1), (2)
COSCO SHIPPING Holdings Co., Ltd.	Interest of controlled corporation	Corporate interest	1,437,683,072	46.18	–	–	(1), (2)
China Ocean Shipping Company Limited	Interest of controlled corporation	Corporate interest	1,437,683,072	46.18	–	–	(1), (2)
China COSCO Shipping Corporation Limited	Interest of controlled corporation	Corporate interest	1,437,683,072	46.18	–	–	(1), (2)
Silchester International Investor LLP	Investment manager	Other interest	277,420,809	8.91	–	–	(1)
Hermes Investment Management Ltd.	Beneficial owner	Beneficial interest	153,232,292	4.92	–	–	(1), (3)

Notes:

(1) The percentage was compiled based on the total number of issued Shares as at 31 December 2018 (i.e. 3,113,125,479 Shares).

(2) The 1,437,683,072 Shares relate to the same batch of Shares. COSCO Investments Limited ("COSCO Investments") is a wholly owned subsidiary of China COSCO (Hong Kong) Limited ("China COSCO (HK)"). Accordingly, the 213,989,277 Shares held by COSCO Investments are also included as part of China COSCO (HK)'s interest in the Company. China COSCO (HK) is a wholly owned subsidiary of COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings") and it itself held 1,223,693,795 Shares beneficially. Accordingly, China COSCO (HK)'s interest in relation to the 1,437,683,072 Shares is also recorded as COSCO SHIPPING Holdings' interest in the Company. China Ocean Shipping (Group) Company ("COSCO") held 45.47% equity interest in COSCO SHIPPING Holdings as at 31 December 2018, and accordingly, COSCO is deemed to have the interest of 1,437,683,072 Shares held by China COSCO (HK). COSCO is a wholly owned subsidiary of China COSCO Shipping Corporation Limited ("COSCO SHIPPING"). Accordingly, COSCO's interest in relation to the 1,437,683,072 Shares is also recorded as COSCO SHIPPING's interest in the Company.

As informed by China COSCO (HK), it was interested in a total of 1,482,053,652 Shares (representing 47.61% of the total number of issued Shares) as at 31 December 2018, of which 218,908,243 Shares (representing 7.03% of the total number of issued Shares) were held by COSCO Investments.

(3) As informed by Hermes Investment Management Ltd., it was interested in 166,322,248 Shares (representing 5.34% of the total number of issued Shares) as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, the Company had not been notified of any other interest or short positions in the Shares and underlying Shares of the Company which had to be recorded in the register required to be kept under Section 336 of the SFO.

Report of the Directors

PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge of its directors, as at the date of this report, there was sufficient public float of the Shares of the Company with no less than 25% of the total number of issued Shares of the Company held by the public as required under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed Shares during 2018.

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

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

Percentage of purchases attributable to the Group's largest supplier	12%
Percentage of purchases attributable to the Group's five largest suppliers	34%
Percentage of revenue from sales of goods or rendering of services attributable to the Group's largest customer	16%
Percentage of revenue from sales of goods or rendering of services attributable to the Group's five largest customers	56%

None of the directors or their associates is interested in any of the suppliers or customers of the Group.

Save as disclosed above, to the best knowledge of the directors, none of the Shareholders owning more than 5% of the Company's Shares is interested in any of the suppliers and customers of the Group.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest. The Company has fully complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2018.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 54 to 83 of this annual report.

CONNECTED TRANSACTIONS

During the year, the Group conducted certain continuing related party transactions, as disclosed in note 40 (Related party transactions) of the audited consolidated financial statements of the Company for the year ended 31 December 2018, some of which constituted continuing connected transactions of the Group (exempted or non-exempted) and in respect of which the Company has complied with the relevant applicable requirements under Chapter 14A of the Listing Rules:

(1) Rental of office premises

On 28 November 2017, COSCO SHIPPING Ports Management Company Limited ("COSCO SHIPPING Ports Management") as the tenant entered into a tenancy agreement with Wing Thye Holdings Limited ("Wing Thye") as the landlord (the "Tenancy Agreement") in respect of the leasing of Units 4901, 4902A, 4902B and 4903 situated at the 49th Floor of COSCO Tower, 183 Queen's Road Central, Hong Kong (the "Premises") for a term of three years commencing from 29 November 2017 at a monthly rental of HK$1,223,600 exclusive of government rent, rates and management fees. The monthly management fees payable to Wing Thye is HK$87,248 (subject to revision by the management company of the building of which the Premises form part from time to time). During the subsistence of the Tenancy Agreement, the maximum aggregate annual value of the rental and the management fee for the period for the two years ending 31 December 2018 and 2019 and for the period from 1 January 2020 to 28 November 2020 are HK$15,740,000, HK$15,840,000 and HK$14,540,000 respectively.

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

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

(2) Financial Services Master Agreement

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

On 23 October 2018, China Shipping Finance Co., Ltd. ("CS Finance") completed registration for absorbing and merging with COSCO Finance. Upon the completion, (i) CS Finance continued as the surviving company and was renamed as COSCO SHIPPING Finance Co., Ltd. ("COSCO SHIPPING Finance"); and (ii) COSCO Finance ceased to exist as a legal entity and became a branch of COSCO SHIPPING Finance, and the assets, liabilities, business and employees of which was succeeded by COSCO SHIPPING Finance. Therefore, for transactions entered into on or after 23 October 2018, COSCO Finance shall be hereinafter referred to as a branch of COSCO SHIPPING Finance.

Report of the Directors

In respect of the Deposit Transactions, the rate of interest which will accrue on any deposit placed by the Group with COSCO Finance under the Financial Services Master Agreement will be determined with reference to: (a) market interest rates, being the interest rates set by independent third party commercial banks operating in the same or nearby service area in the PRC in their ordinary course of business on normal commercial terms for the same type of deposit services, determined in accordance with the principle of fairness and reasonableness; and (b) the interest rates offered by COSCO Finance to other parties of the COSCO SHIPPING Group (including COSCO SHIPPING and subsidiaries held by COSCO SHIPPING as to more than 51%, companies held by COSCO SHIPPING and/or its subsidiaries held by COSCO SHIPPING as to more than 51% (individually or jointly) as to more than 20%, companies held by COSCO SHIPPING and/or its subsidiaries held by COSCO SHIPPING as to more than 51% (individually or jointly) as to less than 20% with COSCO SHIPPING and/or its subsidiaries (individually or jointly) being the largest shareholder, and enterprise legal entities (事業單位法人) and social organisation legal entities (社會團體法人) under COSCO SHIPPING and/or its subsidiaries held by COSCO SHIPPING as to more than 51%) for the same type of deposit services. The caps of the daily aggregate amount of deposits placed by the Group with COSCO Finance (including the amount of any interest accrued thereon) for each of the three years ending 31 December 2017, 2018 and 2019 are RMB4,000,000,000. The maximum daily aggregate amount of deposits for the year ended 31 December 2018 was RMB2,143,585,000.

In respect of the Loan Transactions, the rate of interest which will accrue on any loan to be provided by COSCO Finance to the Group under the Financial Services Master Agreement will be determined with reference to: (a) market interest rates, being the interest rates set by independent third-party commercial banks operating in the same or nearby service area in the PRC in their ordinary course of business on normal commercial terms for the same type of loan services, determined in accordance with the principle of fairness and reasonableness; and (b) the interest rates charged by COSCO Finance to other parties of the COSCO SHIPPING Group for the same type of loan services. The caps of daily aggregate outstanding amount of loans to be provided by COSCO Finance to the Group (including any interest accrued thereon) for each of the three years ending 31 December 2017, 2018 and 2019 are RMB4,000,000,000. The maximum daily aggregate outstanding amount of loans for the year ended 31 December 2018 was RMB471,597,000.

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

In respect of the Further Financial Services, any fee which COSCO Finance will charge members of the Group under the Financial Services Master Agreement will be determined with reference to: (a) the handling fees charged by independent third-party commercial banks in the PRC for the same type of services provided to the Group; and (b) the handling fees charged by COSCO Finance for the same type of services provided to other third-party entities of the same credit rating for the same type of services. For the year ended 31 December 2018, no such services were requested by the Group from COSCO Finance.

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

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

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

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

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

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

(a) Provision of shipping related services by the Group to COSCO and its associates (excluding the COSCO SHIPPING Holdings Group (as defined below)) (collectively, the "Restricted COSCO Group"). The annual caps of the aggregate amount receivable by the Group from the Restricted COSCO Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB562,291,000, RMB705,513,000 and RMB881,877,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2018 was RMB157,903,000.

(b) Provision of terminal related services by the Restricted COSCO Group to the Group. The annual caps of the aggregate amount payable by the Group to the Restricted COSCO Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB124,590,000, RMB159,528,000 and RMB198,434,000, respectively. The total amount of the aforesaid transactions for the year ended 31 December 2018 was RMB24,260,000.

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

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

(a) Provision of shipping related services by the Group to COSCO SHIPPING Holdings and COSCO SHIPPING Lines and their respective associates (excluding the Group, COSCO and its subsidiaries) (collectively, the "COSCO SHIPPING Holdings Group"). The annual caps of the aggregate amount receivable by the Group from the COSCO SHIPPING Holdings Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB2,592,045,000, RMB2,920,650,000 and RMB3,294,169,000, respectively. The total amount of the aforesaid transactions for the year ended 31 December 2018 was RMB1,141,305,000.

(b) Provision of terminal related services by the COSCO SHIPPING Holdings Group to the Group. The annual caps of the aggregate amount payable by the Group to the COSCO SHIPPING Holdings Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB2,500,000, RMB2,750,000 and RMB3,025,000, respectively. The total amount of the aforesaid transactions for the year ended 31 December 2018 was RMB2,030,000.

Report of the Directors

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

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

The annual caps of the aggregate amount receivable by the Group from Maersk Line for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB1,598,518,000, RMB1,747,734,000 and RMB1,914,560,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2018 was RMB588,282,000.

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

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

(a) Provision of container terminal related services by GZ South China to GZ Port Company and its subsidiaries, branches and associates excluding GZ South China and COSCO Ports (collectively, the "GZ Port Company Group") and excluding any service providing party of the GZ Port Holding Group under the Guangzhou Port Holding Container Terminal Services Master Agreement. The annual caps of the aggregate amount receivable by GZ South China from the GZ Port Company Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB49,220,000, RMB58,522,000 and RMB70,069,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2018 was RMB21,089,000.

(b) Provision of container terminal related services by the GZ Port Company Group to GZ South China (but excluding any service providing party of the GZ Port Holding Group under the Guangzhou Port Holding Container Terminal Services Master Agreement). The annual caps of the aggregate amount payable by GZ South China to the GZ Port Company Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB325,856,000, RMB369,467,000 and RMB421,114,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2018 was RMB30,341,000.

(c) The provision of high-frequency wireless communication services at Guangzhou port by GZ Port Company Group to GZ South China. The annual caps of the aggregate amount payable by GZ South China to the GZ Port Company Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB4,000,000, RMB6,000,000 and RMB9,000,000 respectively. For the year ended 31 December 2018, no such services were requested by GZ South China from GZ Port Company Group.

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

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

The annual caps of the aggregate amount payable by GZ South China to GZ Port Holding Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB34,650,000, RMB41,515,000 and RMB47,067,000, respectively. The total amount of the aforesaid transactions for the year ended 31 December 2018 was RMB17,409,000.

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

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

(a) Provision of container terminal related services by Xiamen Haicang Holding and its subsidiaries, branches and associates (collectively, the "Xiamen Haicang Group") to Xiamen Ocean Gate. The annual caps of the aggregate amount payable by Xiamen Ocean Gate to the Xiamen Haicang Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB46,000,000, RMB57,000,000 and RMB72,000,000 respectively. The total amount for the aforesaid transactions for the year ended 31 December 2018 was RMB11,390,000.

(b) Provision of container terminal related services by Xiamen Ocean Gate to the members of the Xiamen Haicang Group. The annual caps of the aggregate amount payable by the Xiamen Haicang Group to Xiamen Ocean Gate for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB20,000,000, RMB27,200,000 and RMB37,800,000 respectively. The total amount for the aforesaid transactions for the year ended 31 December 2018 was RMB611,000.

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

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

The annual caps of the aggregate amount payable by Yangzhou Yuanyang to the Yangzhou Port Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB159,195,000, RMB190,714,000 and RMB228,506,000, respectively. The total amount of the aforesaid transactions for the year ended 31 December 2018 was RMB12,194,000.

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

Report of the Directors

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

The annual caps of the aggregate amount payable by GZ South China to CM Supply for the three years ended 31 December 2016, 2017 and 2018 are RMB30,000,000, RMB33,000,000 and RMB36,300,000, respectively. The total amount for the aforesaid transactions for the year ended 31 December 2018 was RMB5,178,000.

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

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

The annual caps of the aggregate amount payable by Xiamen Ocean Gate Group to Chimbusco Fujian for the three years ended 31 December 2016, 2017 and 2018 are RMB20,000,000, RMB24,000,000 and RMB28,000,000 respectively. For the year ended 31 December 2018, there were no such purchases of diesel oil by Xiamen Ocean Gate Group from Chimbusco Fujian.

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

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

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

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

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

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

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

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

The continuing connected transactions under the agreements numbered (1) and (2) above were subject to the reporting, annual review, announcement and independent shareholders' approval requirements and were approved by the independent shareholders of the Company at the special general meeting held on 26 November 2015 ("2015 SGM"), whilst the transactions under the agreements numbered (3) to (5) were exempted from the independent shareholders' approval requirement (so far as applicable) under Rule 14A.101 of the Listing Rules.

The continuing connected transactions under the agreements numbered (8) and (9) were subject to the reporting, annual review and announcement requirements, but were exempt from the independent shareholders' approval requirement under Rule 14A.76 of the Listing Rules.

In addition, the transactions under the agreements numbered (6) and (7) did not constitute continuing connected transactions of the Company for the year ended 31 December 2018, since members of the Xiamen Haicang Group and members of the Yangzhou Port Group constituted persons connected with insignificant subsidiaries for the relevant period under Rule 14A.09 of the Listing Rules.

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

As the aforementioned master agreements expired on 31 December 2018, and it was expected that the Group would continue to enter into transactions of similar nature to transactions under the existing master agreements, the Group had entered into new master agreements on 30 October, 22 November and 23 November 2018 as required, each for a term of three years from 1 January 2019 to 31 December 2021.

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

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

In order to streamline the organisation of the Group, COSCO Ports was dissolved on 9 June 2017. The Company and COSCO Ports agreed that Company assumed all rights and obligations of COSCO Ports under the above agreement.

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

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

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

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

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

Since the entering into of the Finance Lease Master Agreement also constituted a disclosable transaction of the Company, the transaction was approved by the independent shareholders of the Company at the 2015 SGM.

(5) Concession Agreement

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

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

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

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

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

(6) Master agreement relating to the purchase of oil products

On 8 May 2018, the Company entered into a master agreement with China Shipping & Sinopec Suppliers Co., Ltd. ("China Shipping Sinopec") in relation to the purchase of oil products including but not limited to fuel oil, lubricating oil, hydraulic oil and transmission oil (the "Oil Products") by members of the Group from China Shipping Sinopec and its subsidiaries (collectively, the "China Shipping Sinopec Group") for the period from 1 January 2018 to 31 December 2018 (the "Oil Products Master Agreement").

The annual cap of the aggregate amount payable by the Group to members of China Shipping Sinopec Group for the year ended 31 December 2018 was RMB43,900,000. The total amount of the aforementioned transactions (collectively, the "Purchase Transactions") for the year ended 31 December 2018 was RMB15,563,000.

Pursuant to the Oil Products Master Agreement, the Purchase Transactions were conducted on normal commercial terms and the terms, including the purchase prices, for the purchase of Oil Products will be at rates no less favourable to members of the Group than those available from independent third parties for the Purchase Transactions and the General Pricing Principles (being (i) State-prescribed prices; (ii) where there is no State-prescribed price or if it is higher than the relevant market price (being the price at which the same type of products is provided by independent third parties in the same area in the ordinary course of business on normal commercial terms), according to the relevant market price; and (iii) where there is no relevant market price, according to the price agreed between the relevant member of China Shipping Sinopec Group and the relevant member of the Group based on the costs of the products plus an appropriate margin (which will be determined with reference to, among others, the inflation rate and valuation conducted by independent valuer (where appropriate)) applied to the determination of the purchase prices.

China Shipping Sinopec is a subsidiary of COSCO SHIPPING. Accordingly, members of the China Shipping Sinopec Group are associates of COSCO SHIPPING and connected persons of the Company. The Purchase Transactions constituted continuing connected transactions of the Group.

Internal control procedures

As part of the Group's internal control systems to ensure that the transactions between the Group and its connected persons are conducted in accordance with the terms of their respective continuing connected transaction master agreements, the Company implemented the following internal control arrangements to the connected transactions conducted, where applicable:

(i) The relevant business unit of each subsidiary of the Company will periodically observe market conditions and monitor the prevailing market prices, including the pricings of contemporaneous transactions with independent third parties in respect of comparable types of products and/or services in the same or adjacent area in the ordinary course of business. In addition, before entering into any agreements pursuant to the respective continuing connected transaction master agreements, the Group will observe the General Pricing Principles, and where available, the relevant personnel of the Group would compare at least two other contemporaneous transactions or quotations for similar transactions with independent third parties for similar products and/or services in similar quantities and ensure that the terms offered to or by the relevant connected persons are no less favourable to the Group than those available to or from independent third parties.

(ii) The relevant departments in the head office of the Company and each subsidiary of the Company has a designated person to record the entering into of continuing connected transactions.

(iii) The Finance Department of the Company will prepare a "Summary for Continuing Connected Transactions" on a quarterly basis and organise meetings regularly to review and assess whether the relevant continuing connected transactions are conducted in accordance with the terms of their respective continuing connected transaction master agreements. After the "Summary for Continuing Connected Transactions" is reviewed by the relevant departments of the Company and the management, it will be submitted to the Audit Committee of the Company and the Board for further review.

(iv) The Audit and Supervision Department of the Company will monitor the risks related to continuing connected transactions by reviewing the minutes of important meetings of subsidiaries of the Company as well as accounting records, to identify if the Group has any undisclosed connected transactions.

(v) The Audit and Supervision Department will also check the terms and implementation status of the Group's policies and requirements related to continuing connected transactions from time to time, including investigating the audited entities' processes for identification of connected persons and the procedures for dealing with continuing connected transactions. The Audit and Supervision Department is also responsible for monitoring the prices of the transactions with connected persons by reviewing samples of the relevant sales contracts and costs, etc., to ensure that such prices are in compliance with the pricing policies under the terms of their respective continuing connected transaction master agreements.

(vi) Each relevant member of the Group shall monitor its own utilisation of the portion of the annual transaction cap amount allocated by the Company (the "Designated Amount"). If the annual transaction amount of a relevant member of the Group reaches 80% of its Designated Amount, or is expected to exceed its Designated Amount within three months, the member shall inform the relevant personnel from the Finance Department and Legal Department of the Company immediately and the Company shall determine the appropriate actions to be taken, such as (a) require the member not to enter into any further transactions which would cause the Designated Amount to be exceeded; (b) increase the Designated Amount allocated to the member by reducing the Designated Amount(s) allocated to other member(s); or (c) if the accumulative annual transaction amount of the Group exceeds the relevant annual cap, the relevant member(s) of the Group shall provide sufficient reasons and cooperate with the Company to revise the annual cap and comply with the relevant requirements of the Listing Rules.

The Board is of the view that the above methods and procedures can ensure that the pricing and other contract terms for the connected transactions conducted are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and will be conducted on terms no less favourable to the Group than the terms available from independent third parties for the relevant transactions.

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

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

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

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

Report from the auditor on the continuing connected transactions

For the purposes of Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to report on the above continuing connected transactions that are subject to annual review for the year ended 31 December 2018 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the such continuing connected transactions, in accordance with Rule 14A.56 of Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

In relation to the financial assistance granted by the Group to certain affiliated companies, a pro forma combined balance sheet of the affiliated companies as at 31 December 2018 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	US$'000
Non-current assets	1,333,566
Current assets	297,608
Current liabilities	(440,134)
Non-current liabilities	(652,455)
Net assets	538,585
Share capital	21,727
Reserves	474,483
Non-controlling interest	42,376
Capital and reserves	538,586

As at 31 December 2018, interests in such affiliated companies attributable to the Group amounted to US$467,676,000.

AUDIT COMMITTEE

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

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

AUDITOR

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

On behalf of the Board

ZHANG Wei
Vice Chairman and Managing Director

Hong Kong, 28 March 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of COSCO SHIPPING Ports Limited

(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of COSCO SHIPPING Ports Limited (the "Company") and its subsidiaries (the "Group") set out on pages 117 to 214 which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

KEY AUDIT MATTERS

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

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

- Recoverability of carrying amounts of terminal assets, investments in joint ventures and associates; and
- Impairment assessment of goodwill.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of carrying amounts of terminal assets, investments in joint ventures and associates Refer to notes 3.8, 5(a), 7, 11 and 12 to the consolidated financial statements. The Group is involved in terminals operation through subsidiaries, investments in joint ventures and associates in Hong Kong, Mainland China, Spain, Italy, Greece, Belgium and other countries. As at 31 December 2018, there were terminal assets with a total carrying value of property, plant and equipment of approximately US$3,057 million, investments in joint ventures with a total carrying amount of US$1,269 million, and investments in associates with a total carrying amount of US$2,579 million. Management performed assessment at the end of each reporting period whether there is any indication that the terminal assets, investments in joint ventures and associates may be impaired. Should indication of impairment exists, an impairment assessment will be performed accordingly. The recoverable amounts of the terminal assets, investments in joint ventures and associates are assessed by value-in-use calculations which are based on future discounted cash flows on a cash generating unit basis. Management has concluded that there was no impairment in respect of the terminal assets, investments in joint ventures and associates as at 31 December 2018. This area is significant to our audit because of the significance of the carrying amounts of the assets and the significant management judgment involved in determining the value-in-use prepared based on future discounted cash flows. For terminals assets, investments in joint ventures and associates, the judgment focuses on revenue growth rates, gross/operating margins and discount rates. All these factors are with estimation uncertainties and may impact the results of the impairment assessments.	We obtained an understanding on the Group's policies and procedures to identify impairment indicators of terminal assets, investments in joint ventures and associates, and performed the following procedures in relation to management's impairment assessments: • evaluated the internal sources and external sources of information to identify impairment indications, if any; • evaluated the appropriateness of the value-in-use model adopted for the impairment assessments; • compared the current year's actual results with prior year's budgets to consider whether any past forecast including any assumptions, with hindsight, had been aggressive; • assessed the reasonableness of key assumptions such as revenue growth rates and gross/operating margins by comparing to commercial contracts, available market reports and historical trend analyses; • assessed the discount rates used by considering and recalculating the weighted average cost of capital for the individual terminal and comparable companies within the same industry, as well as considering territory specific factors; • reconciled input data to supporting evidence, such as approved budgets, inflation rates, strategic plans and market data; and • evaluated management's sensitivity analysis around the key assumptions, to ascertain the extent of change in those assumptions that either individually or collectively would be required for the terminal assets to be impaired, where applicable. Based on the audit procedures performed, we found the key judgments and assumptions used in the impairment identification and assessments to be supported by the available evidence.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill	
Refer to notes 3.7(a), 3.8, 5(b) and 10 to the consolidated financial statements. As at 31 December 2018, the Group had a balance of goodwill of US$132 million. Management tests whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.7(a). The recoverable amounts of cash generating units ("CGUs") have been determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on financial budgets approved by management which involve judgment by management such as determining the discount rates, revenue growth rates, gross margins and operating margins. Changes in these assumptions may impact the recoverable amount of goodwill. Management concluded that the goodwill was not impaired. We focused on this area as the assessment involved significant judgments, including the revenue growth rates, gross margins, operating margins and discount rates applied to the estimates of the recoverable amount.	We performed the following procedures to assess the reasonableness of the key assumptions including discount rates, revenue growth rates, gross margins and operating margins applied by management in the impairment assessment of goodwill based on value-in-use calculations: • involved our internal valuation experts to evaluate the valuation methodologies and assess the reasonableness of the discount rates in the impairment assessment applied by management and benchmarked the discount rates applied to other comparable companies in the same industry; • agreed the input data used by management to supporting evidence such as actual results and financial budgets approved by management; and • assessed the reasonableness of key assumptions applied in the financial budgets such as revenue growth rates, gross margins and operating margins applied by management by comparing them with economic and industry forecasts, as well as comparing the current year actual results with the prior year forecast to assess the reasonableness of management forecasts. Based on the audit procedures performed, we found the key judgments and assumptions used in the impairment assessment to be supported by available evidence.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2019

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Note	2018 US$'000	2017 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**3,057,069**	2,980,498
Investment properties	8	**17,871**	8,410
Land use rights	9	**262,507**	278,706
Intangible assets	10	**423,811**	451,859
Joint ventures	11	**1,269,250**	1,196,648
Loans to joint ventures	11	**23,812**	1,672
Associates	12	**2,578,830**	2,579,493
Loans to associates	12	**150,269**	158,539
Financial asset at fair value through profit or loss	14	**72,771**	–
Financial assets at fair value through other comprehensive income	13	**183,263**	–
Available-for-sale financial assets	13	**–**	276,553
Deferred income tax assets	15	**94,648**	108,277
Other non-current assets	16	**54,991**	61,283
		8,189,092	8,101,938
Current assets			
Inventories	17	**13,837**	10,942
Trade and other receivables	18	**235,421**	271,430
Current income tax recoverable		**413**	3,370
Restricted bank deposits	39(c)	**63,674**	6,333
Cash and cash equivalents	39(c)	**543,015**	560,067
		856,360	852,142
Total assets		**9,045,452**	8,954,080
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	20	**39,971**	39,254
Reserves		**5,125,241**	5,149,313
		5,165,212	5,188,567
Non-controlling interests		**654,438**	656,807
Total equity		**5,819,650**	5,845,374

Consolidated Balance Sheet

	Note	2018 US$'000	2017 US$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	15	**107,672**	133,439
Long term borrowings	22	**2,283,529**	1,823,770
Loans from non-controlling shareholders of subsidiaries	23(a)	**685**	53,012
Loans from a fellow subsidiary	23(b)	**8,870**	20,293
Derivative financial instruments	26	**7,358**	6,527
Other long term liabilities	24	**36,880**	39,886
		2,444,994	2,076,927
Current liabilities			
Trade and other payables and contract liabilities	25	**565,209**	502,440
Current income tax liabilities		**16,079**	15,925
Current portion of long term borrowings	22	**87,824**	33,858
Short term borrowings	22	**108,550**	476,721
Derivative financial instruments	26	**3,146**	2,835
		780,808	1,031,779
Total liabilities		**3,225,802**	3,108,706
Total equity and liabilities		**9,045,452**	8,954,080

On behalf of the Board

ZHANG Wei
Vice Chairman and Managing Director

WONG Tin Yau, Kelvin
Executive Director and Deputy Managing Director

The accompanying notes on pages 125 to 214 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Note	**2018** **US$'000**	2017 US$'000
Revenues	6	**1,000,350**	634,710
Cost of sales		**(706,659)**	(425,435)
Gross profit		**293,691**	209,275
Administrative expenses		**(110,871)**	(114,290)
Other operating income	28	**37,375**	40,274
Other operating expenses		**(7,001)**	(5,056)
Gain on remeasurement of previously held interest of an available-for-sale financial asset at fair value upon further acquisition to become an associate	27	**–**	38,434
Gain on disposal of a joint venture	27	**–**	283,961
Operating profit	29	**213,194**	452,598
Finance income	30	**12,342**	12,668
Finance costs	30	**(78,022)**	(55,976)
Operating profit (after finance income and costs)		**147,514**	409,290
Share of profits less losses of			
– joint ventures	11	**90,969**	86,531
– associates	12	**201,483**	150,037
Profit before income tax		**439,966**	645,858
Income tax expenses	31	**(66,042)**	(94,709)
Profit for the year		**373,924**	551,149
Profit attributable to:			
Equity holders of the Company		**324,583**	512,454
Non-controlling interests		**49,341**	38,695
		373,924	551,149
Earnings per share for profit attributable to equity holders of the Company			
– Basic	32	**US10.58 cents**	US16.93 cents
– Diluted	32	**US10.57 cents**	US16.93 cents

The accompanying notes on pages 125 to 214 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 US$'000	2017 US$'000
Profit for the year	**373,924**	551,149
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Share of other comprehensive income of an associate		
– other reserves	**(4,172)**	9,451
Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax	**(64,135)**	–
Items that may be reclassified to profit or loss		
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates	**(246,247)**	255,745
Release of investment revaluation reserve of an available-for-sale financial asset at fair value upon further acquisition to become an associate	**–**	(38,434)
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
Fair value gain on available-for-sale financial assets, net of tax	**–**	151,055
Cash flow hedges, net of tax		
– fair value (loss)/gain	**(1,225)**	243
– transfer to consolidated income statement	**–**	399
Share of other comprehensive income of joint ventures and associates		
– exchange reserve	**(4,821)**	10,174
– other reserves	**345**	(497)
Other comprehensive (loss)/income for the year, net of tax	**(320,255)**	379,202
Total comprehensive income for the year	**53,669**	930,351
Total comprehensive income attributable to:		
Equity holders of the Company	**39,359**	858,150
Non-controlling interests	**14,310**	72,201
	53,669	930,351

The accompanying notes on pages 125 to 214 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Capital reserve US$'000	Contributed surplus US$'000	Investment revaluation reserve US$'000	FVOCI reserve US$'000	Properties revaluation reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained profits US$'000	Total reserves US$'000	Non-controlling interests US$'000	Total US$'000
Balance at 31 December 2017 as originally presented	39,254	1,739,685	–	(232,269)	115	116,703	–	10,699	31,547	73,500	3,409,333	5,149,313	656,807	5,845,374
Change in accounting policy	–	–	–	–	–	(116,703)	96,903	–	–	–	19,800	–	–	–
Restated at 1 January 2018	39,254	1,739,685	–	(232,269)	115	–	96,903	10,699	31,547	73,500	3,429,133	5,149,313	656,807	5,845,374
Profit for the year	–	–	–	–	–	–	–	–	–	–	324,583	324,583	49,341	373,924
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates	–	–	–	–	–	–	–	–	(212,113)	–	–	(212,113)	(34,134)	(246,247)
Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	(64,135)	–	–	–	–	(64,135)	–	(64,135)
Cash flow hedges, net of tax	–	–	–	–	–	–	–	–	–	(571)	–	(571)	(654)	(1,225)
Share of other comprehensive income of joint ventures and associates	–	–	–	319	–	–	–	–	(4,577)	(4,147)	–	(8,405)	(243)	(8,648)
Total comprehensive income for the year	–	–	–	319	–	–	(64,135)	–	(216,690)	(4,718)	324,583	39,359	14,310	53,669
Issue of shares on settlement of scrip dividends	717	53,197	–	–	–	–	–	–	–	–	–	53,197	–	53,914
Fair value of share options granted	–	–	1,185	–	–	–	–	–	–	–	–	1,185	–	1,185
Disposal of partial interest in a subsidiary	–	–	–	1,398	–	–	–	–	(98)	–	–	1,300	7,480	8,780
Capital injection from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	12,762	12,762
Dividends paid to equity holders of the Company														
– 2017 final	–	–	–	–	–	–	–	–	–	–	(51,482)	(51,482)	–	(51,482)
– 2018 interim	–	–	–	–	–	–	–	–	–	–	(67,631)	(67,631)	–	(67,631)
Dividends paid to non-controlling shareholder of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(36,921)	(36,921)
	717	53,197	1,185	1,717	–	–	(64,135)	–	(216,788)	(4,718)	205,470	(24,072)	(2,369)	(25,724)
At 31 December 2018	39,971	1,792,882	1,185	(230,552)	115	–	32,768	10,699	(185,241)	68,782	3,634,603	5,125,241	654,438	5,819,650
Representing:														
Share capital	39,971	–	–	–	–	–	–	–	–	–	–	–		
Reserves	–	1,792,882	1,185	(230,552)	115	–	32,768	10,699	(185,241)	68,782	3,571,718	5,062,356		
2018 final dividend proposed	–	–	–	–	–	–	–	–	–	–	62,885	62,885		
	39,971	1,792,882	1,185	(230,552)	115	–	32,768	10,699	(185,241)	68,782	3,634,603	5,125,241		

Consolidated Statement of Changes in Equity

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

The accompanying notes on pages 125 to 214 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018

	Note	2018 US$'000	2017 US$'000
Cash flows from operating activities			
Cash generated from operations	39(a)	**305,446**	316,929
Interest received		**16,080**	10,556
Tax refunded		**–**	457
Tax paid		**(55,717)**	(75,042)
Net cash generated from operating activities		**265,809**	252,900
Cash flows from investing activities			
Dividends received from joint ventures		**64,728**	62,199
Dividends received from associates		**102,534**	114,891
Dividends received from listed and unlisted financial assets at fair value through other comprehensive income		**2,266**	–
Dividends received from listed and unlisted available-for-sale financial assets		**–**	1,036
Net cash paid for purchase of subsidiaries	41	**–**	(302,096)
Purchase of property, plant and equipment, land use rights and intangible assets		**(312,824)**	(198,483)
Investments in joint ventures		**(59,761)**	(22,601)
Investments in associates	12(c)	**–**	(385,832)
Investments in a financial asset at fair value through profit or loss and a financial asset at fair value through other comprehensive income		**(68,632)**	–
Loan advanced to an associate		**–**	(37,061)
Repayment of loans to joint ventures		**35,299**	2,980
Proceeds from disposal of property, plant and equipment		**6,385**	1,557
Stamp duty on disposal of a joint venture		**–**	(696)
Deemed disposal of a subsidiary		**–**	(300)
Decrease in restricted bank balance		**–**	6,109
Net cash used in investing activities		**(230,005)**	(758,297)

Consolidated Cash Flow Statement

	Note	2018 US$'000	2017 US$'000
Cash flows from financing activities			
Loans drawn down		**721,073**	763,520
Loans repaid		**(514,222)**	(449,635)
Loans from non-controlling shareholders of subsidiaries		**43,711**	51,497
Repayment of loans from a non-controlling shareholder of a subsidiary		**(57,135)**	(59,196)
Repayment of loans from a fellow subsidiary		**(13,471)**	(11,109)
Repayment of loan from a joint venture		**(42,622)**	–
Loan from a joint venture		**32,784**	–
Loan from an associate		**–**	14,799
Dividends paid to equity holders of the Company		**(64,773)**	(24,301)
Dividends paid to non-controlling shareholders of subsidiaries		**(36,921)**	(10,651)
Interest paid		**(63,118)**	(55,402)
Other incidental borrowing costs paid		**(2,830)**	(10,759)
Capital injection from non-controlling shareholders of subsidiaries		**5,662**	41,216
Proceeds from partial disposal of a subsidiary		**8,780**	–
Increase in restricted bank balance		**(57,341)**	–
Net cash (used in)/generated from financing activities		**(40,423)**	249,979
Net decrease in cash and cash equivalents		**(4,619)**	(255,418)
Cash and cash equivalents at 1 January		**560,067**	834,232
Exchange differences		**(12,433)**	(18,747)
Cash and cash equivalents at 31 December	39(c)	**543,015**	560,067

The accompanying notes on pages 125 to 214 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 28 March 2019.

2 BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2018 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") 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, financial assets at fair value through other comprehensive income ("FVOCI"), financial asset at fair value through profit or loss ("FVPL"), derivative financial instruments and investment properties are carried at fair value.

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

2.1 Adoption of new standards, interpretation, amendments and improvements to existing standards

In 2018, the Group has adopted the following new standards, interpretation, amendments and improvements to existing standards issued by the HKICPA which are mandatory for the financial year ended 31 December 2018:

New standards, interpretation and amendments

HKAS 40 Amendment	Transfers of Investment Property
HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 Amendment	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 Amendment	Clarifications to HKFRS 15
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

2 BASIS OF PREPARATION (CONTINUED)

2.1 Adoption of new standards, interpretation, amendments and improvements to existing standards (Continued)

Annual Improvements 2014–2016 Cycle

HKAS 28 Amendment	Investments in Associates and Joint Ventures
HKFRS 1 Amendment	First time adoption of HKFRS

Except for the impact disclosed below, the adoption of these new standards, interpretation, amendments and improvements to existing standards does not have a significant impact on the Group's accounting policy.

2.2 Change in accounting policies

(a) Impact on the financial statements

As explained below, HKFRS 9 and HKFRS 15 were adopted without restating comparative information. The resulting reclassifications and adjustments arising from the new accounting policies are therefore not reflected in the comparative balances, but are recognised in the opening consolidated balance sheet on 1 January 2018.

The following table shows the impact on each individual line item. Line items that were not affected by the changes have not been included. The impact is explained in more details in notes (b) and (c) below.

Consolidated balance sheet (extract)	As at 31 December 2017 (As originally presented)	Impact on initial adoption of		As at 1 January 2018 (Restated)
		HKFRS 9	HKFRS 15	
	US$'000	US$'000	US$'000	US$'000
Non-current assets				
Financial assets at FVOCI	–	276,553	–	276,553
Available-for-sale financial assets	276,553	(276,553)	–	–
Current assets				
Trade and other receivables	271,430	–	6,382	277,812
Current liabilities				
Trade and other payables	502,440	–	–	502,440
Contract liabilities	–	–	6,382	6,382
Trade and other payables and contract liabilities	502,440	–	6,382	508,822

2 BASIS OF PREPARATION (CONTINUED)

2.2 Change in accounting policies (Continued)

(b) HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that related to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies. The new accounting policies are set out in note (i) and (ii) below. In accordance with the transitional provisions in HKFRS 9, the comparative information for prior periods with respect to classification and measurement (including impairment) changes is not restated and differences in the carrying amounts resulting from the adoption of HKFRS 9 are recognised as adjustments to the opening consolidated balance sheet on 1 January 2018.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

The impact of this change on the Group's equity is as follows:

	Investment revaluation reserve US$'000	FVOCI reserve US$'000	Retained profits US$'000
Opening balance as at 1 January 2018 – HKAS 39	116,703	–	3,409,333
Reclassify available-for-sale financial assets to financial assets at FVOCI (note)	(116,703)	116,703	–
Reclassify impairment loss on an available-for-sale financial asset previously recognised in profit or loss to FVOCI reserve (note)	–	(19,800)	19,800
Opening balance as at 1 January 2018 – HKFRS 9	–	96,903	3,429,133

Note:

Equity investments previously classified as available-for-sale financial asset

The Group has elected to present in other comprehensive income ("OCI") for the changes in the fair value of all equity instruments previously classified as available-for-sale financial assets, which were then reclassified to financial assets at FVOCI on 1 January 2018. As a result, fair value gains were reclassified from investment revaluation reserve to FVOCI reserve. Retained profits increased as there was no longer any reclassification of accumulated amounts from reserves to profit or loss on impairment of these financial assets.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION (CONTINUED)

2.2 Change in accounting policies (Continued)

(b) HKFRS 9 Financial Instruments (Continued)

(i) Classification and measurement (Continued)

Reclassifications of financial instruments on adoption of HKFRS 9

On the date of initial application, 1 January 2018, the financial instruments of the Group were as follows, with any reclassifications noted:

	Measurement category		Carrying amount		
	Original (HKAS 39)	New (HKFRS 9)	Original	New	Difference
			US$'000	US$'000	US$'000
Non-current financial assets					
Equity investments	Available for sale	FVOCI	276,553	276,553	–
Loans to joint ventures and associates	Amortised cost	Amortised cost	160,211	160,211	–
Current financial assets					
Trade and other receivables, excluding prepayments	Amortised cost	Amortised cost	258,138	258,138	–
Restricted bank deposits	Amortised cost	Amortised cost	6,333	6,333	–
Cash and cash equivalents	Amortised cost	Amortised cost	560,067	560,067	–
Non-current financial liabilities					
Long term borrowings and loans from related parties	Amortised cost	Amortised cost	1,897,075	1,897,075	–
Derivative financial instruments	FVPL	FVPL	6,527	6,527	–
Current financial liabilities					
Trade and other payables, excluding receipts in advance	Amortised cost	Amortised cost	497,162	497,162	–
Current portion of long term borrowings and short term borrowings	Amortised cost	Amortised cost	510,579	510,579	–
Derivative financial instruments	FVPL	FVPL	2,835	2,835	–

(ii) Impairment of financial assets

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For other financial assets at amortised cost are considered to be low risk, and therefore the impairment provision is determined as 12 months expected credit losses. The results of these revisions have not resulted in any material change in impairment provision or any material impact on the carrying amount of the Group's financial assets.

2 BASIS OF PREPARATION (CONTINUED)

2.2 Change in accounting policies (Continued)

(c) HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 using modified retrospective approach. In accordance with the transition provisions in HKFRS 15, the comparative information for prior periods is not restated.

The following adjustment was made to the amounts recognised in the consolidated balance sheet at the date of initial application:

Presentation of liabilities related to contracts with customers

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities relating to receipts in advance and expected volume discounts which were previously net-off and included in trade and other receivables with related customers.

2.3 New standards, interpretation, amendments and improvements to existing standards that are not yet effective for the year ended 31 December 2018 and have not been early adopted by the Group

The HKICPA has issued the following new standards, interpretation, amendments and improvements to existing standards which are not yet effective for the year ended 31 December 2018 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
New standards, interpretation and amendments		
HKAS 1 and HKAS 8 Amendment	Definition of Material	1 January 2020
HKAS 19 Amendment	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 Amendment	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 9 Amendment	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 3 Amendment	Definition of a Business	1 January 2020
HKFRS 17	Insurance contract	1 January 2021
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 23	Uncertainty over Income Tax Treatments	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
Annual Improvements 2015–2017		
HKAS 12 Amendment	Income Taxes	1 January 2019
HKAS 23 Amendment	Borrowing Costs	1 January 2019
HKFRS 3 Amendment	Business Combination	1 January 2019
HKFRS 11 Amendment	Joint Arrangements	1 January 2019

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION (CONTINUED)

2.3 New standards, interpretation, amendments and improvements to existing standards that are not yet effective for the year ended 31 December 2018 and have not been early adopted by the Group (Continued)

The Group will apply the above new standards, interpretation, 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, interpretation, amendments and improvements to the existing standards to the Group, certain of which will give rise to change in presentation, disclosure and measurements of certain items in the financial statements as explained below:

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result lessees accounting for most leases within the scope of the standard in a manner similar to finance leases 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.

Impact

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16.

The Group expects to adopt the standard using the modified retrospective approach where the cumulative effects of initially applying HKFRS 16 is recognised as an adjustment to the opening balance of retained profits and comparative figures are not restated. The operating lease commitments are disclosed in note 38(b). The Group will recognise a right-of-use ("ROU") asset and a financial liability on the consolidated balance sheet. The asset will be depreciated over the terms of the leases, and the financial liability will be measured at amortised costs. Lease expenses in the consolidated income statement are replaced by depreciation and interest expenses. Adoption of the new standard result in a significant increase in both assets and liabilities in the consolidated balance sheet and will have negative impact to the financial performance of the Group as, when comparing to the HKAS 17, higher expenses will be incurred in the early years of lease terms, diminishing over the lease terms and will result lower expenses in the later part of the lease terms, though earnings before interest, taxes, depreciation and amortisation ("EBITDA") and earnings before interest and taxes ("EBIT") will increase.

The impact on adoption of HKFRS 16 will be disclosed in the first set of unaudited condensed consolidated financial statements issued by the Group following the initial application of this new standard, i.e. in the unaudited condensed consolidated financial statements for the three months ending 31 March 2019.

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on date of adoption (adjusted for any prepaid or accrued lease expenses).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Group accounting

(a) Merger accounting for common control combinations

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

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

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

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

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

(b) Acquisition method for non-common control combination

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

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

Acquisition-related costs are expensed as incurred.

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

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

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Group accounting (Continued)

(c) Subsidiaries

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

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

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

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

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

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

(e) Disposal of subsidiaries

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Group accounting (Continued)

(f) Joint ventures/associates

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

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

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

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Group accounting (Continued)

(f) Joint ventures/associates (Continued)

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

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

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

(g) Balances with subsidiaries, joint ventures and associates

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

3.2 Segment reporting

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

3.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments held at FVPL, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as FVOCI, are recognised in OCI.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Foreign currency translation (Continued)

(c) Group companies

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

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

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

(iii) all resulting exchange differences are recognised in OCI.

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

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(d) Disposal of foreign operation and partial disposal

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment

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

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

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

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

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

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

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

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

3.5 Land use rights

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Investment properties

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

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

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

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

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

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

3.7 Intangible assets

(a) Goodwill

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

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

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

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Intangible assets (Continued)

(b) Computer software

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

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

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

(c) Concession rights

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

(d) Customer relationships

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

3.8 Impairment of non-financial assets

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Investments and other financial assets

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

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

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

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

(b) Recognition and derecognition

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

(c) Measurement

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

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as amortised cost for assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and measures at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating income/(expenses) together with foreign exchange gains and losses.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Equity instruments

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

Changes in the fair value of financial assets at FVPL are recognised in other operating income/(expenses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For other financial assets at amortised cost and debt instruments at FVOCI, the provision for these financial assets will be determined based on whether their credit risk are low at each reporting date, and, if so, by recognising a 12-month expected losses amount. If the financial asset is not subsequently of a low credit risk, the corresponding provision for doubtful debts will be recognised as equal to lifetime expected losses.

(e) Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Available-for-sale financial assets

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Investments and other financial assets (Continued)

(e) Accounting policies applied until 31 December 2017 (Continued)

(ii) Impairment of assets carried at amortised cost

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

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

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

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

(iii) Impairment of financial assets classified as available-for-sales

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

3.10 Offsetting financial instruments

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Derivatives and hedging activities

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

At the inception of the hedging, the Group documents the economics, relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedge items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of the derivative financial instruments used for hedging purposes are disclosed in note 26. Movements in the hedging reserve in shareholders' equity are shown in note 26. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

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

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

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

3.12 Inventories

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

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Trade and other receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3.14 Cash and cash equivalents

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

3.15 Assets under leases

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

(a) Leases – where the Group is the lessee

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

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

(b) Leases – where the Group is the lessor

When the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 3.4 above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in notes 3.23(b) below.

3.16 Provisions

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Trade and other payables

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

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

3.18 Financial guarantee contracts

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

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

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

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

3.19 Share capital

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

3.20 Borrowings

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

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

3.21 Current and deferred income tax

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

(a) Current income tax

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

(c) Offsetting

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

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Employee benefits

(a) Retirement benefit costs

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

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

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

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

(b) Employee leave entitlements

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

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

(c) Bonus entitlements

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

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

(d) Share-based compensation

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 Recognition of revenues and income

The Group recognises revenues and income on the following bases:

(a) Revenue for ports and related services

Revenue for ports and related services is recognised over time in which the services are rendered as the Group's performance provides all of the benefits received and consumed simultaneously by the customer. Revenue is recognised based on the price specified in the contract, net of the estimated volume discounts. Where the contracts include multiple performance obligation, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Accumulated experience is used to estimate and provide for the discounts, using either the expected value or the most likely amount approach, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A contract liability (included in trade and other payables and contract liabilities) is recognised for expected volume discounts to customers in relation to sales made until the end of the reporting period. Except for classification of contract liabilities, there is no change in revenue recognition policy from the adoption of HKFRS 15.

(b) Operating lease rental income from investment properties

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

(c) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(d) Dividend income

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

3.24 Borrowing costs

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

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

3.25 Government subsidy

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

3.26 Dividend distribution

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.27 Contingent liabilities and contingent assets

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

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

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

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

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

Under the Linked Exchanged Rate System in Hong Kong and the monetary policy of the Central Bank of the United Arab Emirates, Hong Kong dollar and United Arab Emirates Dirham are pegged to the US dollar respectively, management therefore considers that there are no significant foreign exchange risk with respect to Hong Kong dollar and United Arab Emirates Dirham.

With all other variables held constant, if the currencies (except for Hong Kong dollar and United Arab Emirates Dirham) of Non-Functional Currency Items had weakened/strengthened by 5% against the US dollar, the Group's profit after income tax for the year would have been increased/decreased by US$4,484,000 (2017: increased/decreased by US$4,493,000) as a result of the translation of those Non-Functional Currency Items.

Notes to the Consolidated Financial Statements

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk

The Group is exposed to price risk arises from investments held by the group and classified in the consolidated balance sheet either as financial assets at FVOCI (note 13) or financial asset at FVPL (note 14). Management monitors the market conditions and securities price fluctuations and response so as to minimise adverse effects on the Group's financial performance.

(iii) Cash flow and fair value interest rate risk

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

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

With all other variables held constant, if the interest rate had increased/decreased by 50 basis-point, the corresponding increase/decrease in net finance costs (representing interest expenses on Interest Bearing Liabilities net of interest income on the Interest Bearing Assets) would have been approximately US$3,641,000 (2017: US$4,584,000).

Interest rate swaps with financial institutions are used to achieve the optimum ratio between fixed and floating rates and to manage the related interest rate exposure. The fixed interest rates of the swaps range between 0.61% and 1.22% (2017: 0.61% and 1.22%) and the variable rates of the loans are between 1.5% and 2% above the 6-month EURIBOR.

Effect of hedge accounting on the financial position and performance

The effected of the interest rate swaps on the Group's financial position and performance are as follows:

	2018 **US$'000**	2017 US$'000
Interest rate swaps		
Carrying amount (liabilities)	**10,504**	9,362
Notional amount	**278,293**	291,220
Maturity date	**2022–2024**	2022–2026
Hedge ratio	**1.1**	1.1
Change in fair value of outstanding hedging instruments since 1 January	**(1,225)**	243
Change in value of hedged item used to determine hedge effectiveness	**1,225**	(243)

Notes to the Consolidated Financial Statements

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(b) Credit risk

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

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

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

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

Upon adoption of HKFRS 9, the Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. Trade receivables are measured at an amount equal to the lifetime expected credit losses. Other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available.

In addition, the Group monitors the exposure to credit risk in respect of the financial assistance provided to subsidiaries, joint ventures and associates through exercising control or influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis. No significant increase in credit risk since initial recognition, and therefore the impairment provision is determined as 12 months expected credit losses.

For bank balances and cash, the Group has limited its credit exposure by restricting their selection of financial institutions on those reputable local banks or state-owned banks with sound credit ratings. As at 31 December 2018, approximately 55% (31 December 2017: 58%) of the Group's bank balances were placed with state-owned and listed banks. Management considers theses balances are subject to low credit risk.

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
At 31 December 2018				
Bank and other borrowings	272,045	300,036	1,485,887	757,257
Loans from non-controlling shareholders of subsidiaries	141,139	685	–	–
Loans from a fellow subsidiary	8,294	4,585	4,708	–
Trade and other payables	406,668	–	–	–
Derivative Financial Instruments	3,146	1,683	5,675	–
At 31 December 2017				
Bank and other borrowings	567,530	125,088	950,131	945,998
Loans from non-controlling shareholders of subsidiaries	113,828	47,730	–	–
Loans from a fellow subsidiary	10,823	9,934	9,913	1,440
Trade and other payables	391,337	–	–	–
Financial guarantee contracts	2,449	–	–	6,777
Derivative Financial Instruments	2,835	2,748	3,779	–

4.2 Capital management

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

The Group monitors capital on the basis of the net debt (total bank borrowings less cash and cash equivalents and restricted bank deposits) to total equity ratio. The Group aims to maintain a manageable net debt to total equity ratio. As at 31 December 2018, the net debt-to-total equity ratio is 32.2% (2017: 30.2%).

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

Notes to the Consolidated Financial Statements

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation

(a) Fair value hierarchy

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

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

The following table presents the Group's financial instruments that are measured at fair value at 31 December 2018 and 2017:

As at 31 December 2018

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
Financial assets at FVPL	**72,771**	**–**	**–**	**72,771**
Financial assets at FVOCI	**153,077**	**–**	**30,186**	**183,263**
Derivative financial instruments				
– interest rate swap	**–**	**10,504**	**–**	**10,504**
	225,848	**10,504**	**30,186**	**266,538**

As at 31 December 2017

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

(b) Valuation techniques used to determine fair value

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation (Continued)

(b) Valuation techniques used to determine fair value (Continued)

For interest rate swap, the present value of the estimated future cash flows based on observable yield curves is used to value financial instruments. The resulting fair value estimates are included in level 2

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

As at 31 December 2018, the fair value of unlisted financial assets at FVOCI is determined by the valuation performed by management using valuation techniques (market multiples derived from a set of comparable companies). A discount rate of 20% is applied to compute the fair value on top of market price/book multiples. These financial assets at FVOCI are included in level 3 (note 13).

(c) Transfer between levels 1 and 3

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year. For the year ended 31 December 2017, the Group transferred an available-for-sale financial asset amounting US$230,574,000 from level 3 to level 1 as the available-for-sale financial asset had become listed. Its fair value is based on quoted market price traded in active markets at the balance sheet date.

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

Description	Fair value		Unobservable inputs	Range of inputs (average)	
	31 Dec 2018 US$'000	31 Dec 2017 US$'000		**2018**	2017
Unlisted equity security:					
Port industry	**30,186**	31,019	price/book multiples (i)	**1.1**	1.21-1.87
				(1.1)	(1.54)
			discount for lack of marketability (ii)	**20%**	20%

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

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

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

Notes to the Consolidated Financial Statements

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

(b) Assessment of goodwill impairment

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

(c) Income taxes

Deferred income tax liabilities have not been established for the withholding taxation that would be payable on the undistributed profits of certain subsidiaries which were under certain jurisdictions as the directors consider that the timing of the reversal of related temporary differences can be controlled (note 15).

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

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Fair value of financial assets at FVOCI

If information on current or recent prices of financial assets at FVOCI is not available, the fair values of financial assets at FVOCI are determined using valuation techniques (market multiples derived from a set of comparable companies). The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

6 REVENUES AND SEGMENT INFORMATION

Revenues recognised during the year are as follows:

	2018 **US$'000**	2017 US$'000
Terminal operations income related to rendering of ports and related services	**1,000,350**	634,710

(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 segment in accordance with the Group's business.

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.

Notes to the Consolidated Financial Statements

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(a) Operating segments (Continued)

Segment assets

	Terminals and related businesses US$'000	Others US$'000	Elimination US$'000	Total US$'000
At 31 December 2018				
Segment assets	**8,692,503**	**898,339**	**(545,390)**	**9,045,452**
Segment assets include:				
Joint ventures	**1,269,250**	**–**	**–**	**1,269,250**
Associates	**2,578,830**	**–**	**–**	**2,578,830**
Financial asset at FVPL	**72,771**	**–**	**–**	**72,771**
Financial assets at FVOCI	**183,263**	**–**	**–**	**183,263**
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

Segment revenues, results and other information

	Terminals and related businesses US$'000	Others US$'000	Elimination US$'000	Total US$'000
Year ended 31 December 2018				
Revenues – total sales	**1,000,350**	**–**	**–**	**1,000,350**
Segment profit/(loss) attributable to equity holders of the Company	**363,958**	**(39,375)**	**–**	**324,583**
Segment profit/(loss) attributable to equity holders of the Company includes:				
Finance income	**2,416**	**32,251**	**(22,325)**	**12,342**
Finance costs	**(57,628)**	**(42,689)**	**22,295**	**(78,022)**
Share of profits less losses of				
– joint ventures	**90,969**	**–**	**–**	**90,969**
– associates	**201,483**	**–**	**–**	**201,483**
Income tax expenses	**(58,260)**	**(7,782)**	**–**	**(66,042)**
Depreciation and amortisation	**(145,558)**	**(1,565)**	**–**	**(147,123)**
Other non-cash expenses	**(1,340)**	**(9)**	**–**	**(1,349)**
Additions to non-current assets	**(365,223)**	**(853)**	**–**	**(366,076)**

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(a) Operating segments (Continued)

Segment revenues, results and other information (Continued)

	Terminals and related businesses US$'000	Others US$'000	Elimination US$'000	Total US$'000
Year ended 31 December 2017				
Revenues – total sales	634,710	–	–	634,710
Segment profit/(loss) attributable to equity holders of the Company	573,288	(60,834)	–	512,454
Segment profit/(loss) attributable to equity holders of the Company includes:				
Finance income	1,052	31,235	(19,619)	12,668
Finance costs	(47,249)	(28,477)	19,750	(55,976)
Share of profits less losses of				
– joint ventures	86,531	–	–	86,531
– associates	150,037	–	–	150,037
Gain on disposal of a joint venture	283,961	–	–	283,961
Gain on remeasurement of previously held interest of an available-for-sale financial asset at fair value upon further acquisition to become an associate	38,434	–	–	38,434
Income tax expenses	(81,977)	(12,732)	–	(94,709)
Depreciation and amortisation	(105,367)	(1,473)	–	(106,840)
Other non-cash (expenses)/income	(562)	16	–	(546)
Additions to non-current assets	(202,624)	(1,925)	–	(204,549)
Additions arising from business combination	(679,508)	–	–	(679,508)

(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.

	2018 US$'000	2017 US$'000
Terminals and related businesses		
– Mainland China (excluding Hong Kong)	**459,860**	405,611
– Europe	**540,490**	229,099
	1,000,350	634,710

Notes to the Consolidated Financial Statements

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(b) Geographical information (Continued)

(ii) Non-current assets

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

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

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

	2018 **US$'000**	2017 US$'000
Mainland China (excluding Hong Kong)	**5,270,666**	5,280,695
Europe	**1,246,419**	1,291,505
Others	**1,147,244**	984,697
	7,664,329	7,556,897

7 PROPERTY, PLANT AND EQUIPMENT

	Buildings outside Hong Kong **US$'000**	**Leasehold improvements** **US$'000**	**Other property, plant and equipment** **US$'000**	**Construction in progress** **US$'000**	**Total** **US$'000**
Cost					
At 1 January 2018	**1,915,941**	**6,231**	**1,315,265**	**424,011**	**3,661,448**
Exchange differences	**(98,146)**	**(338)**	**(73,973)**	**(15,179)**	**(187,636)**
Additions	**1,429**	**456**	**10,775**	**332,206**	**344,866**
Disposals	**(1,243)**	**(5)**	**(10,302)**	**–**	**(11,550)**
Transfers	**172,950**	**–**	**119,860**	**(299,192)**	**(6,382)**
At 31 December 2018	**1,990,931**	**6,344**	**1,361,625**	**441,846**	**3,800,746**
Accumulated depreciation					
At 1 January 2018	**294,357**	**3,812**	**382,781**	**–**	**680,950**
Exchange differences	**(17,480)**	**(238)**	**(30,391)**	**–**	**(48,109)**
Depreciation charge for the year	**52,356**	**392**	**65,471**	**–**	**118,219**
Disposals	**(209)**	**–**	**(5,587)**	**–**	**(5,796)**
Transfers	**(1,587)**	**–**	**–**	**–**	**(1,587)**
At 31 December 2018	**327,437**	**3,966**	**412,274**	**–**	**743,677**
Net book value					
At 31 December 2018	**1,663,494**	**2,378**	**949,351**	**441,846**	**3,057,069**

Notes to the Consolidated Financial Statements

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Containers US$'000	Buildings outside Hong Kong US$'000	Leasehold improvements US$'000	Other property, plant and equipment US$'000	Construction in progress US$'000	Total US$'000
Cost						
At 1 January 2017	60	1,563,994	5,568	998,910	338,472	2,907,004
Exchange differences	–	121,767	392	102,514	24,656	249,329
Additions	–	7,508	125	19,558	166,040	193,231
Acquisition of subsidiaries (Note 41)	–	56,122	95	192,876	71,216	320,309
Disposals	–	(192)	–	(7,805)	–	(7,997)
Deemed disposal of a subsidiary	(60)	(11)	–	(357)	–	(428)
Transfers	–	166,753	51	9,569	(176,373)	–
At 31 December 2017	–	1,915,941	6,231	1,315,265	424,011	3,661,448
Accumulated depreciation						
At 1 January 2017	57	230,341	3,131	305,873	–	539,402
Exchange differences	–	18,538	250	33,679	–	52,467
Depreciation charge for the year	–	45,230	431	49,869	–	95,530
Disposals	–	(3)	–	(6,081)	–	(6,084)
Deemed disposal of a subsidiary	(57)	(11)	–	(297)	–	(365)
Transfers	–	262	–	(262)	–	–
At 31 December 2017	–	294,357	3,812	382,781	–	680,950
Net book value						
At 31 December 2017	–	1,621,584	2,419	932,484	424,011	2,980,498

Notes:

(a) As at 31 December 2018, certain other property, plant and equipment with an aggregate net book value of US$167,178,000 (2017: US$157,298,000) were pledged as security for banking facilities granted to the Group (note 22(g)).

(b) During 2018, the Group transferred buildings outside Hong Kong with an aggregate net book value of US$1,973,000 to investment properties at the time of commencement of leases and transferred spare parts with an aggregate net book value of US$2,822,000 to inventories which are expected to be used during less than one period. There is no transfer to/from investment properties during 2017.

(c) During the year, interest expenses of US$6,887,000 (2017: US$5,670,000) was capitalised in construction in progress (note 30).

(d) Terminal buildings and equipment under finance leases with net book value of approximately US$49,338,000 (2017: US$54,879,000) as at 31 December 2018 are accounted for as property, plant and equipment. As at 31 December 2018, the balance of approximately US$16,769,000 (2017: US$30,608,000) in respect of such finance lease arrangements was included in loans from a fellow subsidiary (note 23(b)).

Notes to the Consolidated Financial Statements

8 INVESTMENT PROPERTIES

	2018 US$'000	2017 US$'000
At 1 January	**8,410**	8,135
Exchange differences	**(574)**	275
Transfer from property, plant and equipment and land use rights (note 7 & 9)	**10,035**	–
At 31 December	**17,871**	8,410

Notes:

(a) The investment properties as at 31 December 2018 and 2017 were revalued on an open market value basis by DTZ Cushman & Wakefield Limited and China Tong Cheng Assets Appraisals Company Limited, independent professional property valuers who hold recognised relevant professional qualifications and have recent experiences in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

(b) The Group's interests in investment properties are berths and buildings situated in PRC on leases of 20 years, office units situated in PRC on leases of 50 years and a residential property in Hong Kong on leases of over 50 years.

(c) The valuations are derived using income capitalisation method. Income capitalisation method is based on the capitalisation of the net rental income derived from the existing leases and/or achievable in existing market with reversionary income potential by adopting appropriate capitalisation rates. Capitalisation rates are estimated by valuer based on the risk profile of the properties being valued. The higher the rates, the lower the fair value. Prevailing market rents are estimated based on recent lettings within the subject properties and other comparable properties. The lower the rents, the lower the fair value. As at 31 December 2018, capitalisation rate of 7.5% is used in the income capitalisation method for the PRC berths, buildings and office units and 2% is used in the income capitalisation method for Hong Kong residential property.

(d) There were no changes to the valuation techniques during the year.

9 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2018 US$'000	2017 US$'000
At 1 January	**278,706**	201,804
Exchange differences	**(13,266)**	14,071
Additions	**12,066**	5,567
Transfer to investment properties (note 8)	**(8,062)**	–
Acquisition of subsidiaries (note 41)	**–**	62,464
Amortisation	**(6,937)**	(5,200)
At 31 December	**262,507**	278,706

Note:

During 2018, the Group transferred land use rights in the PRC with an aggregate net book value of US$8,062,000 to investment properties at the time of commencement of leases.

10 INTANGIBLE ASSETS

	Computer software		Computer systems under development		Concession rights		Customer relationships		Goodwill		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Cost												
At 1 January	**19,161**	10,309	**2,441**	867	**265,430**	–	**47,367**	–	**136,446**	301	**470,845**	11,477
Exchange differences	**(1,846)**	2,172	**(82)**	197	**(19,563)**	18,390	**655**	–	**(4,656)**	8	**(25,492)**	20,767
Additions	**2,424**	4,488	**4,831**	1,041	**1,889**	222	**–**	–	**–**	–	**9,144**	5,751
Acquisition of subsidiaries (note 41)	**–**	325	**–**	2,225	**–**	246,818	**–**	47,367	**–**	136,446	**–**	433,181
Write-off	**(9)**	(22)	**–**	–	**(354)**	–	**–**	–	**–**	–	**(363)**	(22)
Deemed disposal of a subsidiary	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(309)	**–**	(309)
Transfers	**2,299**	1,889	**(5,569)**	(1,889)	**3,270**	–	**–**	–	**–**	–	**–**	–
At 31 December	**22,029**	19,161	**1,621**	2,441	**250,672**	265,430	**48,022**	47,367	**131,790**	136,446	**454,134**	470,845
Accumulated amortisation												
At 1 January	**8,883**	6,042	**–**	–	**9,474**	–	**629**	–	**–**	–	**18,986**	6,042
Exchange differences	**(1,379)**	1,480	**–**	–	**(7,387)**	6,979	**(134)**	–	**–**	–	**(8,900)**	8,459
Amortisation for the year	**2,100**	1,375	**–**	–	**14,405**	2,495	**3,773**	629	**–**	–	**20,278**	4,499
Write-off	**(6)**	(14)	**–**	–	**(35)**	–	**–**	–	**–**	–	**(41)**	(14)
At 31 December	**9,598**	8,883	**–**	–	**16,457**	9,474	**4,268**	629	**–**	–	**30,323**	18,986
Net book value												
At 31 December	**12,431**	10,278	**1,621**	2,441	**234,215**	255,956	**43,754**	46,738	**131,790**	136,446	**423,811**	451,859

Impairment test for goodwill

Goodwill is allocated to the Group's CGUs that are expected to benefit from business combination which primarily arises from the acquisition of Noatum Port Holdings, S.L. (now known as "COSCO SHIPPING Ports (Spain) Holding, S.L."). Impairment testing is performed annually on goodwill allocated to the CGUs included in the terminals and related business segment.

For the year ended 31 December 2018 and 2017, the recoverable amount of the Group is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the financial budget and future forecast respectively.

Forecast profitability is based on past performance and expected future changes in costs and revenue. Major cash flow projections are based on long-range financial forecasts using an estimated average revenue growth rate of 3.3% (2017: 4.1%), average gross margin of 50.8% (2017: 50.4%) and average operating margin of 24.6% (2017: 24.0%) up to 2052, the expected operation period, except for certain years where certain concession rights expire under the current agreement. Future cash flows are discounted at a pre-tax rate of 10.4% (equivalent to a post-tax rate of 8.0%) (2017: pre-tax rate of 10.4% (equivalent to a post-tax rate of 8.9%)). Assuming revenue growth rate decreased by 15 basis points, impairment charge of US$720,000 would be required for the goodwill in terminals and related business segment at 31 December 2018.

11 JOINT VENTURES

	2018 US$'000	2017 US$'000
Investment in joint ventures (including goodwill on acquisitions) (note a)	**1,126,491**	1,054,903
Equity loan to a joint venture (note c)	**142,759**	141,745
	1,269,250	1,196,648
Loans to joint ventures (note d)	**23,812**	1,672

Notes:

(a) The carrying amount of goodwill on acquisitions of joint ventures amounted to US$66,143,000 (2017: US$66,214,000), mainly represented the goodwill on acquisitions of equity interests in Shanghai Pudong International Container Terminals Limited and Asia Container Terminals Holdings Limited of US$31,435,000 (2017: US$31,435,000) and US$34,594,000 (2017: US$34,665,000).

(b) In 2017, 20% equity interests in Qingdao Qianwan Container Terminal Co., Ltd. ("QQCT") was disposed to Qingdao Port International Co., Ltd. ("QPI") as part of a consideration for the further acquisition of equity interest in QPI and details of the disposal are set out in note 27. In 2017, 40% equity interests in Dalian International Container Terminal Co., Ltd. ("DICT") was disposed of during the combination into Dalian Container Terminal Co., Ltd. ("DCT") with more details set out in note 12(c).

(c) The balance is equity in nature, unsecured, interest free and has no fixed terms of repayment.

(d) Balance of US$800,000 (2017: US$1,672,000) is secured, which bears interest at 5.5% per annum above the 3 months Euro Interbank Offered Rate ("EURIBOR") and wholly repayable on or before December 2020. The remaining balances as at 31 December 2018 were unsecured and interest bearing at the rate of 2.10% above Hong Kong Interbank Offered Rate ("HIBOR") per annum quoted in respect of a one month's period, and repayable on or before March 2023.

(e) There is no joint venture that is individually material to the Group as at 31 December 2018. The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective joint ventures:

	Net assets US$'000	**Profits less losses for the year** US$'000	**Other comprehensive income** US$'000	**Total comprehensive income** US$'000
2018	1,269,250	90,969	190	91,159
2017	1,196,648	86,531	172	86,703

(f) There are no contingent liabilities relating to the Group's interest in joint ventures.

(g) Details of the principal joint ventures as at 31 December 2018 are set out in note 45 to the consolidated financial statements.

12 ASSOCIATES

	2018 US$'000	2017 US$'000
Investment in associates (including goodwill on acquisitions) (note b)	**2,533,830**	2,534,493
Equity loan to an associate (note e)	**45,000**	45,000
	2,578,830	2,579,493
Loans to associates (note d)	**150,269**	158,539

Notes:

(a) QPI and Sigma Enterprises Limited ("Sigma") and Wattrus Limited ("Wattrus") and their subsidiaries (collectively "Sigma and Wattrus Group") are associates that are material to the Group. Both QPI and Sigma and Wattrus Group are engaged in the operation, management and development of terminal related business. There are no quoted market prices for their shares.

12 ASSOCIATES (CONTINUED)

(a) Set out below are the summarised consolidated financial information for QPI as at and for the year ended 31 December 2018 and 2017, after fair-value adjustments upon acquisition, which is accounted for using the equity method:

Summarised consolidated balance sheet

	QPI 2018 US$'000	2017 US$'000
Non-current assets	**4,429,353**	4,720,917
Current assets	**2,676,047**	2,633,258
Non-current liabilities	**(915,747)**	(1,507,558)
Current liabilities	**(1,903,092)**	(2,011,005)

Summarised consolidated statement of comprehensive income

	QPI 2018 US$'000	2017 US$'000
Revenues	**1,750,668**	1,043,464
Profit attributable to equity holders for the year/period	**539,766**	303,603
Group's share of profits of the associate	**95,747**	53,524

Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amount of the Group's interest in these associates.

Summarised consolidated financial information

	QPI 2018 US$'000	2017 US$'000
Attributable to equity holders		
Opening net assets	**3,605,291**	3,180,883
Profit for the year/period	**539,766**	303,603
Other comprehensive (loss)/income for the year/period	**(22,664)**	51,336
Other reserve for the year/period	**1,082**	(456)
Dividends	**–**	(116,549)
Exchange difference	**(191,973)**	186,474
Closing net assets	**3,931,502**	3,605,291
Interest in the associate at 18.41%	**723,790**	663,734
Fair value adjustment	**102,631**	111,474
Goodwill	**227,736**	239,203
Carrying amount	**1,054,157**	1,014,411

Notes to the Consolidated Financial Statements

12 ASSOCIATES (CONTINUED)

(a) Set out below are the summarised consolidated financial information for Sigma and Wattrus Group as at and for the year ended 31 December 2018 and 2017, after fair-value adjustments upon acquisitions, which is accounted for using the equity method:

Summarised balance sheet

	Sigma and Wattrus Group	
	2018	2017
	US$'000	US$'000
Non-current assets	**3,819,566**	3,939,847
Current assets	**929,414**	945,766
Non-current liabilities	**(239,585)**	(490,653)
Current liabilities	**(668,489)**	(574,068)

Summarised statement of comprehensive income

	Sigma and Wattrus Group	
	2018	2017
	US$'000	US$'000
Revenues	**926,575**	941,409
Profit attributable to equity holders for the year	**253,460**	249,708
Group's share of profits of associates	**52,086**	51,315

Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amount of the Group's interest in these associates.

Summarised financial information

	Sigma and Wattrus Group	
	2018	2017
	US$'000	US$'000
Capital and reserves attributable to equity holders	**2,900,574**	2,897,007
Group's effective interest	**20.55%**	20.55%
Group's share of capital and reserves attributable to equity holders	**596,068**	595,335
Adjustment to cost of investment	**46,860**	46,860
Carrying amount	**642,928**	642,195

(b) The carrying amount of goodwill on acquisitions of associates amounted to US$299,359,000 (2017: US$311,695,000) mainly represented the goodwill on acquisition of equity interests in QPI, Sigma, Suez Canal Container Terminal S.A.E., Euromax Terminal Rotterdam B.V., Wattrus and Nanjing Port Longtan Containers Co., Ltd. of US$227,736,000 (2017: US$239,203,000), US$20,669,000 (2017: US$20,669,000), US$16,624,000 (2017: US$16,624,000), US$16,172,000 (2017: US$16,889,000), US$7,523,000 (2017:US$7,523,000) and US$4,533,000 (2017: US$4,533,000) respectively.

12 ASSOCIATES (CONTINUED)

(c) In March 2017, the Group acquired 40% effective interest of APM Terminals Vado Holding B.V. ("Vado") at a cash consideration of Euro 7,052,000 (equivalent to approximately US$7,465,000).

In May 2017, the Group acquired 16.82% effective interest of QPI at a consideration of RMB5,798,619,200 (equivalent to US$843,858,000, being RMB5.71 per share), and together with the previously held 1.59% equity interests, the Group holds 18.41% effective interest of QPI in total, and is accounted for as an associate. The consideration was satisfied by the transfer of 20% QQCT and the payment of cash of RMB2,599,968,360 (equivalent to US$378,367,000).

In October 2017, 20% equity interests in Dalian Port Container Terminal Co., Ltd. ("DPCT") and 40% equity interests in DICT (note 11(b)) was disposed of during its combination into DCT, and 19% equity interests in DCT were acquired in return. Goodwill arising from the acquisition has been previously determined by management's assessment and is subjected to changes. During the year ended 31 December 2018, the Group completed the valuation of the 19% equity interests in DCT. No adjustment was made to the goodwill.

The total cash paid for the acquisition of associates during the year ended 31 December 2017 was US$385,832,000, comprised of the QPI (note 27) and Vado.

(d) A balance of US$96,045,000 (2017: US$100,302,000) is unsecured, which bears interest at the aggregate of 2.0% per annum and EURIBOR (2017: 2.3% per annum and EURIBOR), and is repayable in 2024. A balance of US$15,486,000 (2017:US$17,782,000) is unsecured, bears interest at 2.5% per annum above 10-year EURIBOR ICE swap rate and has no fixed terms of repayment. A balance of US$38,738,000 (2017: US$40,455,000) is unsecured, bears interest at the aggregate of 3.75% per annum and EURIBOR, and is repayable in 2021. These balances are all denominated in Euro.

(e) The balance is equity in nature, unsecured, interest free and has no fixed terms of repayment.

(f) The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective associates other than QPI and Sigma and Wattrus Group disclosed above:

	Net assets	Profits less losses for the year	Other comprehensive (loss)/income	Total comprehensive income
	US$'000	US$'000	US$'000	US$'000
2018	881,745	53,650	(1,689)	51,961
2017	922,887	45,198	2,739	47,937

(g) There are no significant contingent liabilities relating to the Group's interest in associates.

(h) Details of the Group's associates as at 31 December 2018 are set out in note 46 to the consolidated financial statements.

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE FINANCIAL ASSETS

(a) Classification of financial assets at FVOCI

Financial assets at FVOCI comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

(b) Equity investments at FVOCI

Equity investments at FVOCI comprise the following individual investments:

	2018 US$'000	2017* US$'000
Non-current assets		
Listed shares (note i)		
Qinhuangdao Port Co., Ltd.	**10,801**	–
Guangzhou Port Holdings Company Limited	**142,276**	–
	153,077	–
Unlisted investments (note ii)	**30,186**	–
	183,263	–

* These investments were classified as available-for-sale financial assets in 2017, see note (c) below. All of the investments were also held in the previous year.

Notes:

(i) Listed investments represent equity interests in entities which are principally engaged in provision of port and port related services.

(ii) Unlisted investments mainly comprise equity interests in terminal operating companies, and port information system engineering companies.

(iii) As at 31 December 2018, a financial asset at FVOCI with a fair value of US$37,504,000 (2017: nil) was pledged as security for banking facilities granted to the Group (note 22(g)).

(iv) Financial assets at FVOCI are denominated in the following currencies:

(2017 relating to available-for-sale financial assets, see note (c) below)

	2018 US$'000	2017 US$'000
Hong Kong dollar	**10,801**	14,960
Renminbi	**171,684**	261,463
Euro	**778**	130
	183,263	276,553

(v) Movements of the financial assets at FVOCI during the year are as follows:

(2017 relating to available-for-sale financial assets, see note (c) below)

	2018 US$'000	2017 US$'000
At 1 January	**276,553**	156,939
Acquisition of a subsidiary	**–**	123
Addition	**713**	–
Step acquisition from an available-for-sale financial asset to investment in an associate	**–**	(80,672)
Fair value (loss)/gain recognised in OCI	**(84,137)**	188,367
Exchange differences	**(9,866)**	11,796
At 31 December	**183,263**	276,553

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

(c) Financial assets previously classified as available-for-sale financial assets (2017)

Available-for-sale financial assets included the following classes of financial assets:

	2018 **US$'000**	2017 US$'000
Non-current assets		
Listed shares	**–**	245,534
Unlisted investments	**–**	31,019
	–	276,553

14 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group classifies the following financial asset at FVPL:

- Equity investment for which the entity has not elected to recognise fair value gains and losses through OCI.

In December 2018, the Group acquired 4.34% equity interests in Beibu Gulf Port Co., Ltd. as financial asset at FVPL at a consideration of RMB471,065,000 (equivalent to approximately US$67,919,000).

Financial asset mandatorily measured at FVPL includes the following:

	2018 **US$'000**	2017 US$'000
PRC listed equity security	**72,771**	–
Fair value gain on equity investment at FVPL recognised in other operating income	**4,283**	–

15 DEFERRED INCOME TAX

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

The movements on the net deferred income tax liabilities during the year are as follows:

	2018 **US$'000**	2017 US$'000
At 1 January	**25,162**	52,903
Exchange differences	**1,996**	(4,152)
Charged to consolidated income statement	**6,267**	15,488
(Credited)/charged to reserves	**(20,401)**	37,545
Acquisition of subsidiaries (note 41)	**–**	(76,622)
At 31 December	**13,024**	25,162

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2018, the Group has unrecognised tax losses of US$104,885,000 (31 December 2017: US$96,199,000) to carry forward. Except for the tax losses of US$22,187,000 (31 December 2017: US$29,850,000) of the Group which will be expired between 2019 and 2023 (31 December 2017: between 2018 and 2022), all other tax losses have no expiry dates.

15 DEFERRED INCOME TAX (CONTINUED)

The movements in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year, are as follows:

Deferred income tax liabilities

	Accelerated tax depreciation		Undistributed profits		Fair value gains		Others		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1 January	**47,385**	1,543	**58,193**	52,766	**51,376**	10	**8,387**	–	**165,341**	54,319
Exchange differences	**(1,789)**	1,415	**(26)**	50	**(2,063)**	1,688	**(1)**	463	**(3,879)**	3,616
(Credited)/charged to consolidated income statement	**(886)**	(1,383)	**(3,337)**	5,377	**703**	12,366	**(3,573)**	(76)	**(7,093)**	16,284
Acquisition of subsidiaries (note 41)	**–**	45,810	**–**	–	**–**	–	**–**	8,000	**–**	53,810
(Credited)/charged to reserve	**–**	–	**–**	–	**(20,002)**	37,312	**–**	–	**(20,002)**	37,312
At 31 December	**44,710**	47,385	**54,830**	58,193	**30,014**	51,376	**4,813**	8,387	**134,367**	165,341

Deferred income tax assets

	Tax losses		Future deductible finance costs		Others		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1 January	**74,800**	6	**36,078**	–	**29,301**	1,410	**140,179**	1,416
Exchange differences	**(3,149)**	4,021	**(1,472)**	888	**(1,254)**	2,859	**(5,875)**	7,768
(Charged)/credited to consolidated income statement	**(10,605)**	(183)	**(1,990)**	16	**(765)**	963	**(13,360)**	796
Acquisition of subsidiaries (note 41)	**–**	70,956	**–**	35,174	**–**	24,302	**–**	130,432
Credited/(charged) to reserve	**–**	–	**–**	–	**399**	(233)	**399**	(233)
At 31 December	**61,046**	74,800	**32,616**	36,078	**27,681**	29,301	**121,343**	140,179

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2018	2017
	US$'000	US$'000
Deferred income tax assets	**94,648**	108,277
Deferred income tax liabilities	**107,672**	133,439

The amounts shown in the consolidated balance sheet include the following:

	2018	2017
	US$'000	US$'000
Deferred income tax assets to be recovered after more than 12 months	**75,837**	82,430
Deferred income tax liabilities to be settled after more than 12 months	**45,194**	61,593

16 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.

17 INVENTORIES

Inventories of the Group mainly include consumable parts for terminal operations at their carrying amount.

18 TRADE AND OTHER RECEIVABLES

	2018 US$'000	2017 US$'000
Trade receivables (note a)		
– third parties	**86,941**	72,503
– fellow subsidiaries (note b)	**15,857**	14,729
– non-controlling shareholders of subsidiaries (note b)	**4,798**	4,905
– a joint venture (note b)	**10**	21
– related companies (note b)	**8,152**	9,895
	115,758	102,053
Bills receivable (note a)	**10,493**	9,708
	126,251	111,761
Less: provision for impairment (note a)	**(2,398)**	(3,161)
	123,853	108,600
Deposits and prepayments	**8,755**	13,292
Other receivables	**73,748**	47,903
Loans to joint ventures (note c)	**800**	78,324
Amounts due from		
– fellow subsidiaries (note b)	**3,979**	3,361
– non-controlling shareholders of subsidiaries (note b)	**3,783**	2,597
– joint ventures (note d)	**4,459**	244
– associates (note d)	**15,945**	16,732
– related companies (note b)	**99**	377
	235,421	271,430

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) The Group grants credit periods of 30 to 90 days to its customers. The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Expected credit losses on trade receivables are calculated by using the provision matrix approach. The ageing analysis of the trade receivables and bills receivable based on invoice date and issuance date respectively is as follows:

	Expected loss rate	**Gross carrying amount 31 December 2018 US$'000**	**Loss allowance 31 December 2018 US$'000**
Within 30 days	**0.3%**	**71,433**	**207**
31-60 days	**0.4%**	**36,676**	**148**
61-90 days	**0.3%**	**6,337**	**20**
Over 90 days	**17.0%**	**11,805**	**2,023**
		126,251	**2,398**

	Expected loss rate	Gross carrying amount 1 January 2018 US$'000	Loss allowance 1 January 2018 US$'000
Within 30 days	**0.2%**	**63,732**	**97**
31-60 days	**0.1%**	**26,208**	**24**
61-90 days	**0.0%**	**10,651**	**5**
Over 90 days	**27.0%**	**11,170**	**3,035**
		111,761	**3,161**

As at 31 December 2018, trade receivables of US$2,398,000 (2017: US$3,161,000) were impaired. The amount of the provision was US$2,398,000 (2017: US$3,161,000) as at 31 December 2018.

Movements on the provision for impairment of trade receivables are as follows:

	2018 US$'000	2017 US$'000
At 1 January	**(3,161)**	(449)
Exchange differences	**117**	(180)
(Provision for)/reversal of impairment of trade receivables	**(825)**	134
Write back of provision for impairment of trade receivables	**89**	10
Receivables written off during the year as uncollectible	**1,382**	7
Acquisition of subsidiaries	**–**	(2,683)
At 31 December	**(2,398)**	(3,161)

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) The balances are unsecured and interest free. Trading balances have credit periods ranging from 30 to 90 days while other balances have no fixed terms of repayment.

(c) As at 31 December 2018, balance of US$800,000 (2017: US$836,000) is secured, denominated in Euro, bears interest at 5.5% per annum above 3 months EURIBOR and repayable within twelve months.

As at 31 December 2017, balance of US$19,920,000 is unsecured, denominated in Singapore dollar, interest free, and was capitalised as capital contribution to a joint venture during 2018. The balance of US$57,568,000 is unsecured and interest bearing at the rate of 5% above HIBOR per annum quoted in respect of a one month's period, and out of which US$34,541,000 was repaid in 2018, US$23,027,000 was extended to be repaid on or before March 2023.

(d) The amounts receivable mainly represented dividend and interest receivable from joint ventures and associates.

(e) The carrying amounts of trade and other receivables are denominated in the following currencies:

	2018 **US$'000**	2017 US$'000
US dollar	**3,809**	3,184
Renminbi	**114,771**	92,218
Hong Kong dollar	**7,060**	60,198
Euro	**104,010**	95,641
Other currencies	**5,771**	20,189
	235,421	271,430

(f) The carrying amounts of trade and other receivables approximate their fair values.

19 FINANCIAL INSTRUMENTS BY CATEGORY

	2018 US$'000	2017 US$'000
Financial assets as per balance sheet		
Financial assets at FVOCI	**183,263**	–
Available-for-sale financial assets	**–**	276,553
Financial asset at FVPL	**72,771**	–
Financial assets at amortised cost		
Loans to joint ventures	**24,612**	79,996
Loans to associates	**150,269**	158,539
Trade and other receivables	**186,833**	179,814
Cash and cash equivalents	**543,015**	560,067
Restricted bank deposits	**63,674**	6,333
Total	**1,224,437**	1,261,302
Financial liabilities as per balance sheet		
Financial liabilities at amortised cost		
Borrowings	**2,479,903**	2,334,349
Loans from non-controlling shareholders of subsidiaries	**139,870**	164,115
Loans from a fellow subsidiary	**16,769**	30,608
Loan from a joint venture	**32,784**	42,622
Loan from an associate	**14,570**	15,304
Trade and other payables	**362,589**	317,818
Financial liabilities at FVPL		
Derivative financial instruments	**10,504**	9,362
Total	**3,056,989**	2,914,178

20 SHARE CAPITAL

	2018 US$'000	2017 US$'000
Issued and fully paid:		
3,113,125,479 (2017: 3,057,112,720) ordinary shares of HK$0.10 each	**39,971**	39,254

The movements of the issued share capital of the Company are summarised as follows:

	Number of ordinary shares	Nominal value US$'000
At 1 January 2018	**3,057,112,720**	**39,254**
Issue of scrip dividend for 2017 final (note a)	**353,517**	**5**
Issue of scrip dividend for 2018 interim (note b)	**55,659,242**	**712**
At 31 December 2018	**3,113,125,479**	**39,971**
At 1 January 2017	3,016,018,628	38,728
Issue of scrip dividend for 2016 final (note a)	14,954,193	191
Issue of scrip dividend for 2017 interim (note b)	26,139,899	335
At 31 December 2017	3,057,112,720	39,254

Notes:

(a) During the year ended 31 December 2018, 353,517 (2017: 14,954,193) new shares were issued by the Company at HK$7.340 (2017: HK$8.890) per share for the settlement of 2017 final (2017: 2016 final) scrip dividends.

(b) During the year ended 31 December 2018, 55,659,242 (2017: 26,139,899) new shares were issued by the Company at HK$7.526 (2017: HK$8.598) per share for the settlement of 2018 interim (2017: 2017 interim) scrip dividends.

21 SHARE-BASED PAYMENT

On 23 May 2003, the shareholders of the Company approved the adoption of an option scheme (the "2003 Share Option Scheme") and the termination of the share option scheme adopted by the shareholders of the Company on 30 November 1994. On 5 December 2005, amendments to certain terms of the 2003 Share Option Scheme were approved by the shareholders of the Company (the "Amended 2003 Share Option Scheme"). Under the Amended 2003 Share Option Scheme, the directors of the Company may, at their discretion, invite any participants, as defined under the Amended 2003 Share Option Scheme, to take up share options for subscribing the Company's shares, subject to the terms and conditions stipulated therein. The consideration on acceptance of an offer of the grant of options was HK$1.00. The 2003 Share Option Scheme was expired on 22 May 2013. No further options shall thereafter be granted under the 2003 Share Option Scheme.

At a special general meeting of the Company held on 8 June 2018, the shareholders of the Company approved the adoption of a share option scheme (the "2018 Share Option Scheme"). The purposes of the 2018 share option scheme are to enable the Company to establish and cultivate a performance-oriented culture, under which value is created for the Shareholders, and to establish an interests-sharing and restraining mechanism between the Shareholders and the Company's management. No consideration was paid by the grantees for the acceptance of share options.

Under the 2018 Share Option Scheme, the exercise of the options is subject to a two-year vesting period during which a participant is not allowed to exercise any option granted. After the expiration of the two-year period, the participant may exercise the options in three equal batches in the 3rd, 4th and 5th year after the grant date respectively. Within the exercise period of the share options, and subject to the fulfilment of the vesting conditions and the exercise arrangement of the share options, grant of each share option entitles the grantee to subscribe for one share at relevant exercise price.

Vesting of share options are subject to the satisfaction of both the Company's performance targets and the participant's performance target including (1) target rate of return on net assets (after extraordinary gains and losses) in the financial year immediately preceding the vesting of the share options and compared to the average of the selected peer benchmark enterprises; (2) target growth rate of revenue in the financial year immediately preceding the vesting of the share options as compared to that in the financial year immediately preceding the grant date and compared to the average of the selected peer benchmark enterprises; (3) the economic value added indicator accomplished for the financial year immediately preceding the vesting of the share options has reached the assessment target set by COSCO SHIPPING; and (4) required appraisal grade of the participant's personal performance appraisal in the preceding financial year.

The exercise price is determined based on the principle of fair market value. The exercise price shall be the highest of the following:

i. the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Grant Date;

ii. the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the Grant Date; and

iii. the nominal value of the Shares.

21 SHARE-BASED PAYMENT (CONTINUED)

Movements of the share options are set out below:

			For the year ended 31 December 2018 Number of share options						
Category	Note	**Exercise price** **HK$**	**Outstanding at 1 January 2018**	**Granted during the year**	**Exercised during the year**	**Transfer (to)/from other categories during the year**	**Forfeited during the year**	**Outstanding at 31 December 2018**	**Exercisable period**
Directors	(i)(ii)	**7.27**	**–**	**5,400,000**	**–**	**–**	**–**	**5,400,000**	19.6.2020-18.6.2023
Continuous contract employees	(i)(ii)	**7.27**	**–**	**48,083,200**	**–**	**–**	**(2,067,252)**	**46,015,948**	19.6.2020-18.6.2023
		8.02	**–**	**851,966**	**–**	**–**	**–**	**851,966**	29.11.2020-28.11.2023
			–	**54,335,166**	**–**	**–**	**(2,067,252)**	**52,267,914**	

			For the year ended 31 December 2017 Number of share options						
Category	Note	Exercise price HK$	Outstanding at 1 January 2017	Granted during the year	Exercised during the year	Transfer (to)/from other categories during the year	Lapsed during the year	Outstanding at 31 December 2017	Exercisable period
Directors	(iii)(iv)	19.30	500,000	–	–	–	(500,000)	–	18.4.2007-17.4.2017
Continuous contract employees	(iii)(iv)	19.30	8,310,000	–	–	–	(8,310,000)	–	(Refer to note (iv))
Others	(iii)(iv)	19.30	1,130,000	–	–	–	(1,130,000)	–	(Refer to note (iv))
			9,940,000	–	–	–	(9,940,000)	–	

21 SHARE-BASED PAYMENT (CONTINUED)

Notes:

(i) No outstanding options were vested and exercisable as at 31 December 2018. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(ii) The share options were granted on 19 June 2018 and 29 November 2018 under the 2018 Share Option Scheme at an exercise price of HK$7.27 and HK$8.02 respectively. According to the provisions of the 2018 Share Option Scheme, share options under each grant have a validity period of five years commencing from the date of grant and cannot be exercised during the two-year period commencing from the date of grant (the "Restriction Period"). Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. 33%, 33% and 34%.

(iii) All options were lapsed during 2017. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(iv) The share options were granted during the period from 17 April 2007 to 19 April 2007 under the 2003 Share Option Scheme at an exercise price of HK$19.30. The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 17 April 2007 to 19 April 2007.

(v) No share options were exercised under the 2018 Share Option Scheme during the year.

(vi) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2018		2017	
	Average exercise price per share HK$	**Number of share options**	Average exercise price per share HK$	Number of share options
At 1 January	–	–	19.30	9,940,000
Granted during the year	7.28	54,335,166	–	–
Forfeited/lapsed during the year	7.27	(2,067,252)	19.30	(9,940,000)
At 31 December	7.28	52,267,914	–	–

(vii) Fair value of options granted

The fair values of the options granted during the period are estimated based on the Black-Scholes valuation model, and such fair values and significant inputs into the model are as follows:

	Fair value per share option HK$	**Share price at date of grant** HK$	**Exercise price** HK$	**Standard deviation of expected share price return**	**Expected life of share options**	**Expected dividend paid out rate**	**Risk-free interest rate**
Granted on 19 June 2018							
– 51,415,948 share options (outstanding as at 31 December 2018)	1.179	6.85	7.27	28.64%	4 years	2.88%	2.21%
Granted on 29 November 2018							
– 851,966 share options (outstanding as at 31 December 2018)	1.538	7.93	8.02	29.35%	4 years	2.88%	2.29%

Notes to the Consolidated Financial Statements

22 BORROWINGS

	2018 US$'000	2017 US$'000
Long term borrowings		
Secured		
– bank loans	**967,800**	799,037
– loan from China Shipping Finance Co., Ltd. ("CS Finance")	**10,491**	11,019
	978,291	810,056
Unsecured		
– bank loans	**1,057,406**	710,065
– loans from CS Finance/COSCO Finance Co., Ltd. ("COSCO Finance") (note i)	**36,207**	38,184
– notes	**298,730**	298,324
	1,392,343	1,046,573
Finance lease obligations	**719**	999
	2,371,353	1,857,628
Amounts due within one year included under current liabilities	**(87,824)**	(33,858)
	2,283,529	1,823,770
Short term borrowings		
Secured		
– bank loan	**39,340**	5,970
Unsecured		
– bank loans	**69,210**	447,795
– loans from CS Finance/COSCO Finance	**–**	22,956
	69,210	470,751
	108,550	476,721

Notes to the Consolidated Financial Statements

22 BORROWINGS (CONTINUED)

Notes:

(a) The maturity of long term borrowings is as follows:

	2018 US$'000	2017 US$'000
Bank loans		
Within one year	**50,864**	33,610
Between one and two years	**231,164**	37,350
Between two and five years	**1,041,751**	831,962
Over five years	**701,427**	606,180
	2,025,206	1,509,102
Loans from CS Finance/COSCO Finance		
Within one year	**36,207**	–
Between one and two years	**–**	38,184
	36,207	38,184
Loan from CS Finance		
Within one year	**507**	–
Between one and two years	**1,708**	533
Between two and five years	**5,245**	5,467
Over five years	**3,031**	5,019
	10,491	11,019
Finance lease obligations		
Within one year	**246**	248
Between one and two years	**254**	257
Between two and five years	**219**	494
	719	999
Notes (note b)		
Between two and five years	**298,730**	–
Over five years	**–**	298,324
	2,371,353	1,857,628

22 BORROWINGS (CONTINUED)

(b) Details of the notes as at 31 December 2018 are as follows:

	2018 US$'000	2017 US$'000
Principal amount	300,000	300,000
Discount on issue	(2,040)	(2,040)
Notes issuance cost	(2,250)	(2,250)
Net proceeds received	295,710	295,710
Accumulated amortised amounts of		
– discount on issue	1,436	1,243
– notes issuance cost	1,584	1,371
	298,730	298,324

10-year notes with principal amount of US$300,000,000 were issued by a subsidiary of the Company to investors on 31 January 2013. The notes carried a fixed interest yield of 4.46% per annum and were issued at a price of 99.320 per cent of their principal amount with a fixed coupon rate of 4.375% per annum, resulting in a discount on issue of US$2,040,000. The notes bear interest from 31 January 2013, payable semi-annually in arrear on 31 January and 31 July of each year, commencing on 31 July 2013. The notes are guaranteed unconditionally and irrevocably by the Company and listed on the Stock Exchange. Unless previously redeemed or repurchased by the Company, the notes will mature on 31 January 2023 at their principal amount. The notes are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of the Company at any time in the event of certain changes affecting the taxes of certain jurisdictions.

(c) The exposure of long term borrowings to interest rate changes and the contractual repricing dates are as follows:

	Less than one year US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
At 31 December 2018				
Total borrowings	**87,824**	**1,579,071**	**704,458**	**2,371,353**
At 31 December 2017				
Total borrowings	33,858	914,247	909,523	1,857,628

(d) The carrying amounts of the long term borrowings and short term borrowings are denominated in the following currencies:

	2018 US$'000	2017 US$'000
US dollar	721,698	1,011,840
Renminbi	560,147	449,093
Euro	853,360	873,416
Hong Kong dollar	344,698	–
	2,479,903	2,334,349

The effective interest rates per annum at the balance sheet date were as follows:

	2018				2017			
	US$	RMB	Euro	HK$	US$	RMB	Euro	HK$
Bank loans, loans from CS Finance and COSCO Finance	3.0%	4.2%	1.9%	3.5%	2.4%	4.2%	1.4%	N/A
Finance lease obligations	N/A	N/A	3.4%	N/A	N/A	N/A	3.4%	N/A
Notes	4.4%	N/A	N/A	N/A	4.4%	N/A	N/A	N/A

Notes to the Consolidated Financial Statements

22 BORROWINGS (CONTINUED)

(e) The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Bank loans, loans from CS Finance and COSCO Finance	**1,984,326**	1,524,695	**1,926,938**	1,568,044
Finance lease obligations	**473**	751	**427**	679
Notes	**298,730**	298,324	**298,284**	297,855
	2,283,529	1,823,770	**2,225,649**	1,866,578

The fair values of the Group's non-current borrowings are determined based on cash flows discounted using a weighted average borrowing rate of 2.8% (2017: 2.1%) per annum.

(f) The carrying amounts of short term borrowings approximate their fair values.

(g) As at 31 December 2018, bank loans and a loan from CS Finance of US$1,017,631,000 (2017: US$816,026,000) granted to subsidiaries of the Company were secured by certain other property, plant and equipment of the Group (note 7(a)), the Company's interests in subsidiaries and a financial asset at FVOCI (note 13(b)(iii)).

(h) As at 31 December 2018, the committed and undrawn borrowing facilities of the Group amounted to US$764,138,000 (2017: US$976,365,000).

(i) On 23 October 2018, CS Finance absorbed and merged with COSCO Finance. CS Finance continued as the surviving company and COSCO Finance ceased to exist as a legal entity.

(j) During the year, the Group entered bank borrowings of RMB270,000,000 and Euro7,000,000 with US$48,500,000 and US$9,000,000 pledged as restricted deposits as security respectively.

23 LOANS FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES AND LOANS FROM A FELLOW SUBSIDIARY

(a) Loans from non-controlling shareholders of subsidiaries

As at 31 December 2018, balance of US$685,000 was unsecured, bore interest ranging from 3.25% to 4.5% above the 6 months EURIBOR, with no fixed terms of repayment.

As at 31 December 2017, balance of US$7,100,000 was unsecured, and interest free. The balance was capitalised as capital contribution from a non-controlling shareholder of a subsidiary as at 31 December 2018. The remaining balance was unsecured, bore interest at 4.75% per annum and was repaid in 2018. The carrying values of the loans are not materially different from their fair values.

(b) Loans from a fellow subsidiary

As at 31 December 2018, balance of US$16,769,000 (2017: US$30,608,000) represented finance lease contracts the Group entered for leasing of terminal equipment with a fellow subsidiary. The average term of the finance lease contracts is 8 years (2017: 8 years), and bear interest of 2% above the RMB five-year benchmark lending rate, or 5.98%. The net book value of assets acquired under the finance leases amounted to US$49,338,000 (2017: US$54,879,000) as at 31 December 2018 (note 7(d)). The carrying value of the loans were not materially different from its fair value.

24 OTHER LONG TERM LIABILITIES

	2018	2017
	US$'000	US$'000
Deferred income	**32,031**	32,716
Others	**4,849**	7,170
	36,880	39,886

25 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2018 **US$'000**	2017 US$'000
Trade payables (note a)		
– third parties	**51,767**	104,173
– fellow subsidiaries (note b)	**6,326**	1,322
– non-controlling shareholders of subsidiaries (note b)	**2,184**	1,355
– joint ventures (note b)	**179**	318
– an associate (note b)	**470**	–
– related companies (note b)	**1,878**	2,210
	62,804	109,378
Accruals	**49,210**	54,079
Other payables	**166,178**	131,742
Contract liabilities (note c)	**6,890**	–
Dividend payable	**10**	10
Loans from a fellow subsidiary (note 23(b))	**7,899**	10,315
Loans from a joint venture (note d)	**32,784**	42,622
Loan from an associate (note f)	**14,570**	15,304
Loans from non-controlling shareholders of subsidiaries (note e)	**139,185**	111,103
Amounts due to (note b)		
– fellow subsidiaries	**2,125**	3,897
– non-controlling shareholders of subsidiaries	**83,498**	23,558
– joint ventures	**45**	421
– an associate	**11**	11
	565,209	502,440

Notes:

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

	2018 **US$'000**	2017 US$'000
Within 30 days	**41,202**	79,169
31-60 days	**8,285**	7,283
61-90 days	**3,780**	11,751
Over 90 days	**9,537**	11,175
	62,804	109,378

(b) The balances are unsecured and interest free. Trading balances have similar credit periods granted as those of other third party suppliers while the other balances have no fixed terms of repayment.

Notes to the Consolidated Financial Statements

25 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES (CONTINUED)

(c) Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers:

	2018 US$'000
Contract liabilities	
– expected volume discounts	**2,167**
– receipts in advance from customers	**4,723**
	6,890

Revenues recognised in relation to contract liabilities

The following table shows how much of the revenues recognised in the current year relates to carried-forwards contract liabilities.

	2018 US$'000
Revenues recognised that were included in the contract liabilities balance at the beginning of the year	
Expected volume discounts	**–**

(d) Loans from a joint venture of US$32,784,000 (2017: US$42,622,000) are unsecured, bear interest at 2.3% per annum and repayable within twelve months.

(e) Loans from non-controlling shareholders of subsidiaries are unsecured and repayable within twelve months. Balance of US$2,082,000 (2017: US$6,328,000) bears interest at 0.30% (2017: 0.60%) above 1-year US dollar London Interbank Offered Rate ("LIBOR") per annum. Balance of US$49,681,000 (2017: US$49,681,000) is interest free. Balances of US$43,711,000 and US$43,711,000 (31 December 2017: US$45,912,000 and US$9,182,000) bear interest at 4.35% and 4.75% per annum respectively (31 December 2017: 3.8% and 4.4% respectively).

(f) Loan from an associate of US$14,570,000 (2017: US$15,304,000) is unsecured, bears interest at 2.3% per annum and repayable within twelve months.

(g) The carrying amounts of trade and other payables and contract liabilities are denominated in the following currencies:

	2018 US$'000	2017 US$'000
US dollar	**80,106**	24,237
Renminbi	**366,608**	321,038
Euro	**96,112**	84,966
Hong Kong dollar	**19,745**	72,011
Other currencies	**2,638**	188
	565,209	502,440

(h) The carrying amounts of trade and other payables and contract liabilities approximate their fair values.

Notes to the Consolidated Financial Statements

26 DERIVATIVE FINANCIAL INSTRUMENTS

	2018 US$'000	2017 US$'000
Interest rate swaps	**10,504**	9,362
Less: non-current portion	**(7,358)**	(6,527)
Current portion	**3,146**	2,835

At 31 December 2018, the Group had interest rate swap agreements in place with a total notional amount of US$278,293,000 (2017: US$291,220,000). The swaps are used to hedge the exposure to changes in the cash flow of its bank loans with variable rates referred to the EURIBOR in an average band of between 0.61% and 1.22% (2017: 0.61% and 1.22%). The hedge of the interest rate swaps was assessed to be effective.

The group's hedging reserves included in other reserves of the consolidated statement of changes in equity:

	Interest rate swap US$'000
At 1 January 2017	(233)
Add: Change in fair value of cash flow hedge recognised in OCI, net of tax	110
Less: Reclassified from OCI to consolidated income statement, net of tax	180
At 31 December 2017	57
Add: Change in fair value of cash flow hedge recognised in OCI, net of tax	(571)
Share of OCI of an associate	70
At 31 December 2018	(444)

27 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 QQCT to QPI and the remaining RMB2,599,968,360 (equivalent to US$378,367,000) was settled in cash. The disposal was completed on 19 May 2017 and resulted in a gain of US$283,961,000 recognised in the consolidated income statement for the year ended 31 December 2017. The subscription was completed on 22 May 2017. After the subscription of the aforesaid QPI's non-circulating domestic shares, the Group's equity interest in QPI has been increased from 1.59% to 18.41% and QPI became an associate of the Group since then. The gain from the remeasurement of the previously held 1.59% interest in QPI of US$38,434,000 has been recognised in the consolidated income statement for the year ended 31 December 2017.

28 OTHER OPERATING INCOME

	2018 US$'000	2017 US$'000
Management fee and other service income	**7,910**	5,346
Dividends income from listed and unlisted available-for-sale financial assets	**–**	1,370
Dividends income from listed and unlisted financial assets at FVOCI	**1,966**	–
Reversal of provision for impairment of trade receivables	**–**	134
Rental income from		
– investment properties	**624**	434
– buildings, leasehold land and land use rights	**49**	685
Gain on disposal of property, plant and equipment	**723**	677
Gain on remeasurement of equity investments	**–**	7,301
Net gain on bargain purchase	**–**	30
Government subsidies	**15,295**	5,459
Exchange gain, net	**1,793**	15,681
Fair value gain on financial asset at FVPL	**4,283**	–
Others	**4,732**	3,157
	37,375	40,274

29 OPERATING PROFIT

Operating profit is stated after charging the following:

	2018 US$'000	2017 US$'000
Charging:		
Amortisation of		
– land use rights	**6,937**	5,200
– intangible assets (note a)	**20,278**	4,499
– other non-current assets (note 16)	**1,689**	1,611
Depreciation	**118,219**	95,530
Loss on disposal of property, plant and equipment	**531**	1,053
Auditors' remuneration		
– current year	**1,378**	1,050
– over provision in prior year	**(73)**	(59)
Provision for impairment of trade receivables	**825**	–
Provision for inventories	**275**	–
Rental expenses under operating leases of		
– land and buildings leased from third parties	**994**	378
– buildings leased from a fellow subsidiary	**2,007**	1,832
– buildings leased from a joint venture	**–**	28
– land use rights leased from non-controlling shareholders of subsidiaries	**3,105**	3,073
– plant and machinery leased from third parties	**1,405**	279
– concession from a fellow subsidiary (note 16)	**64,548**	48,051
– concession from third parties	**13,529**	1,633
Total staff costs (including directors' emoluments and retirement benefit costs) (note b)		
– wages, salaries and other benefits	**262,417**	214,759
– share option expenses (note c)	**1,185**	–
	263,602	214,759

Notes:

(a) Amortisation of intangible assets is included in administrative expenses in the consolidated income statement.

(b) Total staff costs do not include the amounts of benefits in kind provided to the Company's directors and the Group's employees in respect of the Company's share options granted prior to 2005 and staff quarters. Details of the Company's share options are set out in note 21 to the consolidated financial statements.

(c) It represents the amounts of benefit in kind provided to the Company's directors and the Group's employees in respect of the Company's share options granted in 2018. Details of the share options are set out in note 21 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

30 FINANCE INCOME AND COSTS

	2018 US$'000	2017 US$'000
Finance income		
Interest income on		
– bank balances and deposits	**6,055**	4,343
– deposits with CS Finance	**–**	1
– deposits with CS Finance/COSCO Finance	**1,067**	873
– loans to joint ventures and associates	**5,220**	7,451
	12,342	12,668
Finance costs		
Interest expenses on		
– bank loans	**(57,978)**	(31,013)
– notes wholly repayable within five years	**(13,125)**	–
– notes not wholly repayable within five years	**–**	(13,125)
– loan from CS Finance	**(486)**	(530)
– loans from CS Finance/COSCO Finance	**(857)**	(3,373)
– loans from a fellow subsidiary	**(1,207)**	(1,607)
– loans from non-controlling shareholders of subsidiaries (note 23(a) and note 25(e))	**(4,519)**	(4,586)
– loan from a joint venture (note 25(d))	**(911)**	(954)
– loan from an associate (note 25(f))	**(352)**	(18)
– finance lease obligations	**(16)**	(6)
Amortised amount of		
– discount on issue of notes	**(193)**	(212)
– transaction costs on bank loans and notes	**(2,434)**	(1,042)
	(82,078)	(56,466)
Less: amount capitalised in construction in progress (note 7(c))	**6,887**	5,670
	(75,191)	(50,796)
Other incidental borrowing costs and charges	**(2,831)**	(5,180)
	(78,022)	(55,976)
Net finance costs	**(65,680)**	(43,308)

31 INCOME TAX EXPENSES

	2018 US$'000	2017 US$'000
Current income tax		
– Hong Kong profits tax	**(157)**	–
– Mainland China taxation	**(40,704)**	(68,878)
– Overseas taxation	**(18,972)**	(10,712)
– Over provision in prior years	**58**	369
	(59,775)	(79,221)
Deferred income tax charge (note 15)	**(6,267)**	(15,488)
	(66,042)	(94,709)

The Group's shares of income tax expenses of joint ventures and associates of US$23,909,000 (2017: US$24,428,000) and US$29,642,000 (2017: US$28,820,000) 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% (2017: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

Below is a numerical reconciliation between income tax expenses in the consolidated income statement and aggregate tax expense at the domestic rates applicable to profits in respective territories concerned:

	2018 US$'000	2017 US$'000
Profit before income tax	**439,966**	645,858
Less: Share of profits less losses of joint ventures and associates	**(292,452)**	(236,568)
	147,514	409,290
Aggregate tax at domestic rates applicable to profits in respective territories concerned	**67,117**	94,491
Income not subject to income tax	**(19,901)**	(73,219)
Expenses not deductible for income tax purposes	**759**	11,296
Over provision in prior years	**(58)**	(369)
Utilisation of previously unrecognised tax losses	**(942)**	(4,084)
Effect on deferred tax balance at 1 January resulting from a change in tax rate	**10,433**	–
Tax losses not recognised	**2,067**	1,139
Withholding income tax upon distribution of profits and payment of interest	**6,964**	65,100
Others	**(397)**	355
Income tax expenses	**66,042**	94,709

Except for the income tax US$20,002,000 relating to the deferred tax reversed on the fair value loss on financial assets at FVOCI in 2018 (the income tax US$37,312,000 relating to the deferred tax provided on the fair value gain on available-for-sale financial assets in 2017), US$354,000 (2017: US$214,000) deferred tax liability to the cash flow hedges, there was no income tax relating to components of OCI for the year ended 31 December 2018 and 2017.

Notes to the Consolidated Financial Statements

32 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.

	2018	2017
Profit attributable to equity holders of the Company	**US$324,583,000**	US$512,454,000
Weighted average number of ordinary shares in issue	**3,067,491,368**	3,027,433,793
Basic earnings per share	**US10.58 cents**	US16.93 cents

(b) Diluted

Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the year, after adjusting for the number of dilutive potential ordinary shares deemed to be issued at no considerations as if all outstanding dilutive share options granted by the Company had been exercised.

For the year ended 31 December 2017, the outstanding share options granted by the Company did not have any dilutive effect on the earnings per share, and the diluted earnings per share is equal to the basic earnings per share.

	2018	2017
Profit attributable to equity holders of the Company	**US$324,583,000**	US$512,454,000
Weighted average number of ordinary shares in issue	**3,067,491,368**	3,027,433,793
Adjustments for assumed issuance of shares on exercise of dilutive share options	**2,613,104**	–
Weighted average number of ordinary shares for diluted earnings per share	**3,070,104,472**	3,027,433,793
Diluted earnings per share	**US10.57 cents**	US16.93 cents

33 DIVIDENDS

	2018 **US$'000**	2017 US$'000
Interim dividend paid of US2.212 cents (2017: US1.316 cents) per ordinary share	**67,623**	39,691
Final dividend proposed of US2.020 cents (2017: US1.684 cents) per ordinary share	**62,885**	51,482
Additional dividend paid on shares issued due to issue of scrip dividend before the closure of register of members:		
– 2017 interim	**–**	197
– 2018 interim	**8**	–
	130,516	91,370

Note:

At a meeting held on 28 March 2019, the directors recommended the payment of a final dividend of HK15.8 cents (equivalent to US2.020 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 2019.

34 RETIREMENT BENEFIT COSTS

The retirement benefit costs charged to the consolidated income statement represent contributions payable by the Group to the retirement benefit schemes and amounted to US$18,913,000 (2017: US$12,190,000). Contributions totaling US$2,251,000(2017: US$2,869,000) were payable to the retirement benefit schemes as at 31 December 2018 and were included in trade and other payables. No forfeited contributions were available as at 31 December 2018 and 31 December 2017 to reduce future contributions.

35 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid to directors of the Company during the year are set out as follows:

	2018	2017
	US$'000	US$'000
Fees	**216**	216
Salaries, housing and other allowances	**2,089**	1,806
Benefits in kind	**–**	–
Bonuses	**442**	308
Contributions to retirement benefit schemes	**2**	2
	2,749	2,332

Directors' fees disclosed above include US$216,000 (2017: US$216,000) paid to independent non-executive directors.

As at 31 December 2018, four directors (2017: not applicable) of the Company had 5,400,000 (2017: not applicable) share options which are exercisable at HK$7.27 per share granted by the Company on 19 June 2018 under the 2018 Share Option Scheme. No consideration was paid by the directors for the acceptance of share options.

Share options granted to a director under the 2003 Share Option Scheme were lapsed as at 31 December 2017.

For the year ended 31 December 2018, no (2017: Nil) share option was exercised.

Details and movements of share options granted during the year are set out in note 21 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

35 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

The directors' emoluments are analysed as follows:

Name of directors	Note	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Housing and other allowances US$'000	Estimated money value of other benefits US$'000	Contributions to retirement benefit schemes US$'000	Remunerations paid or receivable in respect of accepting office as director US$'000	As management (note e) US$'000	Total US$'000
		Year ended 31 December 2018								
Mr. HUANG Xiaowen		–	–	–	–	–	–	–	–	–
Mr. ZHANG Wei (張為)		–	742	112	18	–	–	–	–	872
Mr. FANG Meng		–	668	111	18	–	–	–	–	797
Mr. DENG Huangjun		–	252	107	18	–	–	–	–	377
Mr. FENG Boming		–	–	–	–	–	–	–	–	–
Mr. ZHANG Wei (張煒)		–	–	–	–	–	–	–	–	–
Mr. CHEN Dong		–	–	–	–	–	–	–	–	–
Mr. XU Zunwu	i	–	–	–	–	–	–	–	–	–
Mr. WANG Haimin		–	–	–	–	–	–	–	–	–
Dr. WONG Tin Yau, Kelvin		–	353	112	20	–	2	–	–	487
Dr. FAN HSU Lai Tai, Rita		50	–	–	–	–	–	–	–	50
Mr. Adrian David LI Man Kiu		56	–	–	–	–	–	–	–	56
Mr. FAN Ergang		33	–	–	–	–	–	–	–	33
Mr. LAM Yiu Kin		40	–	–	–	–	–	–	–	40
Prof. CHAN Ka Lok		37	–	–	–	–	–	–	–	37
		216	2,015	442	74	–	2	–	–	2,749

35 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

The directors' emoluments are analysed as follows:

		Year ended 31 December 2017								
Name of directors	Note	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Housing and other allowances US$'000	Estimated money value of other benefits US$'000	Contributions to retirement benefit schemes US$'000	Remunerations paid or receivable in respect of accepting office as director US$'000	As management (note e) US$'000	Total US$'000
Mr. HUANG Xiaowen		–	–	–	–	–	–	–	–	–
Mr. ZHANG Wei (張為)		–	739	57	18	–	–	–	–	814
Mr. FANG Meng		–	389	84	18	–	–	–	–	491
Mr. DENG Huangjun		–	251	83	18	–	–	–	–	352
Mr. FENG Boming		–	–	–	–	–	–	–	–	–
Mr. ZHANG Wei (張煒)		–	–	–	–	–	–	–	–	–
Mr. CHEN Dong		–	–	–	–	–	–	–	–	–
Mr. XU Zunwu	i	–	–	–	–	–	–	–	–	–
Mr. WANG Haimin		–	–	–	–	–	–	–	–	–
Dr. WONG Tin Yau, Kelvin		–	355	84	18	–	2	–	–	459
Dr. FAN HSU Lai Tai, Rita		50	–	–	–	–	–	–	–	50
Mr. Adrian David LI Man Kiu		56	–	–	–	–	–	–	–	56
Mr. FAN Ergang		33	–	–	–	–	–	–	–	33
Mr. LAM Yiu Kin		40	–	–	–	–	–	–	–	40
Prof. CHAN Ka Lok		37	–	–	–	–	–	–	–	37
		216	1,734	308	72	–	2	–	–	2,332

Note:

(i) Resigned on 23 May 2018.

The above analysis includes four (2017: three) directors whose emoluments were among the five highest in the Group.

Notes to the Consolidated Financial Statements

35 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (CONTINUED)

(b) Management's emoluments

Details of the aggregate emoluments paid to one (2017: two) individual whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2018 **US$'000**	2017 US$'000
Salaries, share options, and other allowances	**317**	623
Bonuses	**111**	168
Contributions to retirement benefit schemes	**2**	4
	430	795

The emoluments of the highest paid individuals fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands		
US$319,040-US$382,847 (HK$2,500,001-HK$3,000,000)	**–**	–
US$382,848-US$446,655 (HK$3,000,001-HK$3,500,000)	**1**	2
	1	2

(c) During the year, no emolument had been paid by the Group to the directors or the five highest paid individuals as compensation for loss of office. During the year, Mr. XU Zunwu waived the emoluments.

(d) No significant transactions, arrangements and contracts in relation to the group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(e) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included salaries, discretionary bonuses, employer's contributions to retirement benefit schemes and housing allowance.

36 FINANCIAL GUARANTEE CONTRACTS

The financial guarantees issued by the Group as at 31 December are analysed as below:

	2018 US$'000	2017 US$'000
Bank guarantees to a joint venture	–	9,226

The directors of the Company consider that it is not probable for a claim to be made against the Group under any of these guarantees as at the balance sheet date.

The fair value of the guarantee contracts is not material and has not been recognised.

37 CAPITAL COMMITMENTS

The Group has the following significant capital commitments as at 31 December:

	2018 US$'000	2017 US$'000
Contracted but not provided for		
– Investments (note)	385,859	442,895
– Other property, plant and equipment	400,960	576,376
	786,819	1,019,271

The Group's share of capital commitments of the joint ventures themselves not included in the above are as follows:

	2018 US$'000	2017 US$'000
Contracted but not provided for	13,146	6,154

Note:

The capital commitments in respect of investments of the Group as at 31 December are as follows:

	2018 US$'000	2017 US$'000
Contracted but not provided for		
Investments in:		
– Antwerp Gateway NV	51,304	51,970
– Tianjin Port Euroasia International Container Terminal Co., Ltd.	102,285	107,435
– Vado	13,858	14,472
– Others	155,446	202,883
	322,893	376,760
Terminal projects in:		
– Shanghai Yangshan Port Phase II	58,282	61,216
– Others	4,684	4,919
	62,966	66,135
	385,859	442,895

Notes to the Consolidated Financial Statements

38 OPERATING LEASE ARRANGEMENTS/COMMITMENTS

(a) Operating lease arrangements – where the Group is the lessor

As at 31 December, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	2018 US$'000	2017 US$'000
Buildings, leasehold land and land use rights		
– not later than one year	**488**	320
– later than one year and not later than five years	**595**	594
– later than five years	**176**	246
	1,259	1,160
Investment properties		
– not later than one year	**477**	3
– later than one year and not later than five years	**1,509**	–
– later than five years	**5,318**	–
	7,304	3
Plant and machinery		
– not later than one year	**1,530**	–
– later than one year and not later than five years	**6,120**	–
– later than five years	**22,293**	–
	29,943	–
	38,506	1,163

(b) Operating lease commitments – where the Group is the lessee

As at 31 December, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2018 US$'000	2017 US$'000
Buildings, leasehold land and land use rights		
– not later than one year	**18,989**	13,996
– later than one year and not later than five years	**66,975**	65,762
– later than five years	**409,163**	491,288
	495,127	571,046
Plant and machinery		
– not later than one year	**1,230**	1,009
– later than one year and not later than five years	**3,605**	3,148
– later than five years	**10,003**	4,053
	14,838	8,210
Concession		
– not later than one year	**11,760**	6,725
– later than one year and not later than five years	**63,794**	49,952
– later than five years	**660,121**	536,175
	735,675	592,852
	1,245,640	1,172,108

The contingent rental expenses relating to operating leases for the year ended 31 December 2018 are US$60,333,000 (2017: US$39,009,000).

Notes to the Consolidated Financial Statements

39 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before income tax to cash generated from operations

	2018 US$'000	2017 US$'000
Profit before income tax	**439,966**	645,858
Depreciation and amortisation	**147,123**	106,840
Interest expenses	**72,564**	49,542
Amortised amount of		
– discount on issue of notes	**193**	212
– transaction costs on bank loans and notes	**2,434**	1,042
Other incidental borrowing costs and charges	**2,831**	5,180
Provision/(reversal of provision) for impairment of trade receivables and other receivables	**818**	(134)
Provision/(reversal of provision) for inventories	**275**	(16)
(Gain)/loss on disposal of property, plant and equipment and intangible assets, net	**(192)**	364
Dividends income from unlisted financial assets at FVOCI/available-for-sale financial assets	**(272)**	(149)
Dividends income from listed financial assets at FVOCI/available-for-sale financial assets	**(1,694)**	(1,221)
Fair value gain on financial asset at FVPL	**(4,283)**	–
Gain on disposal of a joint venture	**–**	(283,961)
Gain on remeasurement of previously held interest of an available-for-sale financial asset at fair value upon further acquisition to become an associate	**–**	(38,434)
Gain on remeasurement of equity investments	**–**	(7,301)
Net gain on bargain purchase	**–**	(30)
Write off of goodwill upon deregistration of a subsidiary	**–**	309
Write back of provision for impairment of trade receivables	**(91)**	10
Interest income	**(12,342)**	(12,668)
Share of profits less losses of		
– joint ventures	**(90,969)**	(86,531)
– associates	**(201,483)**	(150,037)
Operating profit before working capital changes	**354,878**	228,875
(Increase)/decrease in inventories	**(3,171)**	1,099
(Increase)/decrease in trade and other receivables	**(32,703)**	11,040
(Increase)/decrease in amounts due from fellow subsidiaries	**(618)**	17,084
Decrease/(increase) in amounts due from associates	**4,281**	(177)
(Increase)/decrease in amounts due from joint ventures	**(287)**	2,572
(Increase)/decrease in amounts due from non-controlling shareholders of subsidiaries	**(897)**	1,136
Decrease/(increase) in amount due from a related company	**278**	(377)
(Decrease)/increase in trade and other payables	**(8,048)**	45,807
Increase in amounts due to fellow subsidiaries	**523**	870
Decrease in amounts due to related companies	**–**	(71)
(Decrease)/increase in amounts due to non-controlling shareholders of subsidiaries	**(6,382)**	9,071
Decrease in other long term liabilities	**(2,408)**	–
Cash generated from operations	**305,446**	316,929

Notes to the Consolidated Financial Statements

39 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Major non-cash transactions

	2018 US$'000	2017 US$'000
Acquisition of an associate by transferring 20% equity interest in a joint venture as consideration (note 27)	**–**	(465,491)
Acquisition of an associate by contribution of 40% equity interest in a joint venture and 20% equity interest in an associate to the associate (note 11(b) & note 12(c))	**–**	(119,758)
Acquisition of machinery by means of finance lease (note 22)	**–**	999

(c) Analysis of the balances of cash and cash equivalents

	2018 US$'000	2017 US$'000
Total time deposits, bank balances and cash (note i)	**606,689**	566,400
Restricted bank deposits included in current assets	**(63,674)**	(6,333)
	543,015	560,067
Representing:		
Time deposits	**213,921**	298,828
Bank balances and cash	**216,402**	190,650
Balances placed with COSCO Finance (note iii)	**–**	70,589
Balances placed with CS Finance (note iv)	**112,692**	–
	543,015	560,067

Notes:

(i) As at 31 December 2018, cash and cash equivalents of US$118,440,000 (2017: US$125,290,000) of the Group denominated in Renminbi and US dollar were held by certain subsidiaries with bank accounts operating in the PRC where exchange controls apply.

(ii) The carrying amounts of time deposits, bank balances and cash are denominated in the following currencies:

	2018 US$'000	2017 US$'000
US dollar	**226,682**	282,361
Renminbi	**185,239**	189,695
Euro	**78,174**	16,725
Hong Kong dollar	**51,181**	71,249
Other currencies	**1,739**	37
	543,015	560,067

(iii) Balances placed with COSCO Finance, a fellow subsidiary of the Group, bear interest at prevailing market rates.

(iv) Balances placed with CS Finance, a fellow subsidiary of the Group, bear interest at prevailing market rates.

39 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(d) Reconciliation of liabilities arising from financing activities

	Borrowings	Loans from non-controlling shareholders of subsidiaries	Loans from a fellow subsidiary	Loans from a joint venture and an associate	Debt-related derivative financial instruments	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance as at 1 January 2018	2,334,349	164,115	30,608	57,926	9,362	2,596,360
Changes from financing cash flows						
Loans drawn down	721,073	–	–	–	–	721,073
Loans repaid	(514,222)	–	–	–	–	(514,222)
Loans from non-controlling shareholders of subsidiaries	–	43,711	–	–	–	43,711
Repayment of loans from a non-controlling shareholder of a subsidiary	–	(57,135)	–	–	–	(57,135)
Loan from a joint venture	–	–	–	32,784	–	32,784
Repayment of loans from a joint venture	–	–	–	(42,622)	–	(42,622)
Repayment of loans from fellow subsidiaries	–	–	(13,471)	–	–	(13,471)
Fair value loss of cash flow hedge	–	–	–	–	1,225	1,225
Foreign exchange adjustments	(62,436)	(10,821)	(368)	(734)	(397)	(74,756)
Other non-cash movements	1,139	–	–	–	314	1,453
Balance as at 31 December 2018	2,479,903	139,870	16,769	47,354	10,504	2,694,400
Balance as at 1 January 2017	1,502,991	167,772	38,061	40,147	–	1,748,971
Changes from financing cash flows						
Loans drawn down	763,520	–	–	–	–	763,520
Loans repaid	(449,635)	–	–	–	–	(449,635)
Loans from non – controlling shareholders of subsidiaries	–	51,497	–	–	–	51,497
Repayment of loans from a non-controlling shareholder of a subsidiary	–	(59,196)	–	–	–	(59,196)
Loan from an associate	–	–	–	14,799	–	14,799
Repayment of loans from fellow subsidiaries	–	–	(11,109)	–	–	(11,109)
Acquisition of subsidiaries	431,818	–	–	–	10,028	441,846
Fair value gain of cash flow hedges	–	–	–	–	(243)	(243)
Foreign exchange adjustments	87,240	4,042	3,048	2,980	241	97,551
Other non-cash movements	(1,585)	–	608	–	(664)	(1,641)
Balance as at 31 December 2017	2,334,349	164,115	30,608	57,926	9,362	2,596,360

Notes to the Consolidated Financial Statements

40 RELATED PARTY TRANSACTION

The Group is controlled by COSCO SHIPPING Holdings which owns 47.61% of the Company's shares as at 31 December 2018. The parent company of COSCO SHIPPING Holdings is COSCO, and the parent company of COSCO is COSCO SHIPPING.

COSCO SHIPPING is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. Government related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government, are also defined as related parties of the Group. On that basis, related parties include COSCO SHIPPING and its subsidiaries, other government related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO SHIPPING as well as their close family members.

For the purpose of the related party transaction disclosures, the Directors believe that it is meaningful to disclose the related party transactions with COSCO SHIPPING group companies for the interests of financial statements' users, although certain of those transactions which are individually or collectively not significant, and are exempted from disclosure upon adoption of HKAS 24 (Revised). The Directors believe that the information of related party transactions has been adequately disclosed in the consolidated financial statements.

In addition to those disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year.

(a) Sales/purchases of goods, services and investments

	2018 US$'000	2017 US$'000
Handling, storage and transportation income from fellow subsidiaries (note i, xiii)	**–**	3
Management fee and service fee income from (note ii)		
– joint ventures	**4,148**	3,771
– associates	**1,101**	578
– an investee company	**139**	85
Terminal handling and storage income received from (note iii, xiii)		
– fellow subsidiaries	**196,074**	103,243
– non-controlling shareholders of subsidiaries	**93,669**	55,834
Container handling and logistics service fees to non-controlling shareholders of subsidiaries (note iv, xiii)	**(6,042)**	(12,584)
Electricity and fuel expenses paid to (note v, xiii)		
– fellow subsidiaries	**(3,130)**	(813)
– non-controlling shareholders of subsidiaries	**(9,437)**	(7,477)
Finance lease charges paid to a fellow subsidiary (note vi)	**(1,146)**	(1,607)
Handling, storage and maintenance expenses paid to fellow subsidiaries (note vii, xiii)	**(3,429)**	(3,166)
High-frequency communication fee to a non-controlling shareholder of a subsidiary (note viii, xiii)	**–**	(92)
Rental expenses paid to (note ix, xiii)		
– fellow subsidiaries	**(12,431)**	(11,345)
– non-controlling shareholders of subsidiaries	**(5,511)**	(5,509)
Rental income received from a non-controlling shareholder of a subsidiary (note ix)	**991**	–
Purchase of materials from a fellow subsidiary (note x, xiii)	**(244)**	–
Insurance expenses paid to a fellow subsidiary (note xi, xiii)	**(702)**	–
Concession fee to a fellow subsidiary (note xii, xiii)	**(54,124)**	(38,341)

40 RELATED PARTY TRANSACTION (CONTINUED)

(a) Sales/purchases of goods, services and investments (Continued)

Notes:

(i) The handling, storage and transportation income received from fellow subsidiaries of the Group were at terms as set out in the agreements entered into between the Group and these fellow subsidiaries. There was no such item in 2018.

(ii) The Group provided advisory and management services to COSCO-HIT Terminals (Hong Kong) Limited, a joint venture of the Group, during the year. Management fee was charged and agreed at HK$20,000,000 (equivalent to US$2,552,000) (2017: HK$20,000,000 (equivalent to US$2,567,000)) per annum.

Other management fee and service fee income charged to joint ventures, associates and an investee company were agreed between the Group and the respective parties in concern.

(iii) The terminal handling and storage income received from fellow subsidiaries and non-controlling shareholders of subsidiaries in relation to the cargoes shipped from/to Zhangjiagang, Yangzhou, Quanzhou, Jinjiang, Xiamen, Nansha, Lianyungang, Jinzhou and Nantong were charged at rates by reference to rates as set out by the Ministry of Communications of the PRC.

The container terminal handling and storage income received from fellow subsidiaries in relation to the cargoes shipped from/to Piraeus Ports, Zeebrugge and Spain were charged at rates as mutually agreed.

(iv) The container handling and logistics service fees paid to non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(v) Electricity and fuel expenses paid to fellow subsidiaries and non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(vi) Finance lease charges paid to a fellow subsidiary were charged at rates as mutually agreed.

(vii) Handling, storage and maintenance expenses paid to fellow subsidiaries were charged at rates as mutually agreed.

(viii) High-frequency communication fee paid to a non-controlling shareholder of a subsidiary were charged at rates as mutually agreed.

(ix) Rental expenses paid to fellow subsidiaries and non-controlling shareholders of subsidiaries and rental income received from a non-controlling shareholders of a subsidiary were charged at rates as mutually agreed.

(x) The purchase of materials from a fellow subsidiary were conducted at terms as set out in the agreements entered into between the Group and the respective parties in concern.

(xi) Insurance expenses paid to a fellow subsidiary were charged at rates as mutually agreed.

(xii) Concession fee paid to a fellow subsidiary was charged and mutually agreed at two fixed annual fees, and a variable annual concession fee based on the aggregate revenue of Piraeus Container Terminal S.A..

(xiii) The transactions represent continuing connected transactions which has complied with the disclosure requirements in accordance with Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules").

(b) Key management compensation

	2018 US$'000	2017 US$'000
Salaries, bonuses and other allowances	**4,481**	3,858
Contributions to retirement benefit schemes	**6**	9
Share-based payments	**247**	–
	4,734	3,867

Key management includes directors of the Company and six (2017: six) senior management members of the Group.

The emoluments of the senior management members fell within the following bands:

	Number of individuals 2018	Number of individuals 2017
Emolument bands		
US$127,616-US$255,231 (HK$1,000,001-HK$2,000,000)	**2**	2
US$255,232-US$319,039 (HK$2,000,001-HK$2,500,000)	**–**	–
US$319,040-US$382,847 (HK$2,500,001-HK$3,000,000)	**3**	2
US$382,848-US$446,655 (HK$3,000,001-HK$3,500,000)	**1**	2
	6	6

Notes to the Consolidated Financial Statements

41 BUSINESS COMBINATIONS

(a) Acquisition of subsidiary – Noatum Port Holdings, S.L. (now known as COSCO SHIPPING Ports (Spain) Holding, S.L. and its subsidiaries ("CSP Spain Group"))

On 31 October 2017, the Group acquired 51% equity interests in CSP Spain Group, a group of companies engaged in terminal operating activities in Spain, for a consideration of Euro 203,490,000 (equivalent to approximately US$239,866,000).

Details of net assets acquired are as follows:

	US$'000
Purchase consideration	239,866
Fair value of net assets acquired shown as below	(109,689)
Goodwill	130,177

The assets and liabilities of the acquired terminal operations as at the date of acquisition were as follows:

	Fair value US$'000
Property, plant and equipment	172,426
Intangible assets	296,118
Available-for-sale financial assets	123
Associates	1,085
Deferred income tax assets	95,248
Inventories	1,475
Trade and other receivables	80,562
Restricted bank deposits	9,161
Cash and cash equivalents	21,831
Bank borrowings	(352,031)
Other long-term liabilities	(11,430)
Trade and other payables	(46,394)
Deferred income tax liabilities	(47,580)
Total identifiable net assets acquired	220,594
Less: non-controlling interests	(110,905)
	109,689
Purchase consideration settled in cash	239,866
Cash and cash equivalents in acquired terminal operation	(21,831)
Net cash outflow on acquisition	218,035

41 BUSINESS COMBINATIONS (CONTINUED)

(a) Acquisition of subsidiary – Noatum Port Holdings, S.L. (now known as COSCO SHIPPING Ports (Spain) Holding, S.L. and its subsidiaries ("CSP Spain Group")) (Continued)

Notes

(i) The goodwill is attributable to the anticipated profitability of the acquired business. It will not be deductible for tax purposes.

(ii) Acquired receivables

The fair value of acquired trade receivables is US$47,984,000. The gross contractual amount for trade receivables due is US$50,802,000, of which US$2,818,000 is expected to be uncollectible.

(iii) Non-controlling interests

The Group recognises the non-controlling interests in CSP Spain Group at its proportionate share of the acquired net identifiable assets. See note 3.1 for the group's accounting policies for business combinations.

(iv) Revenue and profit contribution

The acquired terminal operation contributed approximately US$44,596,000 revenues and contributed a net profit of approximately US$2,145,000 for the year ended 31 December 2017 since the date of acquisition. If the acquisition had occurred on 1 January 2017, the Group's consolidated revenue and profit for the year ended 31 December 2017 would have been increased by approximately US$212,897,000 and approximately US$4,231,000 respectively.

(v) Acquisition-related costs

Acquisition-related costs of US$2,586,000 that were not directly attributable to the acquisition are included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

(vi) Pursuant to the purchase agreement, a put option was granted which entitled the non-controlling interests to sell the remaining interests in the acquired entity between the issuance of 2019 audited consolidated financial statements and 2020 audited consolidated financial statements of CSP Spain Group at a consideration with reference to CSP Spain Group's EBITDA under specified circumstances.

(b) Step acquisition from an associate to a subsidiary

On 30 November 2017, the Group completed a further acquisition of 76% equity interests in CSP Zeebrugge Terminal NV ("Zeebrugge Terminal"), a terminal operating company in Belgium, for a consideration of Euro28,000,000 (equivalent to approximately US$32,560,000) and a shareholder loan of Euro8,000,000 (equivalent to approximately US$9,499,000). Zeebrugge Terminal became a wholly-owned subsidiary of the Group and the results of it is consolidated into the Group's financial statements commencing from the acquisition date.

Upon the step-up acquisition, the Group remeasured the fair value of its pre-existing interest in Zeebrugge Terminal at the acquisition date and recognised an impairment loss of US$6,888,000 on the remeasurement of the Group's pre-existing interest in Zeebrugge Terminal to acquisition date fair value in the consolidated income statement.

Details of net assets acquired are as follows:

	US$'000
Purchase consideration (including a shareholder loan)	42,059
Fair value of pre-existing interest in Zeebrugge Terminal at the date of acquisition	10,282
Fair value of net assets acquired shown as below	(63,234)
Gain on bargain purchase	(10,893)

Notes to the Consolidated Financial Statements

41 BUSINESS COMBINATIONS (CONTINUED)

(b) Step acquisition from an associate to a subsidiary (Continued)

The assets and liabilities of the acquired terminal operations as at the date of acquisition were as follows:

	Fair value US$'000
Property, plant and equipment	33,829
Intangible assets	616
Deferred income tax assets	35,184
Inventories	701
Trade and other receivables	5,013
Cash and cash equivalents	1,847
Bank borrowings	(8,152)
Trade and other payables	(5,607)
Deferred tax liabilities	(197)
Total identifiable net assets acquired	63,234
Purchase consideration settled in cash	42,059
Cash and cash equivalents in acquired terminal operation	(1,847)
Net cash outflow on acquisition	40,212

Notes

(i) In the opinion of the directors of the Company, the gain on bargain purchase is largely attributable to the Group's capability in negotiating more favourable transaction terms with the vendors. This has resulted in fair value of the identifiable net assets of the acquired subsidiary exceeded the total consideration paid. After netting off the impairment loss arising from the 24% interest in associate, US$6,888,000 and accumulated exchange loss of US$3,975,000, the net gain was US$30,000.

(ii) Acquired receivables

The fair value of acquired trade receivables is US$2,184,000. The gross contractual amount for trade receivables due is US$2,207,000, of which US$23,000 is expected to be uncollectible.

(iii) Revenue and profit contribution

The acquired terminal operation contributed approximately US$1,283,000 revenues and contributed a net loss of approximately US$822,000 for the year ended 31 December 2017 since the date of the completion of further acquisition. If the acquisition had occurred on 1 January 2017, the Group's revenue and profit for the year ended 31 December 2017 would have been increased approximately by US$12,800,000 and decreased approximately by US$5,909,000 respectively.

(iv) Acquisition-related costs

Acquisition-related costs were insignificant and have been included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

41 BUSINESS COMBINATIONS (CONTINUED)

(c) Acquisition of other subsidiaries

During the year ended 31 December 2017, the Group acquired certain subsidiaries engaged in terminal operations that are material collectively to the Group, the aggregate financial information as at date of acquisition is presented as follows:

	US$'000
Purchase consideration	105,463
Fair value of net assets acquired shown as below	(99,194)
Goodwill	6,269

The combined assets and liabilities of the acquired terminal operations as at the date of acquisition were as follows:

	Fair value US$'000
Property, plant and equipment	114,054
Land use rights	62,464
Intangible asset	1
Trade and other receivables	54,655
Cash and cash equivalents	61,614
Bank borrowings	(71,635)
Deferred tax liabilities	(6,033)
Trade and other payables	(42,285)
Total identifiable net assets acquired	172,835
Less: non-controlling interests	(73,641)
	99,194
Purchase consideration settled in cash	105,463
Cash and cash equivalents in acquired terminal operation	(61,614)
Net cash outflow on acquisition	43,849

41 BUSINESS COMBINATIONS (CONTINUED)

(c) Acquisition of other subsidiaries (Continued)

Notes

(i) The goodwill is attributable to the anticipated profitability of the acquired businesses. It will not be deductible for tax purposes.

(ii) Acquired receivables

There are no acquired trade receivables.

(iii) Non-controlling interests

The Group recognises the non-controlling interests in these subsidiaries at its proportionate share of the acquired net identifiable assets. See note 3.1 for the Group's accounting policies for business combinations.

(iv) Revenue and profit contribution

The acquired terminal operations contributed approximately net losses of approximately US$734,000 for the year ended 31 December 2017 since the dates of acquisitions. If the acquisitions had occurred on 1 January 2017, the Group's profits for the year ended 31 December 2017 would have been decreased by approximately US$4,632,000

(v) Acquisition-related costs

Acquisition-related costs were insignificant and have been included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

42 EVENTS AFTER BALANCE SHEET DATE

On 21 January 2019, QPI completed its A share offering and listed on the Shanghai Stock Exchange. As a result, the Group's 18.41% equity interests in QPI was diluted to 17.12%. As the share of contribution from the A share offer is less than the cost of deemed disposal, the Group recognised a loss of approximately US$23,000,000 on deemed disposal of partial interest in QPI.

On 23 January 2019, the Company, COSCO SHIPPING Ports (Chancay) Limited ("CSP (Chancay)", a wholly-owned subsidiary of the Company), Volcan Compañía Minera S.A.A. and Terminales Portuarios Chancay S.A. ("TPCH") entered into a subscription and investment agreement pursuant to which TPCH has conditionally agreed to issue, and CSP (Chancay) has conditionally agreed to subscribe for, shares representing 60% of the shares of TPCH at a subscription price of US$225,000,000, and TPCH will become a subsidiary of the Company. As at the reporting date, the subscription was not completed.

Notes to the Consolidated Financial Statements

43 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	2018 US$'000	2017 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**100**	124
Subsidiaries		**5,793,784**	5,244,883
Amounts due from subsidiaries		**185,025**	186,892
		5,978,909	5,431,899
Current assets			
Other receivables		**380**	486
Amounts due from subsidiaries		**937,724**	986,192
Amounts due from a fellow subsidiary		**1**	–
Amount due from an intermediate holding company		**–**	2
Cash and cash equivalents		**262,289**	256,388
		1,200,394	1,243,068
Total assets		**7,179,303**	6,674,967
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**39,971**	39,254
Reserves	(a)	**4,537,393**	4,544,499
Total equity		**4,577,364**	4,583,753

43 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

	Note	2018 US$'000	2017 US$'000
LIABILITIES			
Non-current liabilities			
Loan from a subsidiary		**296,610**	–
Long term borrowings		**852,411**	513,430
Total non-current liabilities		**1,149,021**	513,430
Current liabilities			
Other payables		**32,623**	38,520
Current income tax liabilities		**–**	139
Loan from a subsidiary		**–**	296,610
Amounts due to subsidiaries		**1,420,295**	892,515
Current portion of long term borrowings		**–**	350,000
		1,452,918	1,577,784
Total liabilities		**2,601,939**	2,091,214
Total equity and liabilities		**7,179,303**	6,674,967

On behalf of the Board

ZHANG Wei
Vice Chairman and Managing Director

WONG Tin Yau, Kelvin
Executive Director and Deputy Managing Director

43 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a) Reserve movement of the Company

	Share premium US$'000	Contributed surplus (note) US$'000	Share option reserve US$'000	Retained profits US$'000	Total US$'000
At 1 January 2018	**1,739,685**	**414,214**	**–**	**2,390,600**	**4,544,499**
Profit for the year	**–**	**–**	**–**	**57,625**	**57,625**
Issue of shares on settlement of scrip dividends	**53,197**	**–**	**–**	**–**	**53,197**
Fair value of share options granted	**–**	**–**	**1,185**	**–**	**1,185**
Dividends					
– 2017 final	**–**	**–**	**–**	**(51,482)**	**(51,482)**
– 2018 interim	**–**	**–**	**–**	**(67,631)**	**(67,631)**
At 31 December 2018	**1,792,882**	**414,214**	**1,185**	**2,329,112**	**4,537,393**
Representing:					
Reserves	**1,792,882**	**414,214**	**1,185**	**2,266,227**	**4,474,508**
2018 final dividend proposed	**–**	**–**	**–**	**62,885**	**62,885**
At 31 December 2018	**1,792,882**	**414,214**	**1,185**	**2,329,112**	**4,537,393**
At 1 January 2017	1,694,406	414,214	6,321	2,051,245	4,166,186
Profit for the year	–	–	–	403,082	403,082
Issue of shares on settlement of scrip dividends	45,279	–	–	–	45,279
Transfer of reserve upon lapse of share options	–	–	(6,321)	6,321	–
Dividends					
– 2016 final	–	–	–	(30,160)	(30,160)
– 2017 interim	–	–	–	(39,888)	(39,888)
At 31 December 2017	1,739,685	414,214	–	2,390,600	4,544,499
Representing:					
Reserves	1,739,685	414,214	–	2,339,118	4,493,017
2017 final dividend proposed	–	–	–	51,482	51,482
At 31 December 2017	1,739,685	414,214	–	2,390,600	4,544,499

Note:

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued share capital and the net asset value of the subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders.

Notes to the Consolidated Financial Statements

44 DETAILS OF SUBSIDIARIES

Details of the subsidiaries as at 31 December 2018 are as follows:

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2018	Group equity interest 2017
2	Cheer Dragon Investment Limited	Hong Kong	Hong Kong	Investment holding	HK$3 divided into 3 ordinary shares	**66.67%**	66.67%
1	China Shipping Ports Development Co., Limited	Hong Kong	Hong Kong	Investment holding	HK$15,120,435,795 divided into 5,679,542,725 ordinary shares	**100.00%**	100.00%
2,3	China Shipping Terminal Development Co., Limited	PRC	PRC	Investment holding	RMB9,786,531,586	**100.00%**	100.00%
1,4	COSCO Container Services Limited	Hong Kong	Hong Kong	Investment holding, depot handling, storage and container repairing	HK$3,500,002 divided into 3 ordinary shares	**–**	100.00%
1	COSCO Pacific Finance (2013) Company Limited	British Virgin Islands	Hong Kong	Financing	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO Pacific Limited	British Virgin Islands	Hong Kong	Provision of treasury services	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO Ports (ACT) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Antwerp) NV	Belgium	Belgium	Investment holding	Euro61,500 divided into 2 shares with no face value	**100.00%**	100.00%
1	COSCO Ports (Belgium) Limited	Hong Kong	Hong Kong	Investment holding	HK$1 divided into 1 ordinary share	**100.00%**	100.00%
1,2	COSCO Ports (Dalian) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1,2	COSCO Ports (Dalian RoRo) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1,2	COSCO Ports (Greece) S.à r.l.	Luxembourg	Luxembourg	Investment holding	Euro512,500 divided into 20,500 shares of Euro25 each	**100.00%**	100.00%
1	COSCO Ports (Istanbul) Limited	Hong Kong	Hong Kong	Investment holding	HK$1 divided into 1 ordinary share	**100.00%**	100.00%
1,2	COSCO Ports (Nanjing) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO Ports (Nansha) Limited	British Virgin Islands	Hong Kong	Investment holding	10,000 ordinary shares of US$1 each	**66.10%**	66.10%
1, 2	COSCO Ports (Ningbo Beilun) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Ports (Port Said) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Ports (Pudong) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Ports (Quanzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%

44 DETAILS OF SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2018	Group equity interest 2017
1, 2	COSCO Ports (Quanzhou Jinjiang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO Ports (Rotterdam) Limited	Hong Kong	Hong Kong	Investment holding	HK$1 divided into 1 ordinary share	**100.00%**	100.00%
1, 2	COSCO Ports (Singapore) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 4	COSCO Ports (Taiwan Kaohsiung) Limited	Hong Kong	Hong Kong	Investment holding	HK$1 divided into 1 ordinary share	**–**	100.00%
1, 2	COSCO Ports (Tianjin) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Ports (Tianjin North Basin) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US $1	**100.00%**	100.00%
1, 2	COSCO Ports (Xiamen Haicang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Ports (Yangzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Ports (Yingkou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO SHIPPING Ports (Abu Dhabi) Limited	British Virgin Islands	British Virgin Islands	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Abu Dhabi CFS) Limited	British Virgin Islands	British Virgin Islands	Investment holding	US$1 divided into 1 ordinary share	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Chancay) Limited	British Virgin Islands	British Virgin Islands	Investment holding	US$1,000 divided into 1,000 ordinary shares	**100.00%**	–
1, 2, 3	COSCO SHIPPING Ports Investments (Shanghai) Co., Ltd.	PRC	PRC	Investment holding	US$147,000,000	**100.00%**	100.00%
1	COSCO SHIPPING Ports Management Company Limited	Hong Kong	Hong Kong	Investment holding and provision of management services	HK$2 divided into 2 ordinary shares	**100.00%**	100.00%
1	COSCO SHIPPING Ports (Nantong) Limited	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 ordinary shares	**100.00%**	100.00%
1	COSCO SHIPPING Ports (Spain) Limited	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 ordinary shares	**100.00%**	100.00%
	Noatum Port Holdings, S.L. (now known as COSCO SHIPPING Ports (Spain) Holding, S.L.)	Spain	Spain	Investment holding	23,147,944 ordinary shares of Euro 1 each	**51.00%**	51.00%
1	COSCO SHIPPING Ports (Vado) Limited	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 ordinary shares	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Yangshan) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1 each	**100.00%**	100.00%
1	Crestway International Limited	British Virgin Islands	Hong Kong	Investment holding	50,000 ordinary share of US$1 each	**100.00%**	100.00%

Notes to the Consolidated Financial Statements

44 DETAILS OF SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2018	Group equity interest 2017
1, 2	COSCO SHIPPING Ports Finance (2018) Company	British Virgin Islands	British Virgin Islands	Financing	US$1 divided into 1 ordinary share	**100.00%**	–
2	CSP Abu Dhabi CFS Limited	Abu Dhabi Free Zone United Arab Emirates	Abu Dhabi Free Zone United Arab Emirates	Operation of container freight station	150 ordinary shares of AED1,000 each	**100.00%**	–
	CSP Abu Dhabi Terminal L.L.C. (formerly known as Abu Dhabi Oceangate Container Terminal L.L.C.)	Abu Dhabi, United Arab Emirates	Abu Dhabi, United Arab Emirates	Operation of terminals	150,000 ordinary shares of AED1 each	**90.00%**	90.00%
2, 3	CSP Wuhan Company Limited (formerly known as Wuhan Yangluo Jiutong Gangwu Co., Ltd.)	PRC	PRC	Operation of terminals	RMB280,000,000	**70.00%**	70.00%
2, 5	CSP Zeebrugge Terminal NV	Belgium	Belgium	Operation of container terminals	3,500,001 ordinary shares of Euro 10 each	**85.00%**	100.00%
1, 2	Frosti International Limited	British Virgin Islands	Hong Kong	Investment holding	2 ordinary shares of US$1 each	**100.00%**	100.00%
2, 3	Guangzhou South China Oceangate Container Terminal Company Limited	PRC	PRC	Operation of container terminals	RMB1,928,293,400	**39.00%**	39.00%
2, 3	Jinjiang Pacific Ports Development Co., Ltd.	PRC	PRC	Operation of terminals	US$49,900,000	**80.00%**	80.00%
2, 3	Jinzhou New Age Container Terminal Co., Ltd	PRC	PRC	Operation of terminals	RMB320,843,634	**51.00%**	51.00%
2, 3	Lianyungang New Oriental International Terminals Co., Ltd.	PRC	PRC	Operation of terminals	RMB470,000,000	**55.00%**	55.00%
	Maltransinter, S.A.U.	Spain	Spain	Inactive	14,000 ordinary shares of Euro 1,000 each	**51.00%**	51.00%
2, 3	Nantong Tonghai Port Co., Ltd.	PRC	PRC	Operation of terminals	RMB790,000,000	**51.00%**	51.00%
	Noatum Container Terminal Bilbao, S.L.	Spain	Spain	Operation of container	30,694,951 ordinary shares of Euro 0.43 each	**39.51%**	39.51%
	Noatum Container Terminal Valencia, S.A.U.	Spain	Spain	Operation of container terminals	170,912,783 ordinary shares of Euro 0.29 each	**51.00%**	51.00%
	Noatum Ports, S.L.U.	Spain	Spain	Investment holding	36,250,000 ordinary shares of Euro 1 each	**51.00%**	51.00%

44 DETAILS OF SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2018	2017
	Noatum Rail Terminal Zaragoza, S.L.	Spain	Spain	Operation of rail terminals	3,000 ordinary shares of Euro 1 each	**30.60%**	30.60%
1	Ocean Bridge International Ports Management Company Limited	Hong Kong	Hong Kong	Provision of management and consultancy services	HK$1,000,000 divided into 1,000,000 ordinary shares	**51.00%**	–
1	Piraeus Container Terminal S.A.	Greece	Greece	Operation of container	Euro77,299,800	**100.00%**	100.00%
2, 3	Quan Zhou Pacific Container Terminal Co., Ltd.	PRC	PRC	Operation of terminals	US$80,770,000	**82.35%**	82.35%
1, 4	Right Key International Limited	Hong Kong	Hong Kong	Inactive	HK$1 divided into 1 ordinary share	**–**	100.00%
2	Sagtransinter, S.L.U.	Spain	Spain	Inactive	13,631,405 ordinary shares of Euro 1 each	**51.00%**	51.00%
	Noatum Rail Services, S.L.U. (formerly known as Santrasmul, S.A.U.)	Spain	Spain	Provision of rail terminals services	7,160,000 ordinary shares of Euro 1 each	**51.00%**	51.00%
2,3	Shanghai China Shipping Terminal Development Co., Ltd.	PRC	PRC	Investment holding	RMB6,107,012,170	**100.00%**	100.00%
1	Win Hanverky Investments Limited	Hong Kong	Hong Kong	Investment holding	HK$100,000 divided into 10,000 ordinary shares	**100.00%**	100.00%
2, 3	Xiamen Ocean Gate Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminals	RMB1,813,680,000	**70.00%**	70.00%
2, 3	Yangzhou Yuanyang International Ports Co., Ltd.	PRC	PRC	Operation of terminals	US$73,800,000	**55.59%**	55.59%
2, 3	Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminals	US$36,800,000	**51.00%**	51.00%

Notes:

1 Shares held directly by the Company.

2 Subsidiaries not audited by PricewaterhouseCoopers.

3 China Shipping Terminal Development Co., Limited and COSCO SHIPPING Ports Investments (Shanghai) Co., Ltd. are wholly foreign owned enterprises. Guangzhou South China Oceangate Container Terminal Company Limited, Jinjiang Pacific Ports Development Co., Ltd., Jinzhou New Age Container Terminal Co., Ltd., Lianyungang New Oriental International Terminals Co., Ltd., Quan Zhou Pacific Container Terminal Co., Ltd., Shanghai China Shipping Terminal Development Co., Ltd., CSP Wuhan Company Limited, Xiamen Ocean Gate Container Terminal Co., Ltd., Yangzhou Yuanyang International Ports Co., Ltd., Zhangjiagang Win Hanverky Container Terminal Co., Ltd. and Nantong Tonghai Port Co., Ltd. are sino-foreign equity joint ventures established in the PRC.

4 These subsidiaries were dissolved during the year.

5 CSP Zeebrugge Terminal NV was reclassified from an associate to a subsidiary due to further acquisiton in 2017 (note 41(b)). 15% equity interests in the subsidiary was disposed in 2018.

45 DETAILS OF JOINT VENTURES

Details of the principal joint ventures as at 31 December 2018, which principally affect the results and/or net assets of the Group, are as follows:

Name	Place of incorporation/ establishment	Principal activities	Paid-up capital	Percentage of interest in ownership/voting power/ profit sharing 2018	2017
Asia Container Terminals Holdings Limited	Cayman Islands	Investment holding	HK$1 divided into 1,000 ordinary shares	**20.00%**	20.00%
Conte-Rail, S.A.	Spain	Operation of rail terminals	45,000 ordinary shares of Euro 34.3 each	**25.50%**	25.50%
COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	Operation of container terminals	HK$20 divided into 2 "A" ordinary shares HK$20 divided into 2 "B" ordinary shares HK$40 divided into 4 non-voting 5% deferred shares	**50.00%**	50.00%
COSCO-HPHT ACT Limited (notes i)	British Virgin Islands	Investment holding	1,000 ordinary shares of US$1 each	**50.00%**	50.00%
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminals	SGD286,213,000	**49.00%/ 50.00%/ 49.00%**	49.00%/ 50.00%/ 49.00%
Dalian Dagang China Shipping Container Co., Ltd.	PRC	Operation of container terminals	RMB7,500,000	**35.00%**	35.00%
Euro-Asia Oceangate S.à.r.l. (note ii)	Luxembourg	Investment holding	US$40,000	**40.00%**	40.00%
Lianyungang Port Railway International Container Multimodal Transport Co., Ltd.	PRC	Logistics	RMB3,400,000	**30.00%**	30.00%
Nansha Stevedoring Corporation Limited of Port of Guangzhou	PRC	Operation of container terminals	RMB1,260,000,000	**40.00%**	40.00%
Ningbo Yuan Dong Terminals Limited	PRC	Operation of container terminals	RMB2,500,000,000	**20.00%**	20.00%
Piraeus Consolidation and Distribution Centre S.A.	Greece	Storage, consolidation and distribution	Euro1,000,000	**50.00%/ 60.00%/ 50.00%**	50.00%/ 60.00%/ 50.00%
Qingdao Port Dongjiakou Ore Terminal Co., Ltd.	PRC	Operation of iron ore terminal	RMB1,400,000,000	**25.00%/ 22.22%/ 25.00%**	25.00%/ 22.22%/ 25.00%
Qinzhou International Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB500,000,000	**40.00%**	40.00%
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminals	RMB1,900,000,000	**30.00%**	30.00%
Tianjin Port Euroasia International Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB1,260,000,000	**30.00%/ 28.60%/ 30.00%**	30.00%/ 28.60%/ 30.00%
Xiamen Haicang Free Trade Port Zone Container Inspection Co., Ltd.	PRC	Container stevedoring, storage, inspection and auxiliary services	RMB10,000,000	**22.40%/ 33.33%/ 22.40%**	22.40%/ 33.33%/ 22.40%
Yingkou Container Terminals Company Limited	PRC	Operation of container terminals	RMB8,000,000	**50.00%/ 57.14%/ 50.00%**	50.00%/ 57.14%/ 50.00%
Yingkou New Century Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB40,000,000	**40.00%**	40.00%

45 DETAILS OF JOINT VENTURES (CONTINUED)

Notes:

(i) COSCO-HPHT ACT effectively holds 80% equity interest in ACT, which engages in the operation, management and development of container terminals in Hong Kong, and is considered as a subsidiary of COSCO-HPHT ACT.

(ii) Euro-Asia Oceangate S.à.r.l. effectively holds 65% equity interest in Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi, which engages in container terminal operations in Turkey, and is considered as a subsidiary of Euro-Asia Oceangate S.à.r.l.

46 DETAILS OF ASSOCIATES

Details of the associates as at 31 December 2018, which principally affect the results and/or net assets of the Group, are as follows:

Name	Place of establishment operation	Principal activities	Issued share capital/ registered capital	Group equity interest 2018	2017
Antwerp Gateway NV	Belgium	Operation of container terminals	Euro17,900,000	**20.00%**	20.00%
APM Terminals Vado Holdings B.V. (note i)	Netherlands	Investment holding	10 ordinary shares of Euro 100 each	**40.00%**	40.00%
COSCO Shipping Terminal (USA) LLC	USA	Investment holding	US$200,000	**40.00%**	40.00%
Dalian Automobile Terminal Co., Ltd.	PRC	Construction and operation of automobile terminals	RMB320,000,000	**24.00%**	24.00%
Dalian Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB3,480,000,000	**19.00%**	19.00%
Damietta International Port Company S.A.E	Egypt	Operation of container terminals	20,000,000 ordinary shares of US$10 each	**20.00%**	20.00%
Dawning Company Limited	British Virgin Islands	Investment holding	200 "A" shares of US$1 each and 800 "B" shares of US$1 each	**20.00%**	20.00%
Euromax Terminal Rotterdam B.V.	Netherlands	Operation of container terminals	65,000 "A" shares of Euro1 each and 35,000"B" shares of Euro1 each	**35.00%**	35.00%
Jiangsu Yantze Petrochemical Co., Ltd.	PRC	Operation of bulk liquid storage	RMB219,635,926	**30.40%**	30.40%
Kao Ming Container Terminal Corp.	Taiwan	Operation of container terminals	TWD6,800,000,000	**20.00%**	20.00%
Lianyungang Xinsanly Container Service Co., Ltd	PRC	Container inspection and auxiliary services	RMB1,000,000	**22.00%**	22.00%
Nanjing Port Longtan Container Co., Ltd.	PRC	Operation of container terminals	RMB1,544,961,839	**16.14%**	16.14%
Ningbo Meishan Bonded Port New Habour Terminal Operating Co., Ltd.	PRC	Operation of container terminals	RMB200,000,000	**20.00%**	20.00%
Qingdao Port International Co., Ltd	PRC	Operation of container terminals	RMB6,036,724,000	**18.41%**	18.41%
Qingdao Qianwan Intelligent Container Terminal Co., Ltd	PRC	Operation of container terminals	RMB642,000,000	**20.00%**	20.00%

46 DETAILS OF ASSOCIATES (CONTINUED)

Name	Place of establishment operation	Principal activities	Issued share capital/ registered capital	Group equity interest 2018	2017
Qinhuangdao Port New Habour Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB400,000,000	**30.00%**	30.00%
Servicios Intermodales Bilbaoport, S.L. (note ii)	Spain	Container storage and transportation	860,323 ordinary shares of Euro 0.57 each	**5.53%**	5.53%
Shanghai Mingdong Container Terminals Limited	PRC	Operation of container terminals	RMB4,000,000,000	**20.00%**	20.00%
Sigma Enterprises Limited (note iii)	British Virgin Islands	Investment holding	2,005 "A" shares of US$1 each and 8,424 "B" shares of US$1 each	**16.49%**	16.49%
Suez Canal Container Terminal S.A.E.	Egypt	Operation of container terminals	1,856,250 ordinary shares of US$100 each	**20.00%**	20.00%
Taicang International Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB450,800,000	**39.04%**	39.04%
Tianjin Five Continents International Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB1,145,000,000	**28.00%**	28.00%
Wattrus Limited (note iii)	British Virgin Islands	Investment holding	32 "A" shares of US$1 each and 593 "B" shares of US$1 each	**5.12%**	5.12%

Note:

(i) APM Terminals Vado Holdings B.V. holds 100% equity interest in Reefer Terminal S.p.A., which engages in container terminal operations in Italy, and is considered as a subsidiary of APM Terminals Vado Holdings B.V..

(ii) The directors of the Company considered that the Group has significant influence over Servicios Intermodales Bilbaoport, S.L. through its representatives on the board of directors of the company with 16.67% voting rights and therefore classified it as an associate as at 31 December 2018 and 2017.

(iii) The directors of the Company considered that the Group has significant influence over Sigma and Wattrus through its representatives on the boards of directors of Sigma and Wattrus with 20% voting rights respectively and therefore classified Sigma and Wattrus as associates as at 31 December 2018 and 2017.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	US$'000	US$'000	US$'000	US$'000 (Restated)	US$'000
Revenues	**1,000,350**	634,710	556,365	550,217	870,091
Operating profit after finance income and costs	**147,514**	409,290	57,365	111,987	180,657
Share of profits less losses of					
– joint ventures	**90,969**	86,531	112,081	118,133	99,729
– associates	**201,483**	150,037	88,161	103,006	71,496
Write back of provision (note 3)	**–**	–	–	79,152	–
Gain on disposal of a subsidiary (note 4)	**–**	–	59,021	–	–
Profit before income tax from a discontinued operation	**–**	–	7,901	87,644	–
Profit before income tax	**439,966**	645,858	324,529	499,922	351,882
Income tax expenses (note 5)	**(66,042)**	(94,709)	(48,545)	(45,210)	(38,995)
Profit for the year	**373,924**	551,149	275,984	454,712	312,887
Profit attributable to:					
Equity holders of the Company	**324,583**	512,454	247,031	429,313	292,759
Non-controlling interests	**49,341**	38,695	28,953	25,399	20,128
	373,924	551,149	275,984	454,712	312,887
Dividends	**130,516**	91,370	405,113	153,219	117,701
Basic earnings per share (US cents)	**10.58**	16.93	8.30	14.58	10.01
Dividend per share (US cents)	**4.232**	3.000	13.637	5.184	4.004

	As at 31 December				
	2018	2017	2016	2015	2014
	US$'000	US$'000	US$'000	US$'000 (Restated)	US$'000
Total assets	**9,045,452**	8,954,080	6,786,456	8,860,645	7,616,710
Total liabilities	**(3,225,802)**	(3,108,706)	(2,020,652)	(2,593,569)	(2,558,048)
Net assets	**5,819,650**	5,845,374	4,765,804	6,267,076	5,058,662

Notes:

1 The consolidated results of the Group for the two years ended 31 December 2018 and the assets and liabilities of the Group as at 31 December 2018 have been extracted from the audited consolidated financial statements of the Group as set out on pages 117 to 124 of the annual report.

2 The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) on 26 July 1994.

3 The balance represents the write back of provision on the disposal of 21.8% equity interest in a then associate of the Group, CIMC, in 2013.

4 Balance represents the gain on disposal of Florens in 2016 which was classified as discontinued operation in 2016.

5 Balances in 2015 and 2016 included income tax expenses of Florens which was classified as discontinued operation.

6 The financial figures for the year 2014 were extracted from the 2015 annual report. No retrospective adjustment for the common control combinations during the year were made on the financial figures for the year 2014. No separate disclosures of continuing operations and discontinued operations were made on the financial figures for the year 2014.

HISTORICAL STATISTICS SUMMARY

Financial statistics		2009	2010	2011
Consolidated income statement	US$M			
Revenue				
Terminals		114.9	190.8	320.1
Container leasing, management, sale and related businesses		229.8	250.9	276.5
Container handling, transportation and storage		4.7	4.8	3.3
Elimination of inter-segment		–	–	(0.7)
Total		349.4	446.5	599.2
EBITDA		321.4	516.6	621.9
Depreciation & amortisation		(98.3)	(111.8)	(142.2)
EBIT		223.1	404.8	479.7
Interest expenses		(39.8)	(29.4)	(58.4)
Interest income		6.0	6.5	5.1
Profit before income tax		189.3	381.9	426.4
Operating profit after finance income and costs		66.1	90.4	126.1
Profit attributable to equity holders of the Company		172.5	361.3	388.8
Breakdown of profit attributable to equity holders of the Company				
Terminals and related businesses		83.5	119.9	184.9
Container leasing, management, sale and related businesses		71.4	96.3	116.5
Container manufacturing and related businesses		30.9	91.9	119.8
Logistics and related businesses		25.6	84.7	–
Other operations		–	–	–
Net corporate finance income/(costs)		(9.6)	(1.9)	(0.6)
Net corporate income/(expenses)		(29.3)	(29.6)	(31.8)
Total		172.5	361.3	388.8
Consolidated balance sheet				
Consolidated total assets		4,635.3	5,251.9	6,472.2
Consolidated total liabilities		1,776.9	1,758.0	2,592.0
Consolidated net assets		2,858.4	3,493.9	3,880.2
Consolidated total debts		1,604.3	1,558.8	2,168.0
Consolidated cash balances		405.8	524.3	581.1
Consolidated net debts		1,198.5	1,034.5	1,586.9
Per share data				
Capital and reserves attributable to the equity holders of the Company per share	US$	1.21	1.23	1.34
Basic earnings per share	US cents	7.66	14.17	14.34
Dividend per share	US cents	3.061	5.668	5.736
Net asset value per share	US$	1.26	1.29	1.43
Net asset value per share	HK$	9.796	10.015	11.115
Share price (as at 31 December)	US$	1.281	1.742	1.167
	HK$	9.93	13.54	9.07
Ratios				
P/E (as at 31 December)	Times	16.7	12.3	8.1
Dividend payout ratio	%	40.0	40.0	40.0
Return on total assets	%	3.9	7.3	6.6
Return on net assets	%	6.3	11.4	10.5
Return on equity holders of the Company	%	6.5	11.9	11.1
Net debt-to-equity ratio	%	41.9	29.6	40.9
Interest coverage	Times	5. 8	14.0	8.3
Other information				
Total number of shares issued (as at 31 December)	M	2,262.5	2,711.5	2,711.8
Weighted average number of ordinary shares issued	M	2,252.9	2,550.4	2,711.8
Market capitalisation (as at 31 December)	US$M	2,897.3	4,723.5	3,166.4

Notes:

1. The amount in 2016 included a conditional special cash dividend of HK80.0 cents (equivalent to US10.317 cents)per share.
2. The financial figures for the year 2009 to 2014 were extracted from the 2015 annual report. No retrospective adjustment for the common control combinations during the year were made on the financial figures for the year 2009 to 2014. No separate disclosures of continuing operations and discontinued operations were made on the financial figures for the year 2009 to 2014.
3. The conditional special cash dividend of HK80.0 cents (equivalent to US10.317 cents) per share was excluded in the calculation of dividend payout ratio of the year 2016.
4. One-off exceptional items related to the completion of the subscription of non-circulating domestic shares in QPI and the disposal of equity interests in QQCT was excluded in the calculation of dividend layout ratio of the year 2017.

Historical Statistics Summary

2012	2013	2014	2015 (Restated)	2016	2017	**2018**
398.5	452.2	514.7	547.3	553.9	634.7	**1,000.4**
336.2	347.7	357.1	–	–	–	**–**
3.7	2.9	2.3	2.9	2.5	–	**–**
(2.9)	(4.2)	(4.0)	–	–	–	**–**
735.5	798.6	870.1	550.2	556.4	634.7	**1,000.4**
618.3	1,007.7	610.4	463.6	393.4	796.0	**652.8**
(167.9)	(190.5)	(211.7)	(98.0)	(98.5)	(106.8)	**(147.1)**
450.4	817.2	398.7	365.6	294.9	689.2	**505.7**
(77.3)	(84.5)	(72.5)	(54.7)	(52.1)	(56.0)	**(78.0)**
9.2	18.1	25.7	22.2	14.8	12.7	**12.3**
382.3	750.8	351.9	333.1	257.6	645.9	**440.0**
159.3	180.4	180.7	112.0	57.4	409.3	**147.5**
342.2	702.7	292.8	429.3	247.0	512.5	**324.6**
189.0	186.8	221.0	286.6	242.9	573.3	**364.0**
139.5	125.2	95.8	82.8	66.1	–	**–**
61.9	416.5	–	79.2	–	–	**–**
–	–	–	–	–	–	**–**
–	–	–	–	–	–	**–**
(1.9)	10.7	32.0	27.7	8.0	2.8	**(10.4)**
(46.3)	(36.5)	(56.0)	(47.0)	(70.0)	(63.6)	**(29.0)**
342.2	702.7	292.8	429.3	247.0	512.5	**324.6**
7,363.9	7,551.3	7,616.7	8,860.6	6,786.5	8,954.1	**9,045.5**
3,146.5	2,707.8	2,558.0	2,593.5	2,020.7	3,108.7	**3,225.8**
4,217.4	4,843.5	5,058.7	6,267.1	4,765.8	5,845.4	**5,819.7**
2,601.7	2,046.2	1,860.2	2,087.0	1,503.0	2,334.3	**2,479.9**
849.3	1,237.6	1,116.5	924.2	837.1	566.4	**606.7**
1,752.4	808.6	743.7	1,162.8	665.9	1,767.9	**1,873.2**
1.42	1.56	1.61	1.97	1.44	1.70	**1.66**
12.51	24.95	10.01	14.58	8.30	16.93	**10.58**
5.004	9.980	4.004	5.148	13.637 note 1	3.000	**4.232**
1.51	1.66	1.72	2.11	1.58	1.91	**1.87**
11.732	12.895	13.342	16.373	12.254	14.879	**14.643**
1.424	1.372	1.421	1.102	1.005	1.0448	**0.9830**
11.04	10.64	11.02	8.54	7.79	8.13	**7.70**
11.4	5.5	14.2	7.6	12.1	6.17	**9.29**
40.0	40.0	40.0	40.0	40.0 note 3	40.0 note 4	**40.0**
4.9	9.4	3.9	5.2	3.2	6.5	**3.6**
8.5	15.5	5.9	7.6	4.5	9.7	**5.6**
9.0	16.5	6.3	8.1	4.8	10.7	**6.3**
41.6	16.7	14.7	18.6	14.0	30.2	**32.2**
5.9	9.9	5.9	7.1	5.9	12.5	**6.6**
2,786.1	2,912.3	2,940.4	2,966.6	3,016.0	3,057.1	**3,113.1**
2,735.1	2,816.2	2,924.9	2,945.4	2,976.4	3,027.4	**3,067.5**
3,968.5	3,996.4	4,178.3	3,268.9	3,029.6	3,194.0	**3,060.3**

Historical Statistics Summary

Financial statistics		2009	2010	2011
Container throughput	TEU			
COSCO-HIT Terminal		1,360,945	1,535,923	1,625,819
Yantian Terminal		8,579,013	10,133,967	10,264,440
Shanghai Terminal		2,979,849	3,197,244	–
Zhangjiagang Terminal		715,413	889,515	1,065,382
Qingdao Cosport Terminal		1,145,352	1,284,903	–
Dalian Port Container Co., Ltd.		2,906,768	–	–
Shanghai Pudong Terminal		2,291,281	2,450,176	2,388,156
Qingdao Qianwan Terminal		8,961,785	10,568,065	12,426,090
COSCO-PSA Terminal		904,829	1,091,639	1,106,262
Yangzhou Yuanyang Terminal		221,046	302,617	400,224
Yingkou Container Terminal		1,023,107	1,196,932	1,303,068
Nanjing Longtan Terminal		1,058,499	1,245,559	1,600,523
Dalian Port Terminal		1,509,401	1,668,418	1,900,204
Tianjin Five Continents Terminal		1,940,933	1,917,873	2,100,321
Antwerp Terminal		639,957	795,534	1,168,930
Quan Zhou Pacific Terminal		936,136	1,050,710	1,186,799
Guangzhou South China Oceangate Terminal		2,158,291	3,060,591	3,914,348
Ningbo Yuan Dong Terminal		1,117,169	1,704,588	2,145,653
Suez Canal Terminal		2,659,584	2,856,854	3,246,467
Jinjiang Pacific Terminal		274,390	313,585	314,101
Piraeus Terminal		166,062	684,881	1,188,148
Tianjin Euroasia Terminal		–	574,296	1,350,962
Xiamen Ocean Gate Terminal		–	–	–
Kao Ming Terminal		–	–	–
Taicang Terminal		–	–	–
Asia Container Terminal		–	–	–
Dalian International Terminal		–	–	–
Dalian Dagang Terminal		–	–	–
Yingkou New Century Terminal		–	–	–
Jinzhou New Age Terminal		–	–	–
Qinhuangdao New Habour Terminal		–	–	–
Shanghai Mingdong Terminal		–	–	–
Lianyungang New Oriental Terminal		–	–	–
Guangzhou Nansha Stevedoring Terminal		–	–	–
Qinzhou International Terminal		–	–	–
Zeebrugge Terminal		–	–	–
Seattle Terminal		–	–	–
Busan Terminal		–	–	–
Kumport Terminal		–	–	–
Euromax Terminal		–	–	–
CSP Spain Group		–	–	–
Vado Reefer Terminal		–	–	–
QPI		–	–	–
Dalian Container Terminal		–	–	–
Total		43,549,810	48,523,870	50,695,897

Historical Statistics Summary

2012	2013	2014	2015 (Restated)	2016	2017	**2018**
1,683,748	1,639,275	1,639,995	1,575,858	1,343,859	1,920,597	**1,794,152**
10,666,758	10,796,113	11,672,798	12,165,687	11,696,492	12,703,733	**13,159,705**
–	–	–	–	–	–	–
1,228,935	1,374,596	798,773	672,295	675,062	735,918	**761,849**
–	–	–	–	–	–	**–**
–	–	–	–	–	–	**–**
2,151,297	2,246,026	2,373,620	2,508,121	2,556,220	2,650,396	**2,602,151**
14,045,503	14,981,635	16,108,145	16,995,934	17,499,703	–	**–**
1,232,954	1,048,846	1,311,747	1,526,328	1,809,428	2,044,536	**3,198,874**
401,003	449,849	481,704	482,106	454,104	489,108	**500,340**
1,600,094	1,716,106	1,716,128	1,560,138	1,586,108	1,496,050	**1,338,535**
2,035,617	2,400,370	2,495,608	2,633,753	2,773,005	2,881,008	**2,930,391**
2,216,353	2,732,174	2,732,136	2,495,053	2,683,879	2,604,631	**–**
2,180,184	2,300,918	2,569,695	2,570,233	2,571,772	2,580,943	**2,708,817**
1,101,163	1,370,609	1,727,116	2,015,306	1,992,281	2,166,096	**2,230,418**
1,201,279	1,090,660	1,160,480	1,221,692	1,308,652	1,384,479	**1,559,899**
4,230,574	4,449,311	4,647,266	4,486,627	4,781,665	5,056,257	**5,164,923**
2,402,554	2,806,406	3,214,703	3,040,762	2,536,182	2,980,839	**3,060,010**
2,863,167	3,124,828	3,400,397	2,954,080	2,547,597	2,528,647	**2,609,978**
358,836	418,242	467,610	347,226	364,255	495,993	**425,533**
2,108,090	2,519,664	2,986,904	3,034,428	3,470,981	3,691,815	**4,409,205**
1,705,667	1,803,407	2,004,170	2,032,389	2,232,973	2,469,753	**2,717,331**
271,449	609,393	806,183	1,034,753	1,131,197	1,501,001	**1,968,613**
–	1,170,704	1,333,226	1,525,359	1,728,922	1,698,187	**1,745,673**
–	235,759	538,304	539,771	513,296	520,799	**561,212**
–	–	1,139,414	1,252,815	1,088,891	1,568,298	**1,465,047**
–	–	–	2,826,893	3,182,368	2,828,933	**–**
–	–	–	15,971	21,094	24,582	**22,047**
–	–	–	1,850,064	1,870,076	1,515,057	**1,413,894**
–	–	–	351,773	449,016	571,113	**710,746**
–	–	–	500,879	515,482	559,330	**584,701**
–	–	–	5,668,946	5,900,056	6,500,062	**6,252,083**
–	–	–	3,525,770	3,100,243	2,872,563	**2,876,355**
–	–	–	5,757,635	5,786,311	5,800,302	**5,805,069**
–	–	–	920.737	1,138,057	1,357,005	**1,371,051**
–	–	–	268,261	277,363	316,448	**392,484**
–	–	–	128,332	151,534	188,455	**167,824**
–	–	–	–	2,084,592	3,554,512	**3,758,277**
–	–	–	–	665,398	1,063,335	**1,258,294**
–	–	–	–	653,808	2,693,337	**3,054,115**
–	–	–	–	–	554,028	**3,622,200**
–	–	–	–	–	39,455	**66,565**
–	–	–	–	–	12,270,000	**19,320,000**
–	–	–	–	–	1,324,584	**9,512,744**
55,685,225	61,284,891	67,326,122	90,485,975	95,071,922	100,202,185	**117,365,360**

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. HUANG Xiaowen[2] *(Chairman)*
Mr. ZHANG Wei (張為)[1] *(Vice Chairman and Managing Director)*
Mr. FANG Meng[1]
Mr. DENG Huangjun[1]
Mr. FENG Boming[2]
Mr. ZHANG Wei (張煒)[2]
Mr. CHEN Dong[2]
Mr. WANG Haimin[2]
Dr. WONG Tin Yau, Kelvin[1]
Dr. FAN HSU Lai Tai, Rita[3]
Mr. Adrian David LI Man Kiu[3]
Mr. FAN Ergang[3]
Mr. LAM Yiu Kin[3]
Prof. CHAN Ka Lok[3]

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

GENERAL COUNSEL & COMPANY SECRETARY

Ms. HUNG Man, Michelle

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SOLICITORS

Holman Fenwick Willan
Linklaters
Slaughter & May
Woo, Kwan, Lee & Lo

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Development Bank
China Merchant Bank
DBS Bank Ltd
Industrial and Commercial Bank of China (Asia) Limited
ING Bank N.V.
The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL REGISTRAR AND TRANSFER OFFICE IN BERMUDA

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BRANCH REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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183 Queen's Road East
Hong Kong

LISTING INFORMATION/STOCK CODE

The Stock Exchange of Hong Kong Limited: 1199
Bloomberg: 1199HK
Reuters: 1199.HK

COSCO SHIPPING Ports Limited
(Incorporated in Bermuda with limited liability)

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Stock Code: 1199