中遠海運港口有限公司

COSCO SHIPPING Ports Limited

The Ports for ALL

WITH STRONG FINANCIAL POSITION TO CAPTURE MARKET RECOVERY

ANNUAL REPORT 2019

GROWTH

GLOBAL NETWORK

EXPLORE

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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 China, Southeast Asia, Middle East, Europe, South America and the Mediterranean. As at 31 December 2019, COSCO SHIPPING Ports operated and managed 290 berths at 36 ports worldwide, of which 197 were for containers, with a total designed annual handling capacity of approximately 113 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 terminal 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 authority 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 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

COSCO-PSA Terminal in Singapore added another two new berths, with total number of berths increasing to five and the designed annual handling capacity reaching 4.85 million TEU, which becomes the largest investment project between China and Singapore, and a model of bilateral cooperation on the Sea Silk Road (海絲之路)

FEBRUARY

Awarded "Best in ESG Awards-Middle Market Capitalization", "Best in Reporting Awards-Middle Market Capitalization" and "ESG Report of the Year Awards – Middle Market Capitalization" from BDO ESG Awards 2019

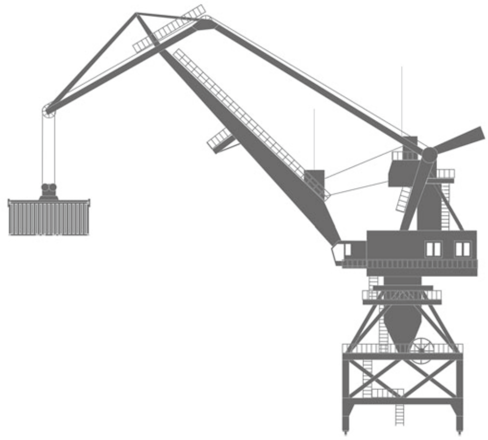
APRIL

COSCO SHIPPING Ports invested in the development of the COSCO SHIPPING Ports Supply Chain Project in Guangzhou Nansha to develop mid to high-end warehouse business and extend its reach to the upstream and downstream industries with scarce port-surrounding logistics resources

CSP Abu Dhabi Terminal entered into trial operation

Awarded "Best Port Operator" under shipping sector from International Business Magazine for the second consecutive year and awarded "Best Investor Relations Company (Shipping Sector)" for the first time

Awarded "Best Container Operator of the Year" and "Best Investor Relations Ports Company" under transportation sector for the second consecutive year from Global Business Outlook



MAY

COSCO SHIPPING Ports officially completed its acquisition of 60% equity interest in CSP Chancay Terminal, Peru. The second overseas green-field subsidiary of COSCO SHIPPING Ports is expected to enter into operation in 2022. We aim to develop Port of Chancay into an important gateway port in South America

Awarded "Compliance Legal Team of the Year 2019" by In-House Community, a community of in-house legal and compliance professionals

Awarded "Most Innovative Port Operator" by International Finance for the second consecutive year

JUNE

Awarded "Best Investor Relations Company" for the eighth consecutive year and was first awarded "Asia's Best CEO (Investor Relations)" by Corporate Governance Asia magazine

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

JULY

The Navis N4 system was launched in CSP Zeebrugge Terminal. This is the first successful case to the global network TOS system of COSCO SHIPPING Ports, through which the global standardised operation management has been enhanced

The "5G Smart Port Lab" was established by COSCO SHIPPING Ports, COSCO SHIPPING Technology, China Mobile (Shanghai) Industrial Research Institute (中移(上海)產研院) and CM INTELLIGENT MOBILITY. It mainly aims at the research of the application scenario demand under 5G circumstance and promotes 5G-enabled vertical industry, to effectively improve the intelligent level of the construction and operation of ports

AUGUST

Awarded "Best Port Operator 2019" from Business Tabloid Magazine

Awarded "Annual Report-Silver Prize", "Annual Report Photography – Bronze Prize" and "Annual Report Interior Design – Bronze Prize" under shipping category from 2019 ARC Awards

SEPTEMBER

COSCO SHIPPING Ports entered into share transfer agreements related to the disposal of its interest in assets in multiple ports of Yangtze River Delta, including Nanjing Longtan Terminal, Yangzhou Yuanyang Terminal and Zhangjiagang Terminal, to deepen the strategic cooperation, optimise the portfolio of ports and improve the quality of port assets

Awarded "2019 InnoESG Prize" from InnoESG

Awarded "Best Mid-Cap ESG Report Commendation", "Excellence in Environmental Disclosure Commendation", "Excellence in Social Disclosure Commendation" and "Innovative Frontrunner Award Commendation" under the Mid-Cap category from Alaya Consulting

Awarded "Most Innovative Port Operator Hong Kong 2019" and "Best Investor Relations Company Hong Kong 2019" from Finance Derivative

OCTOBER

Awarded "Corporate Website Gold Prize" by 2019 Galaxy Awards

NOVEMBER

Chinese President Xi Jinping and Greek Prime Minister Kyriakos Mitsotakis visited the COSCO SHIPPING Piraeus project together. With the annual container throughput of 5 million TEU, the Piraeus has further consolidated its position as the largest container terminal in the Mediterranean and the fourth largest container terminal in Europe

COSCO SHIPPING Ports entered into a share transfer agreement to sell 33.335% equity interest in COSCO SHIPPING Ports (Abu Dhabi) Limited

COSCO SHIPPING Ports entered into a share transfer agreement to increase its equity interest in Beibu Gulf Port by 5.66% to 10%

Awarded "Winner – Compliance Team" and ranked as one of the "Highly recommended – Aviation, Shipping & Logistics Teams" by Chinese Business Law Journal

Awarded "Titanium Award in Environmental, Social and Governance" from The Asset magazine

Awarded "Shipping History of the Great Nation" during Global Trade and International Logistic Summit 2019

DECEMBER

The Navis N4 system was launched in Lianyungang New Oriental Terminal, which has become the first terminal of COSCO SHIPPING Ports in the country to launch Navis N4. In the future, we will continue to promote the application of the N4 system to more subsidiaries, and promote a unified global operating system and an efficient standard customer experience

Vado Gateway in Italy was put into trial operation. With a 700-metre coastline and a throughput of 860,000 TEU, it is Italy's first semi-automated terminal that can operate the world's largest container ship

FINANCIAL HIGHLIGHTS

	2019	2018	Change
	US$	US$	%
Revenue	1,027,658,000	1,000,350,000	+2.7
Operating profit after finance income and finance costs	116,062,000	147,514,000	–21.3
Share of profit less losses of joint ventures and associates	267,454,000	292,452,000	–8.5
Profit attributable to equity holders of the Company	308,017,000	324,583,000	–5.1
Adjusted net profit attributable to equity holders of the Company [1]	350,869,000	324,583,000	+8.1
	US cents	US cents	%
Basic earnings per share	9.82	10.58	–7.2
Adjusted earnings per share [1]	11.19	10.58	+5.8
Dividend per share	3.928	4.232	–7.2
– Interim dividend	1.900	2.212	–14.1
– Final dividend	2.028	2.020	+0.4
Payout ratio	40.0%	40.0%	Not applicable
	US$	US$	%
Consolidated total assets	10,476,518,000	9,045,452,000	+15.8
Consolidated total liabilities	4,711,313,000	3,225,802,000	+46.1
Consolidated net assets	5,765,205,000	5,819,650,000	–0.9
Capital and reserves attributable to the equity holders of the Company	4,995,461,000	5,165,212,000	–3.3
Consolidated net debts	1,958,971,000	1,873,214,000	+4.6
	%	%	ppt
Return on equity holders of the Company [2]	6.5	6.3	+0.2
Return on total assets [2]	3.4	3.6	–0.2
Net debt-to-total-equity ratio	34.0	32.2	+1.8
Interest coverage [2]	4.7 times	6.6 times	Not applicable
Dividend yield	4.8	4.3	+0.5

Note:

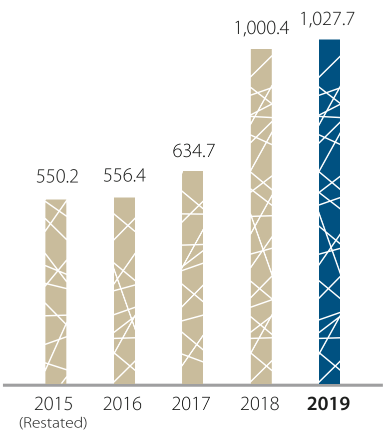
1. Excluding one-off dilution effect on equity interests in QPI of US$22,553,000 and financial impact of US$20,299,000 from Hong Kong Financial Reporting Standards ("HKFRS") 16 "Leases" which was effective from 1 January 2019 (the "New Lease Standard"). On 21 January 2019, QPI completed its A share offering 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 was less than the cost of deemed disposal, the Group recognised a loss of US$22,553,000 on deemed disposal of partial interest in QPI.
2. Excluding one-off dilution effect on equity interests in QPI of US$22,553,000.

FIVE-YEAR FINANCIAL SUMMARY

REVENUE

US$ **1,027.7** million

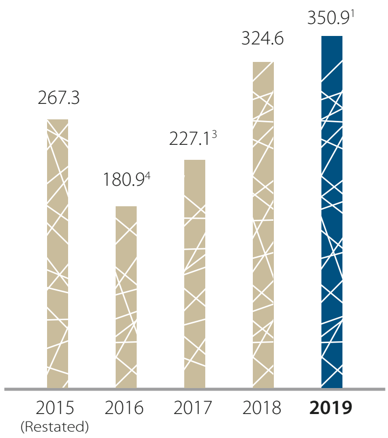
US$ million



ADJUSTED NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

US$ **350.9** million

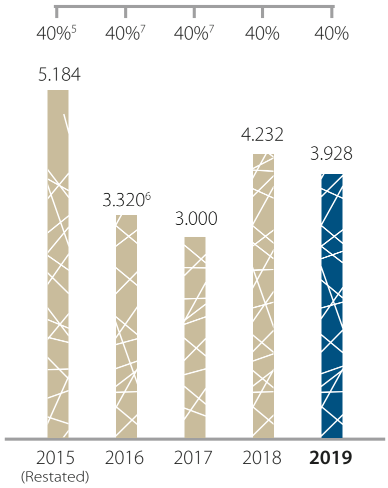
US$ million



DIVIDEND PER SHARE AND PAYOUT RATIO

US **3.928** cents

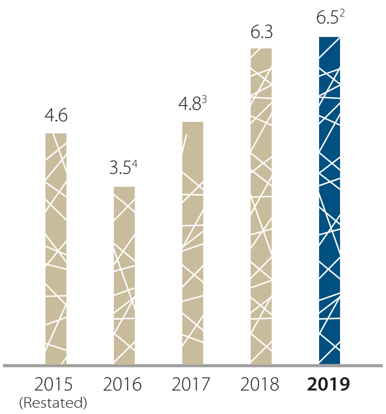
US cents



RETURN ON EQUITY HOLDERS OF THE COMPANY

6.5 %

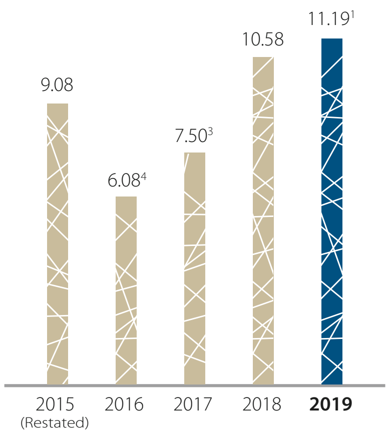
%



ADJUSTED EARNINGS PER SHARE

US **11.19** cents

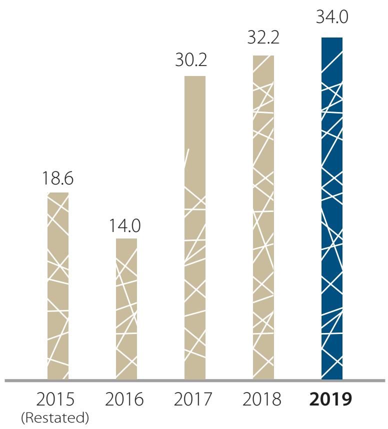
US cents



NET DEBT-TO-TOTAL-EQUITY RATIO

34.0 %

%



Note:

3. 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").
4. 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.
5. The 2015 payout ratio was 40.0% (before restatement).
6. Excluding conditional special cash dividend in 2016.
7. 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

FENG Boming
Chairman

In 2019, COSCO SHIPPING Ports continued to promote the three major development strategies by building global terminal network actively, enhancing the synergy with COSCO SHIPPING, the parent company, and shipping fleets of OCEAN Alliance, further strengthening the control and management capacity of port and terminal business and establish ports supply chain platform proactively to develop mid to high-end warehouse business and realise the extension to the upstream and downstream industries. COSCO SHIPPING Ports has now become the largest container terminal operator worldwide and its terminal portfolio covers five main port regions in China, as well as the key hub ports in Southeast Asia, Middle East, Europe, South America and the Mediterranean.

Following the completion of our reorganisation and successful transformation into a ports operator in 2016, with our concerted efforts and active development, we have achieved a steady growth in our results, which demonstrated that COSCO SHIPPING Ports is on the right track to execute the Five-Year Plan devised in 2016 upon its reorganisation, and strive to achieve the target of 50% growth in total assets, 60% growth in equity throughput and double net profit by 2021.

FOCUS ON THE DEVELOPMENT STRATEGY AND STRENGTHEN THE STRATEGIC COOPERATION

Based on the corporate vision of "The Ports for ALL", our strategy is to create a win-win, sharing and supportive platform proactively for upstream and downstream shipping industries, connecting global routes to truly live up to the name of "the ports for all people". In 2019, the Company continued to build its global terminal network around the globe, actively leverage the synergy with COSCO SHIPPING and the OCEAN Alliance, and strengthen business relationships with strategic partners and customers to fully drive the growth of container volume.

In January 2019, we announced to acquire 60% equity interest in CSP Chancay Terminal, which marked further extension of the Group's global terminal network to Latin America. On 10 May 2019, the acquisition was officially completed. Port of Chancay is the Company's first greenfield subsidiary in which the Group has controlling stakes in South America and COSCO SHIPPING Ports works to develop Port of Chancay into an important gateway port in South America.

We further collaborated with PSA Corporation Limited by adding two new berths at COSCO-PSA Terminal and the berths were put into operation officially in January 2019. With the newly-added two berths, COSCO-PSA Terminal is now equipped with five container berths with designed annual handling capacity of 4.85 million TEU, which is fully in align with the Group's development strategy of strengthening terminal network in Southeast Asia and supporting our parent company's need for more mega-vessels and forming industry alliances.

We inaugurated CSP Abu Dhabi Terminal, the Group's first overseas greenfield subsidiary, in December 2018. With designed annual handling capacity of 2.5 million TEU and the inclusion of the largest container freight station in the Middle East, the terminal entered into trial operation in April 2019 and officially commenced operation in the fourth quarter of 2019 with 1.5 million TEU annual handling capacity to start with. With the support of our parent company, we will harness our unparalleled advantages to turn CSP Abu Dhabi Terminal into a regional hub and a competitive shipping service centre.

In April 2019, the Group signed an investment agreement with Guangzhou Nansha Economic and Technology Development Zone Commercial Bureau in respect of the investment in the COSCO SHIPPING Ports Supply Chain Project in Guangzhou Nansha. It planned to develop the business of terminal extended logistic services outside Guangzhou Nansha Stevedoring Terminal and Guangzhou South China Oceangate Terminal, so as to establish port supply chain platform and develop mid to high-end warehouse business. Besides Guangzhou, the Group plans to gradually expand the above business to Abu Dhabi, Nantong, Xiamen and Wuhan etc.

Establishing port supply chain platform through development of terminal extended logistic services is one of the new growth drivers that COSCO SHIPPING Ports will develop vigorously in the future. It aims at building a sharing and win-win platform that connects the upstream and downstream industries centred around the port and gathering the strength of COSCO SHIPPING Group in the centralised transportation, bulk transportation, logistics, shipping finance and e-commerce platform, with a view to expand the port ecosystem continuously, innovate business model, and add new profit growth points.

In December 2019, we acquired two warehouses in Port of Zeebrugge adjacent to the CSP Zeebrugge Terminal which integrated upstream and downstream resources of the supply chains, enhanced the influence of CSP Zeebrugge Terminal on the surrounding logistics activities of the port, and emphasised the features of goods collection, inventory and distribution of the port, so as to optimise port resources and increase terminal business.

DEEPEN THE DOMESTIC INVESTMENT AND DISPOSE ASSETS STRATEGICALLY

While we stayed focused on the globalisation, port consolidations in China give us an opportunity to strengthen and broaden our investments. We are actively participating in the restructuring of major China port groups and disposing of assets strategically, with a view to enhance the capital recycling and further improve profitability. On 18 September 2019, the Group announced the plan to dispose of the indirect interests in Nanjing Longtan Terminal, Yangzhou Yuanyang Terminal and Zhangjiagang Terminal.

Such disposal of interest in port assets was a move in line with the strategic plan in response to the changes in industry development in the region. The profit contribution from Nanjing Longtan Terminal, Yangzhou Yuanyang Terminal and Zhangjiagang Terminal to the Company is small with relatively low throughput. The Group will continue to optimise the terminal portfolio in the Yangtze River Delta, strengthen the development of Nantong Tonghai Terminal and CSP Wuhan Terminal and continue to build a regional hub in the Yangtze River Delta.

In November 2019, the Group announced to increase its shareholding in Beibu Gulf Port by approximately 5.66%. As the key terminal and a listed company in the Guangxi Beibu Gulf Region, Beibu Gulf Port will benefit from the promotion and implementation of the "International New Land and Marine Routes (國際陸海新通道)" strategy of the PRC, and is expected to share the benefits of economic growth and industrial development in Southwest China.

Through further enlarging the Group's shareholding in Beibu Gulf Port, the Group could better participate in the operation and management of Beibu Gulf Port, consolidate its interest in Beibu Gulf Port in the Group's accounts using the equity accounting method and generate more profits through its investments in Beibu Gulf Port.

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 US2.028 cents per share, subject to shareholders' approval at the Company's forthcoming Annual General Meeting. Together with the interim dividend of US1.9 cents per share, it brings the total dividend for 2019 to US3.928 cents per share, represents a 40% payout ratio. This is a cash distribution with a scrip dividend alternative.

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.

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. For the dividend policy, please visit the section headed "Policies & Guidelines" under "Corporate Governance" under "About CSP" at the Group's corporate website (https://ports.coscoshipping.com).

PROSPECTS

2020 is full of challenges and opportunities. Novel Coronavirus Pneumonia spreads across the world, it is expected to hit global economy. Despite the uncertain outlook, however, the Group's strong EBITDA, cash on hand as well as cash received from the disposals so far this year could assure us to maintain our financial stability and sustainability. Meanwhile, we see coronavirus epidemic in China has now been under control and factories have started to resume operation since late February. The Group is well prepared to grasp the opportunities arising from the pent-up demand as a result of the global restocking.

COSCO SHIPPING Ports, as one of the world's largest ports operators, will continue to cooperate with major shipping companies and ports companies. The Company will remain committed to building its global terminal network and searching for opportunities to acquire overseas terminals in line with the Board's established plan, so as to provide more efficient and comprehensive services to meet the needs of the shipping alliances.

We will actively seek cooperation opportunities to continuously refine its global terminal network and will work towards building a global terminal network with controlling stake that offers linkage effects on costs, services and synergies when serving clients. Meanwhile we will leverage on the synergies with the parent company and the OCEAN Alliance to generate higher value and better returns for shareholders.

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 are committed to maintaining a sound corporate governance structure that underpins business network and encourages growth.

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.

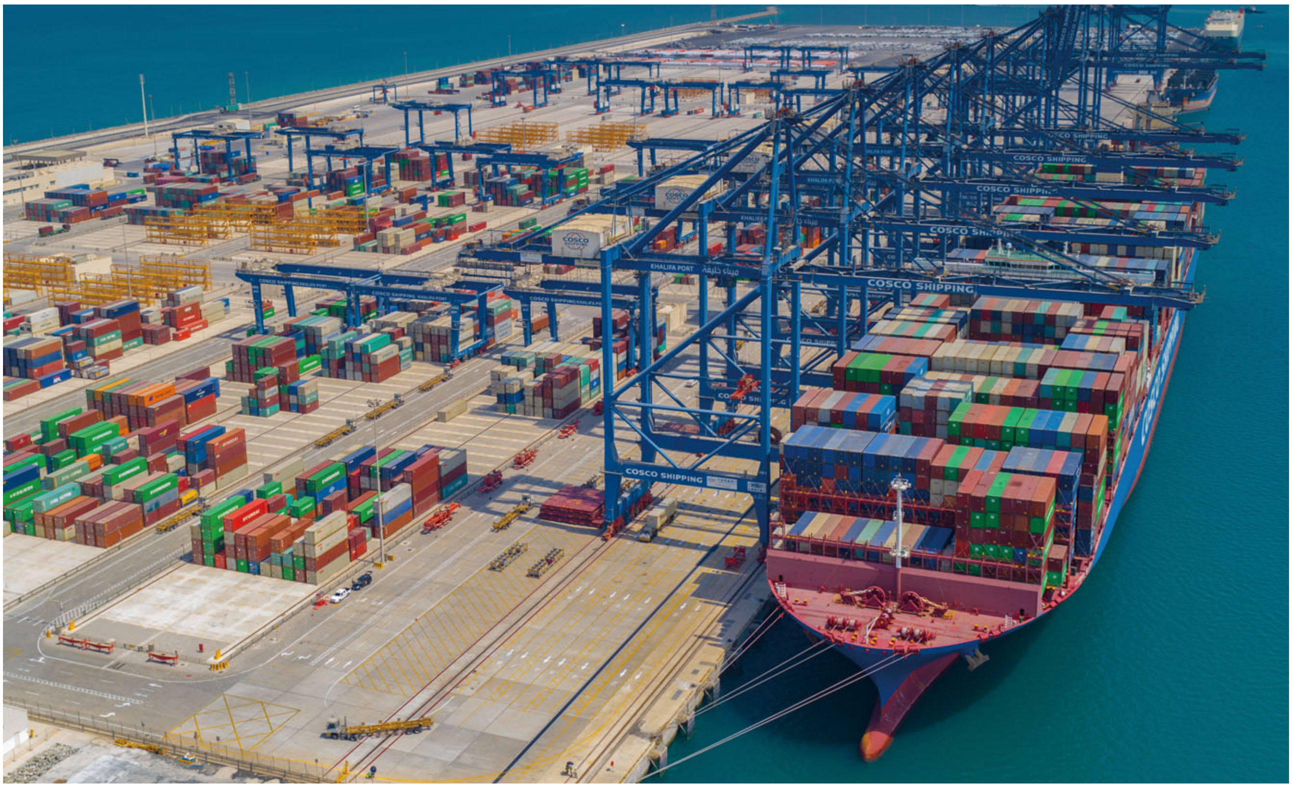
FENG Boming
Chairman
26 March 2020

MANAGING DIRECTOR'S REPORT

ZHANG Dayu
Managing Director

In 2019, the Group recorded solid growth in its results, revenue of the Group amounted to US$1,027,658,000, a 2.7% increase compared with US$1,000,350,000 of 2018. Adjusted net profit increased by 8.1% to US$350,869,000; adjusted earnings per share increased by 5.8% to US11.19 cents.

Backed by calls of shipping fleets of major shipping alliances and the contribution of the container volume from newly acquired terminals, total throughput of the Group increased by 5.5% to 123,784,335 TEU. Throughput of the Group's subsidiaries increased by 11.5% to 25,104,282 TEU and made up 20.3% of the Group's total. Throughput of the non-controlling terminals increased by 4.0% to 98,680,053 TEU. The performance of overseas terminal throughput was outstanding with a remarkable increase of 13.0% year-on-year.

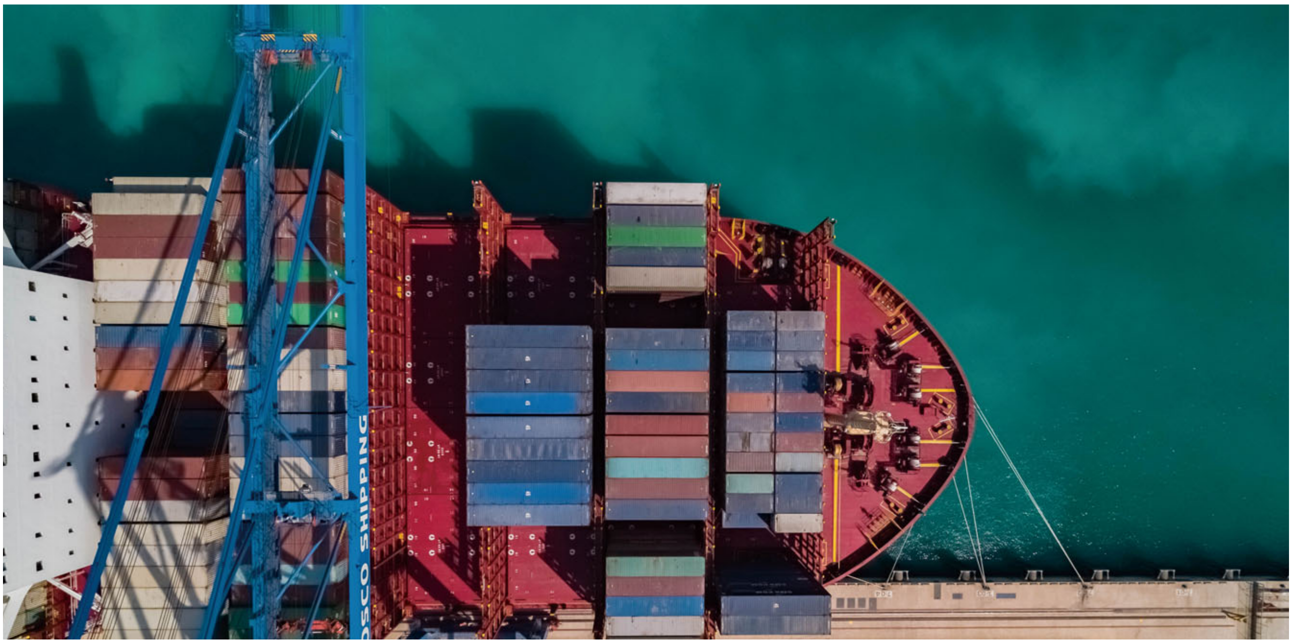


ACTIVELY BUILDING GLOBAL TERMINAL NETWORK

We continued to strive to build comprehensive and well-balanced global terminal network, providing efficient and high-quality services to the shipping alliances in 2019. The Group has continued to identify new terminal projects and investment opportunities in Southeast Asia, the Middle East, Africa and South America with our prudent utilisation of financial resources.

In May 2019, the equity transaction of Peru Chancay project of COSCO SHIPPING Ports was officially completed. Port of Chancay is the Company's first greenfield terminal company in which it has controlling stakes in South America. The Group is committed to making Port of Chancay into an important gateway port in South America. Peru has great economic development potential. Port of Chancay is located at 58 kilometers north of Lima, Peru's capital, enjoying an exceptional outstanding geographical location and convenient transportation to the economic centre of Peru. About 60% of Peru's economic activities is concentrated in Lima and its surrounding regions. Within the close proximity of Lima, the location of Port of Chancay represents a strategic importance. Port of Chancay is a natural deep-water port with a maximum depth of 16 metres, which can accommodate mega vessels when they have to berth. Putting the port as a focus, the Group fully utilises COSCO SHIPPING Group's resources and strengths to introduce shipping companies and the logistics industry chain to Port of Chancay, so that it can grow into a key hub port in Latin America, as well as the most important logistics centre along the Pacific Coast.

In 2019, the single-year container throughput of the Piraeus Port reached a historical breakthrough of 5 million TEU for the first time. It is an unprecedented leap in the history of the container development of Piraeus Port, suggesting that Piraeus Port in Greece takes the honour to become the largest container port in the Mediterranean region. It also signifies that Piraeus Port has taken a firm step to be Europe's and the world's first-class container port.



COSCO SHIPPING Ports will spend efforts to make Piraeus Port as an important container transshipment port, a hub for sea-land transshipment, and international logistics distribution centre in the Mediterranean region, playing an important pivot role in Sino-European sea-land expressway and the "Belt and Road" Initiative.

CAPITALISING ON UNPARALLELED STRENGTHS TO ENHANCE THE SYNERGY

By virtue of support of our parent company and the OCEAN Alliance's shipping fleets, the Group enjoys unparalleled advantages. During the year, the synergies with the OCEAN Alliance were further strengthened, the container volume contribution from the OCEAN Alliance increased by 13.0% compared with the previous year, representing 52.3% of total throughput of our seven major subsidiaries. The container volume from COSCO SHIPPING Lines and OOCL increased by 17.9% and 39.4%, respectively, as compared with the previous year.

On the basis of a balanced and stable terminal network, we not only further exerted the synergy from our parent company and the OCEAN Alliance, but also we benefited from the support of other shipping alliances. The container volume from 2M and THE Alliance increased by 8.8%, representing 31.7% of the total throughput of our seven major subsidiaries.

As one of the world's largest ports operators, COSCO SHIPPING Ports will continue to leverage on the synergy with the OCEAN Alliance and our parent company, capture every opportunity to cooperate with major shipping companies and ports operators to achieve a win-win scenario, as well as continue to increase the throughput, rapidly improve our terminal operation capabilities and customer service capabilities.

ACTIVELY DEVELOP THE PORTS SUPPLY CHAIN PLATFORM TO ACHIEVE THE EXTENSION OF UPSTREAM AND DOWNSTREAM INDUSTRIES

COSCO SHIPPING Ports will continue to speed up the development of its terminal extended business. In April 2019, the Group signed an investment agreement with Guangzhou Nansha Economic and Technology Development Zone Commercial Bureau to invest in the supply chain base project of COSCO SHIPPING Ports in Nansha District, Guangzhou, with a view to establish a port supply chain platform, to develop the mid to high-end warehouse business, and to achieve the extension to upstream and downstream industries. The Group will develop its terminal extended business to other terminals so as to further improve our profitability.

The development of extension services at the back of the ports and construction of a ports supply chain platform is one of the new growth drivers for COSCO SHIPPING Ports for its future development. COSCO SHIPPING Ports' investment in the supply chain base project in Nansha District, Guangzhou, is our efforts to effectively utilise the scarce port logistics resources to focus on the development of mid to high-end warehouse business. In contrast to traditional warehouses, this port mid to high-end warehouse project has a strong irreplaceability, as it has a higher planned plot ratio as well as more scientific and efficient storage space in the spatial layout. In terms of geographical location, it is located right behind the container hub, enjoying a convenient transportation, a strong radiation coverage, and a lower integrated transportation cost. As far as the construction and operations are concerned, it will have higher construction standards and facilities, as well as a professional and modernised auxiliary management and services of the park. More importantly, the project will equip with a sharing and win-win platform connecting to upstream and downstream industries setting the ports as a focus. It represents a cluster of the elements of container shipping, bulk shipping, logistics, shipping finance, and e-commerce platform within the COSCO SHIPPING Group.

CONTROL THE COST AND IMPROVE EFFICIENCY TO MAXIMISE RETURNS

COSCO SHIPPING Ports continues to improve operation and management capabilities, enhance customer services experience, and gradually deploy the Navis N4 system to its terminals in the future. In 2019, the Company actively provided training sessions for its internal staff for the application of the Navis N4 operating system. At present, CSP Zeebrugge Terminal and Lianyungang New Oriental Terminal have successfully launched the Navis N4 system, which further strengthens the efficiency of terminal operations and enhance cost effects.

The Group has been committed to enhancing terminal operational efficiency and strengthening the cost control, which are some of our major strategic initiatives as the world's leading terminal operator. COSCO SHIPPING Ports gives priority to the promotion of Navis N4 system at its subsidiaries. It aims at, on one hand, strengthening the standardised production process management of the subsidiaries, enhancing the control of the terminal business, and building a terminal with high efficiency; on the other hand, enhancing information sharing technology and the ability of integrating shipping information chain in the future, to ultimately unify the management perspective, management mind set, management control and marketing capacity of COSCO SHIPPING Ports all across the world. COSCO SHIPPING Ports will deploy the resources of the Company carefully, continue to optimise the cost structure and enhance the operational efficiency.

PROACTIVELY LAUNCH VARIOUS PREVENTIVE MEASURES AGAINST THE DISEASE

Since the outbreak of Novel Coronavirus, the Company has taken immediate actions. Under the direction of the Team of Contingency, Direction and Guidance for the Prevention and Control of Disease under the Group, COSCO SHIPPING Ports' Disease Prevention and Control Guidance Team and Working Team have been set up. They aim at performing various preventive measures practically and pragmatically according to the requirements and deployment of national, local governments and the Group. Their objectives are to effectively perform prevention and control measures against the disease on one hand, and to properly arrange the production and operations during the period in which prevention and control are in place on the other. COSCO SHIPPING Ports is, according to the changes of the disease, continuously and firmly conducting its preventive and control measures across all units in China. Meanwhile, it also strengthens its support to its overseas units on preventive material supplies.

PROSPECTS

The world economic growth in 2020 is subject to certain challenges. With the complicated global trade and macro-economics, global capital markets tend to be cautious.

As the Group utilises its own strengths and constantly develops, we will strive to create sustainable value, continue to prudently utilise our financial resources and follow our growth strategy, and at the same time create value. COSCO SHIPPING Ports will continue to control our costs, continue to optimise cost structure, and enhance operational efficiency, and strengthen risk management. The Company is committed to continuing to strengthen our global terminal network to meet the needs of the shipping alliances with more comprehensive services. Meanwhile, the Group will capture every development opportunity to strengthen our global terminal network.

ZHANG Dayu
Managing Director
26 March 2020

CORPORATE STRUCTURE

China COSCO SHIPPING Corporation Limited

46.22%

COSCO SHIPPING Holdings Co., Ltd.
Stock Code: 1919

48.84%

COSCO SHIPPING Ports Limited
Stock Code: 1199

Terminal Business

Bohai Rim

24%	Dalian Automobile Terminal
35%	Dalian Dagang Terminal
19%	Dalian Container Terminal
25%	Dongjiakou Ore Terminal
51%	Jinzhou New Age Terminal
18.46%	QPI
30%	Qinhuangdao New Harbour Terminal
16.01%	Tianjin Container Terminal
30%	Tianjin Euroasia Terminal
40%	Yingkou New Century Terminal
50%	Yingkou Container Terminal

Yangtze River Delta

70%	CSP Wuhan Terminal
30.4%	Jiangsu Petrochemical
55%	Lianyungang New Oriental Terminal
51%	Nantong Tonghai 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

Overseas

20%	Antwerp Terminal
4.89%	Busan Terminal
49%	COSCO-PSA Terminal
90%	CSP Abu Dhabi Terminal
39.78%	CSP Bilbao Terminal
60%	CSP Chancay Terminal
51%	CSP Valencia Terminal
85%	CSP Zeebrugge Terminal
35%	Euromax Terminal
26%	Kumport Terminal
100%	Piraeus Terminal
13.33%	Seattle Terminal
20%	Suez Canal 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


COSCO SHIPPING
COSCO SHIPPING HIMALAYAS
HONG KONG
IMO 9757840

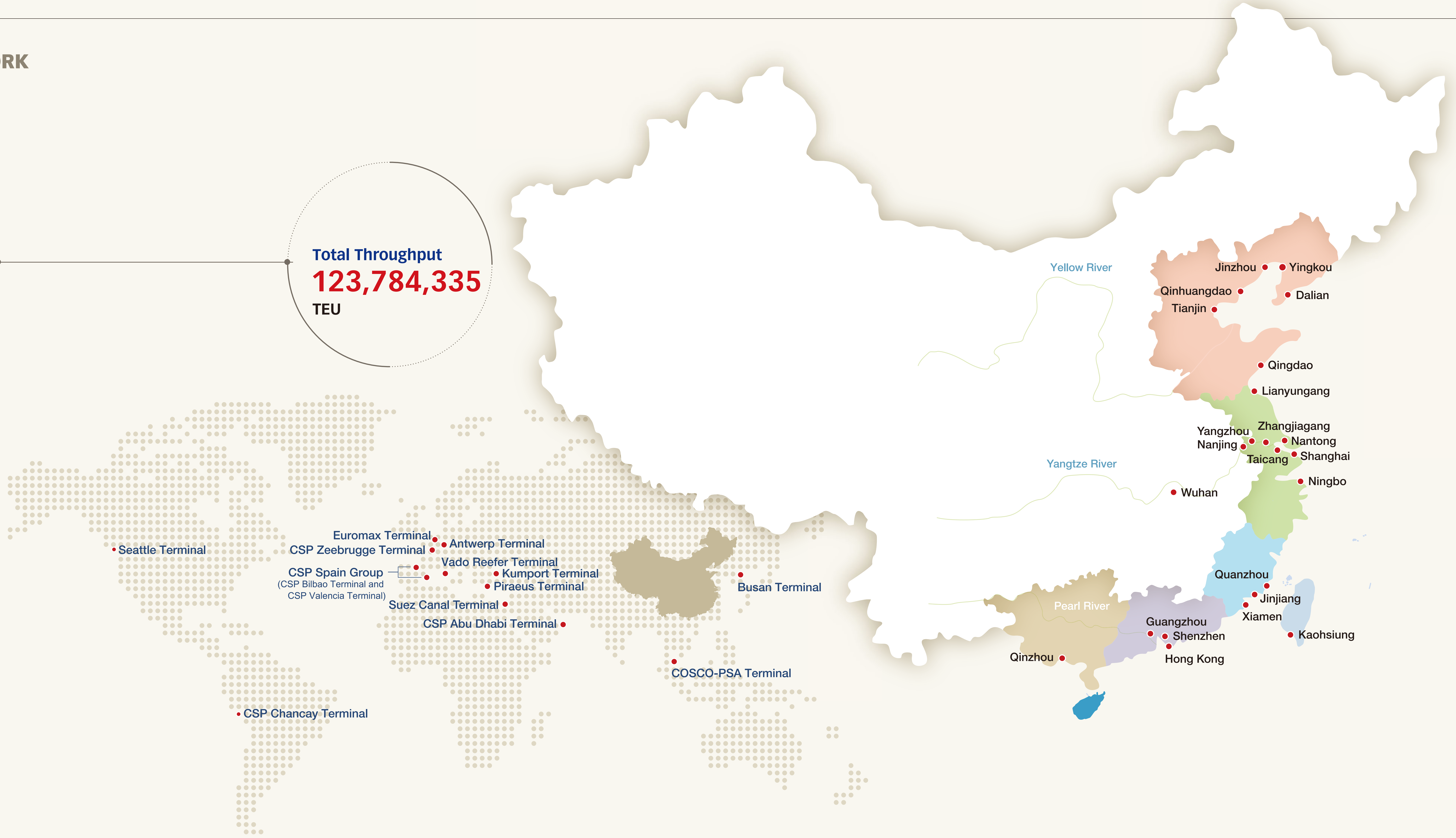

COSCO SHIPPING
KHALIFA PORT
ميناء خليفة
COSCO SHIPPING KHALIFA PORT
COSCO SHIPPING KHALIFA PORT
COSCO SHIPPING
COSCO SHIPPING

GLOBAL TERMINAL NETWORK

OVERSEAS
22.6%

GREATER CHINA
77.4%

Total Throughput
123,784,335
TEU



The Ports for ALL

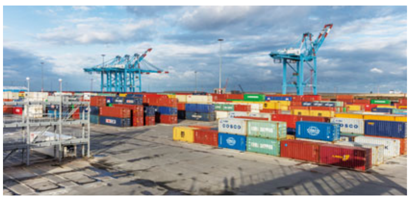
Greater China
(Mainland China,
Hong Kong and Taiwan)

Terminal Coverage	33 Ports
Designed Container Berths	146
Designed Annual Handling Capacity	84,470,000 TEU

Overseas

Terminal Coverage	14 Ports
Designed Container Berths	65
Designed Annual Handling Capacity	39,600,000 TEU

Bohai Rim



25.3% Percentage of total designed annual handling capacity

66 Designed container berths

31,450,000 TEU
Designed annual handling capacity

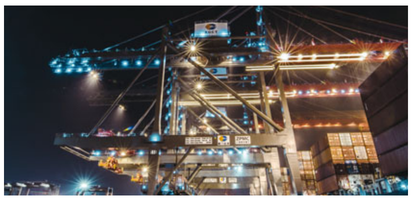
Yangtze River Delta

13.9% Percentage of total designed annual handling capacity

29 Designed container berths

17,220,000 TEU
Designed annual handling capacity

Southeast Coast and Others



7.3% Percentage of total designed annual handling capacity

15 Designed container berths

9,000,000 TEU
Designed annual handling capacity

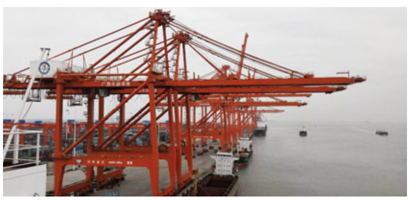
Pearl River Delta

20.6% Percentage of total designed annual handling capacity

34 Designed container berths

25,600,000 TEU
Designed annual handling capacity

Southwest Coast



1.0% Percentage of total designed annual handling capacity

2 Designed container berths

1,200,000 TEU
Designed annual handling capacity

Overseas

31.9% Percentage of total designed annual handling capacity

65 Designed container berths

39,600,000 TEU
Designed annual handling capacity

OPERATIONAL REVIEW

Market Review

In 2019, slowdown of global economic growth continued as Sino-US trade frictions, Brexit looms, geopolitical uncertainties, the rise of protectionism exerted pressure on the complicating global trade and macro-economy. The International Monetary Fund ("IMF") revised down its projections of global economic growth several times in 2019.

Against the backdrop of apparent rise of risks and challenges in both domestic and overseas, China's foreign trade imports and exports recorded steady increase in terms of quantity and improvement in terms of quality respectively last year. According to General Administration of Customs of the PRC, China recorded RMB31.54 trillion for total import and export value of foreign trade in 2019, which increased by 3.4% as compared with 2018. In particular, exports recorded RMB17.23 trillion, representing an increase of 5%, while imports recorded RMB14.31 trillion, representing an increase of 1.6%.

Overall Performance

In spite of uncertainties casted over the global trade, COSCO SHIPPING Ports continued to implement strategy effectively by leveraging on the synergistic advantages in 2019. Backed by the increased calls from the shipping alliances at the Group's container terminals and the contributions from newly acquired terminals, total throughput of the Group increased by 5.5% to 123,784,335 TEU in 2019 (2018: 117,365,360 TEU).

The total throughput from terminal companies in which the Group has controlling stake increased by 11.5% to 25,104,282 TEU (2018: 22,507,686 TEU), accounting for 20.3% of the Group's total; and the total throughput from non-controlling terminals rose by 4.0% to 98,680,053 TEU (2018: 94,857,674 TEU), accounting for 79.7% of the Group's total. The Group's total equity throughput rose by 7.0% to 39,670,783 TEU in 2019 (2018: 37,062,172 TEU).

	2019 (TEU)	2018 (TEU)	Change (%)
Total Throughput	**123,784,335**	**117,365,360**	**+5.5**
Throughput from terminal companies in which the Group has controlling stake	25,104,282	22,507,686	+11.5
Throughput from the Group's non-controlling terminals	98,680,053	94,857,674	+4.0
Equity Throughput	**39,670,783**	**37,062,172**	**+7.0**
Equity throughput from terminal companies in which the Group has controlling stake	16,056,895	14,230,256	+12.8
Equity throughput from the Group's non-controlling terminals	23,613,888	22,831,916	+3.4

Greater China

Total throughput of the Greater China region increased by 3.4% to 95,789,852 TEU in 2019 (2018: 92,597,126 TEU) and accounted for 77.4% of the Group's total.

BOHAI RIM

Total throughput of the Bohai Rim region increased by 6.1% to 40,659,612 TEU in 2019 (2018: 38,328,815 TEU) and accounted for 32.8% of the Group's total. In particular, throughput of QPI grew by 8.7% to 21,010,000 TEU (2018: 19,320,000 TEU). During the year, repositioning of several ports by Liaoning Port Group upon its consolidation has resulted in the business diversion of domestic trade of Dalian Container Terminal and a decrease in business volume. As such, throughput of Dalian Container Terminal declined by 10.4% to 8,525,291 TEU (2018: 9,512,744 TEU).

YANGTZE RIVER DELTA

Total throughput of the Yangtze River Delta region increased by 2.2% to 20,238,468 TEU in 2019 (2018: 19,808,646 TEU) and accounted for 16.4% of the Group's total. Throughput of Nantong Tonghai Terminal reached 1,135,840 TEU (August to December 2018: 264,255 TEU). Shanghai Pudong Terminal recorded a decrease of 2.0% in throughput to 2,550,390 TEU (2018: 2,602,151 TEU). Shanghai Mingdong Terminal recorded a decrease of 1.5% in throughput to 6,160,365 TEU (2018: 6,252,083 TEU).

SOUTHEAST COAST AND OTHERS

In 2019, total throughput of the Southeast Coast region increased by 1.5% to 5,783,821 TEU (2018: 5,699,718 TEU) and accounted for 4.7% of the Group's total. During the year, throughput of Xiamen Ocean Gate Terminal increased by 4.7% to 2,061,341 TEU (2018: 1,968,613 TEU).

PEARL RIVER DELTA

In 2019, total throughput of the Pearl River Delta region increased by 0.3% to 27,469,330 TEU (2018: 27,388,896 TEU) and accounted for 22.2% of the Group's total. Benefitting from the support of shipping alliances, throughput of Guangzhou South China Oceangate Terminal increased by 8.9% to 5,624,830 TEU (2018: 5,164,923 TEU).

SOUTHWEST COAST

In 2019, total throughput of the Southwest Coast region increased by 19.5% to 1,638,621 TEU (2018: 1,371,051 TEU) and accounted for 1.3% of the Group's total.

Overseas

In 2019, total throughput of overseas portfolio increased by 13.0% to 27,994,483 TEU (2018: 24,768,234 TEU) and accounted for 22.6% of the Group's total.

Supported by increased calls from the OCEAN Alliance and THE Alliance, throughput of Piraeus Terminal increased by 17.0% to 5,158,626 TEU (2018: 4,409,205 TEU). With two new berths added in January 2019 in response to increasing regional demand, throughput of COSCO-PSA Terminal increased by 56.7% to 5,011,091 TEU (2018: 3,198,874 TEU). Throughput of CSP Spain Group slightly decreased by 1.0% to 3,585,276 TEU (2018: 3,622,200 TEU).

Greater China Total Throughput
95,789,852 TEU
▲3.4%

Overseas Total Throughput
27,994,483 TEU
▲13.0%

QPI	21,010,000	+8.7%
Dalian Container Terminal	8,525,291	-10.4%
Dalian Dagang Terminal	22,006	-0.2%
Tianjin Euroasia Terminal	2,860,127	+5.3%
Tianjin Five Continents Terminal[1]	1,906,220	-29.6%
Tianjin Container Terminal[1]	2,568,105	N/A
Yingkou Terminals[2]	2,380,569	-13.5%
Jinzhou New Age Terminal	770,037	+8.3%
Qinhuangdao New Harbour Terminal	617,257	+5.6%

Yantian Terminals	13,069,120	-0.7%
Guangzhou Terminals [4]	11,333,019	+3.3%
Hong Kong Terminals [5]	3,067,191	-5.9%

Notes:

1. On 30 June 2019, a merger agreement was entered into, under which Tianjin Container Terminal as the surviving entity will absorb and merge with Tianjin Five Continents Terminal and Tianjin Orient Container Terminal Co., Ltd ("TOCT"). The throughput of Tianjin Five Continents Terminal and TOCT was included in the throughput of Tianjin Container Terminal since 1 September 2019.
2. Throughput of Yingkou Terminals was the total throughput of Yingkou Container Terminal and Yingkou New Century Terminal.
3. Throughput of Nantong Tonghai Terminal was included since 1 August 2018.
4. Throughput of Guangzhou Terminals was the total throughput of Guangzhou Nansha Stevedoring Terminal and Guangzhou South China Oceangate Terminal.
5. Throughput of Hong Kong Terminals was the total throughput of COSCO-HIT Terminal and Asia Container Terminal.
6. Throughput of CSP Abu Dhabi Terminal was included since 1 April 2019.
7. Total throughput of bulk cargo for the year ended 31 December 2019 was 371,332,661 tons (2018: 357,314,338 tons), representing an increase of 3.9%. Total throughput of automobile for the year ended 31 December 2019 was 885,899 vehicles (2018: 912,472 vehicles), representing a decrease of 2.9%. Throughput of reefer of Vado Reefer Terminal for the year ended 31 December 2019 was 398,566 pallets (2018: 459,760 pallets), representing a decrease of 13.3%.

Shanghai Pudong Terminal	2,550,390	-2.0%
Shanghai Mingdong Terminal	6,160,365	-1.5%
Ningbo Yuan Dong Terminal	3,010,164	-1.6%
Lianyungang New Oriental Terminal	2,819,448	-2.0%
Zhangjiagang Terminal	657,849	-13.7%
Yangzhou Yuanyang Terminal	500,599	+0.1%
Nanjing Longtan Terminal	3,000,506	+2.4%
Taicang Terminal	403,307	-28.1%
Nantong Tonghai Terminal[3]	1,135,840	+329.8%

Piraeus Terminal	5,158,626	+17.0%
CSP Zeebrugge Terminal	483,601	+23.2%
CSP Spain Group	3,585,276	-1.0%
CSP Abu Dhabi Terminal[6]	386,258	N/A
COSCO-PSA Terminal	5,011,091	+56.7%
Vado Reefer Terminal	54,430	-18.2%
Euromax Terminal	2,792,987	-8.6%
Kumport Terminal	1,281,850	+1.9%
Suez Canal Terminal	3,161,084	+21.1%
Antwerp Terminal	2,109,308	-5.4%
Seattle Terminal	204,068	+21.6%
Busan Terminal	3,765,904	+0.2%

Xiamen Ocean Gate Terminal	2,061,341	+4.7%
Quan Zhou Pacific Terminal	1,588,589	+1.8%
Jinjiang Pacific Terminal	498,846	+17.2%
Kao Ming Terminal	1,635,045	-6.3%

Qinzhou International Terminal	1,638,621	+19.5%

TERMINAL PORTFOLIO* (As of 31 December 2019)

Terminal company	Share holdings	Target number of berths	Target designed annual handling capacity (TEU)	Depth (m)
Bohai Rim		66	31,450,000	
		3	780,000 vehicles	
		64	236,020,000 tons	
QPI	18.46%	23	10,000,000	N/A
		61	207,020,000 tons	N/A
Dalian Container Terminal	19%	18	9,500,000	9.1-17.8
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
Tianjin Container Terminal	16.01%	13	6,000,000	12-17
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	800,000	15.4
Qinghuangdao New Harbour Terminal	30%	2	950,000	15.8
Dongjiakou Ore Terminal	25%	3	29,000,000 tons	20-25
Yangtze River Delta		29	17,220,000	
		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	3,000,000	17.1
Ningbo Meishan Terminal	20%	2	1,200,000	15.6
Lianyungang New Oriental Terminal	55%	4	1,400,000	11.5-15
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
Taicang Terminal	39.04%	2	550,000	12
		2	4,000,000 tons	12
Nantong Tonghai Terminal	51%	3	1,470,000	9-11
		1	5,370,000 tons	N/A
CSP Wuhan Terminal	70%	4	4,200,000 tons	9
Jiangsu Petrochemical	30.4%	7	4,000,000 tons	4.5-13

Note:

* Terminal Portfolio includes operating and non-operating terminal companies.

TERMINAL PORTFOLIO* (As of 31 December 2019)

Terminal company	Share holdings	Target number of berths	Target designed annual handling capacity (TEU)	Depth (m)
Southeast Coast and Others		15	9,000,000	
		5	9,200,000 tons	
Xiamen Ocean Gate Terminal	70%	4	2,600,000	15
		1	4,000,000 tons	6.6-13.6
Quan Zhou Pacific Terminal	82.35%	5	3,000,000	7.0-15.1
		2	1,000,000 tons	5.1-9.6
Jinjiang Pacific Terminal	80%	2	600,000	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

TERMINAL PORTFOLIO* (As of 31 December 2019)

Terminal company	Share holdings	Target number of berths	Target designed annual handling capacity (TEU)	Depth (m)
		65	39,600,000	
Overseas		2	6,200,000 tons	
		2	600,000 pallets	
Piraeus Terminal	100%	8	6,200,000	14.5-18.5
Suez Canal Terminal	20%	8	5,000,000	16
Kumport Terminal	26%	6	2,100,000	15-16.5
CSP Zeebrugge Terminal	85%	3	1,300,000	17.5
Antwerp Terminal	20%	4	3,700,000	14.5-16.5
COSCO-PSA Terminal	49%	5	4,850,000	18
Busan Terminal	4.89%	8	4,000,000	15-16
Seattle Terminal	13.33%	2	400,000	15
Euromax Terminal	35%	5	3,200,000	16.65
CSP Abu Dhabi Terminal	90%	3	2,500,000	18
Vado Reefer Terminal	40%	2	250,000	14.1
		2	600,000 pallets	14.1
CSP Valencia Terminal	51%	6	4,100,000	16
CSP Bilbao Terminal	39.78%	3	1,000,000	21
CSP Chancay Terminal	60%	2	1,000,000	16-18
		2	6,200,000 tons	14
Total		309		
Total number of container berths/ Target designed annual handling capacity		211	124,070,000	
Total number of bulk berths/ Target designed annual handling capacity		93	26,267,000 tons	
Total number of automobile berths/ Target designed annual handling capacity		3	780,000 vehicles	
Total number of reefer berths/ Target designed annual handling capacity		2	600,000 pallets	

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

Actively taking advantage of the favourable opportunities in both the domestic and overseas arenas, COSCO SHIPPING Ports has been deploying its port assets along the route of the Belt and Road initiative. In recent years, at the overseas front, COSCO SHIPPING Ports has acquired 51% equity interests in CSP Spain Group, it has also acquired additional equity interests in CSP Zeebrugge Terminal, which became a subsidiary of the Company; at the domestic front, it has acquired Nantong Tonghai Terminal and CSP Wuhan Terminal as subsidiaries. In addition, the subscription for non-circulating domestic shares in QPI and the integration of Dalian Container Terminal were completed in 2017. In 2019, COSCO SHIPPING Ports completed the acquisition of 60% equity interests in CSP Chancay Terminal. Together with the integration of Tianjin Container Terminal and acquisition of CSP Zeebrugge CFS which engages in business relating to terminal operation including warehouses leasing, the terminal network of COSCO SHIPPING Ports will become more comprehensive.

However, profit of COSCO SHIPPING Ports for the year was affected by the one-off dilution effect on equity interests in QPI and the New Lease Standard. In 2019, COSCO SHIPPING Ports recorded a profit attributable to equity holders of the Company of US$308,017,000 (2018: US$324,583,000), a 5.1% decrease compared with last year. Excluding effects of the one-off dilution effect on equity interests in QPI and the New Lease Standard during the year, COSCO SHIPPING Ports recorded a profit attributable to equity holders of the Company of US$350,869,000 (2018: US$324,583,000) for 2019, an 8.1% increase compared with last year.

In 2019, profit from terminals in which the Group has controlling stakes amounted to US$49,830,000 (2018: US$65,701,000), a 24.2% decrease compared with last year; profit from non-controlling terminals was US$304,195,000 (2018: US$298,257,000), a 2.0% increase compared with last year. Excluding the one-off dilution effect on equity interests in QPI, profit from non-controlling terminals was US$326,748,000 (2018: US$298,257,000), an increase of 9.6% compared with last year. Excluding the one-off dilution effect on equity interests in QPI and the New Lease Standard during the year, profit from the terminals business recorded during 2019 was US$396,848,000 (2018: US$363,958,000), a 9.0% increase compared with last year. Of this, profit from terminals in which the Group has controlling stakes was US$63,286,000 (2018: US$65,701,000), a 3.7% decrease compared with last year; profit from non-controlling terminals was US$333,562,000 (2018: US$298,257,000), an 11.8% increase compared with last year.

Profit from terminals 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 2019, throughput of Piraeus Terminal increased by 17.0% compared with last year, however, profit was partially offset by effect of the New Lease Standard; profit recorded by Piraeus Terminal increased to US$28,652,000 (2018: US$23,829,000) for 2019, representing a 20.2% increase compared with last year. Excluding effect of the New Lease Standard, profit recorded by Piraeus Terminal increased to US$33,901,000 (2018: US$23,829,000) for 2019, representing a 42.3% increase compared with last year. Throughput of Guangzhou South China Oceangate Terminal for 2019 increased by 8.9% compared with last year, while its profit for the year increased to US$15,811,000 (2018: US$14,228,000), an 11.1% increase compared with last year. Throughput of Xiamen Ocean Gate Terminal for 2019 increased by 4.7% compared with last year, its bulk cargo throughput also increased by 1.3% compared with last year; although higher depreciation and interest expenses were recorded for the year due to the commencement of operation of No. 14 berth and automatic equipment at the end of 2018, profit recorded during the year increased to US$12,284,000 (2018: US$12,047,000), a 2.0% increase compared with last year.

In respect of non-controlling terminals, COSCO SHIPPING Ports completed the acquisition of 4.34% equity interests in Beibu Gulf Port in December 2018. For 2019, the Company recorded fair value gain for Beibu Gulf Port of US$24,383,000 (2018: US$4,283,000). On the other hand, however, following the issuance of additional A shares by QPI, equity interests in QPI held by the Company were diluted from 18.41% in December 2018 to 17.12% in January 2019. Although the Company kept increasing its shareholding to 18.46% as at 31 December 2019, share of profit of QPI for 2019 decreased to US$94,512,000 (2018: US$95,747,000), a slight 1.3% decrease compared with last year. Profit after taxation of US$27,411,000 was recorded due to the disposal of COSCO Ports (Nanjing) Limited ("CP (Nanjing)") and its 16.14% stakes in Nanjing Longtan Terminal according to the Company's strategic planning in 2019. In addition, share of profit of Shanghai Mingdong Terminal during the year was US$11,959,000 (2018: US$18,376,000) for 2019, a 34.9% decrease compared with last year, which was mainly attributable to a decrease in throughput, effect of the New Lease Standard and lower government subsidies. Due to decrease in throughput and change in container mix, the revenue per TEU decreased. Share of profit of Shanghai Pudong Terminal during the year was US$18,816,000 (2018: US$21,645,000), a 13.1% decrease compared with last year. For overseas non-controlling terminals, the share of profit of Euromax terminal amounted to US$4,902,000 (2018: US$9,034,000), a 45.7% decrease compared with last year, which was mainly attributable to the New Lease Standard and the decrease in throughput.

FINANCIAL ANALYSIS

REVENUES

Revenues of the Group for 2019 amounted to US$1,027,658,000 (2018: US$1,000,350,000), a 2.7% increase compared with last year. Of this, Piraeus Terminal saw an increase in its throughput as compared with last year, recording revenue of US$256,489,000 (2018: US$230,767,000) for 2019, an 11.1% increase compared with last year. In 2019, Guangzhou South China Oceangate Terminal saw an increase in its throughput as compared with last year, recording revenue of US$162,909,000 (2018: US$159,456,000) for the year, a 2.2% increase compared with last year. On the other hand, Nantong Tonghai Terminal and CSP Abu Dhabi Terminal recorded revenue for 2019, where Nantong Tonghai Terminal and CSP Abu Dhabi Terminal had not yet commenced operation officially last year. In addition, Quan Zhou Pacific Terminal recorded revenue of US$45,567,000 (2018: US$56,906,000) for 2019, a 19.9% decrease compared with last year, due to its decrease in bulk cargo throughput as compared with last year. Moreover, Zhangjiagang Terminal saw a decrease in its throughput for the year, recording revenue of US$27,064,000 (2018: US$35,275,000) in 2019, a 23.3% decrease compared with last year.

COST OF SALES

Cost of sales mainly comprised the operating expenses of terminals in which the Group has controlling stakes. Cost of sales for 2019 was US$754,934,000 (2018: US$706,659,000), a 6.8% increase compared with last year. The increase was mainly attributable to higher cost of sales of Piraeus Terminal in response to the increase in its throughput. Together with the higher labour costs and increased depreciation charge for the year due to the completion of construction of the western part of Pier 3, the cost of sales of Piraeus Terminal in 2019 increased to US$199,377,000 (2018: US$182,065,000), a 9.5% increase compared with last year. The cost of sales included those incurred by Nantong Tonghai Terminal and CSP Abu Dhabi Terminal, which commenced operation officially in the third quarter of 2019 and the fourth quarter of 2019 respectively.

ADMINISTRATIVE EXPENSES

Administrative expenses in 2019 were US$123,998,000 (2018: US$110,871,000), an 11.8% increase compared with last year, which was mainly attributable to increase in administrative expenses owing to newly acquired terminals and some terminals which commenced operation officially.

OTHER OPERATING INCOME/(EXPENSES), NET

Net other operating income in 2019 was US$63,784,000 (2018: US$30,374,000), which included the profit before taxation of US$28,299,000 (2018: Nil) in respect of the disposal of CP (Nanjing) and its 16.14% stakes in Nanjing Longtan Terminal according to the Company's strategic planning. Fair value gain of Beibu Gulf Port of US$24,383,000 (2018: 4,283,000), and the profit before taxation from the integration of Tianjin Container Terminal of US$6,861,000 (2018: Nil). One-off dilution effect on equity interests in QPI was US$22,553,000 (2018: Nil).

FINANCE COSTS

The Group's finance costs in 2019 amounted to US$108,863,000 (2018: US$78,022,000), a 39.5% increase compared with last year. The average balance of bank loans for the year increased to US$2,773,877,000 (2018: US$2,370,355,000), a 17.0% increase compared with last year. The increase in finance costs was mainly attributable to interest expense of lease liabilities incurred as a result of the New Lease Standard, which amounted to US$16,097,000 during the year (2018: N/A). Taking into account the capitalised interest, the average cost of bank borrowings in 2019 (including the amortisation of transaction costs over bank loans and notes) was 3.77% (2018: 3.58%).

SHARE OF PROFITS LESS LOSSES OF JOINT VENTURES AND ASSOCIATES

The Group's share of profits less losses of joint ventures and associates in 2019 totalled US$267,454,000 (2018: US$292,452,000), an 8.5% decrease compared with last year. Taking into account effect of the New Lease Standard for the year, the Group's share of profits less losses of joint ventures and associates decreased by US$6,813,000. Excluding the effect of New Lease Standard, the Group's share of profits less losses of joint ventures and associates in 2019 totalled US$274,267,000 (2018: US$292,452,000), a 6.2% decrease compared with last year. Amongst which, Shanghai Mingdong Terminal, Shanghai Pudong Terminal and Euromax Terminal were joint ventures and associates with comparatively greater percentage decrease in share of profits.

INCOME TAX EXPENSES

Income tax expenses for the year amounted to US$33,566,000 (2018: US$66,042,000), a 49.2% decrease compared with last year, which was mainly attributable to the reverse of over provision of withholding income tax in previous years.

Financial Position

CASH FLOW

In 2019, the Group continued to receive steady cash flow income, its net cash generated from operating activities amounted to US$353,264,000 for the year (2018: US$265,809,000). In 2019, the Group borrowed bank loans of US$771,075,000 (2018: US$721,073,000) and repaid loans of US$309,344,000 (2018: US$514,222,000).

During the year, an amount of US$242,462,000 (2018: US$312,824,000) was paid in cash by the Group for the expansion of berths and the purchase of property, plant and equipment. An amount of HK$467,891,000 (equivalent to approximately US$59,723,000) was used to purchase circulating foreign shares in QPI with 1.34% equity interest during the year and US$15,214,000 was used to invest in CSP Zeebrugge CFS. In addition, an amount of US$14,259,000 was used by the Group to purchase 24.5% equity interest of Tianjin Orient Container Terminal Co., Ltd ("TOCT") and US$6,488,000 was used to purchase 3.073% equity interest of Tianjin Five Continents Terminal, together with 28% pre-existing equity interest in Tianjin Five Continents Terminal, for exchange of 16.01% equity interest in Tianjin Container Terminal. Furthermore, an amount of US$56,250,000 was also paid to acquire 60% equity interest in CSP Chancay Terminal, a subsidiary of the Company. Moreover, the Group increased its equity interest of Beibu Gulf Port in 2019 at a consideration of US$129,212,000. On the other hand, the Group received US$52,442,000 from the disposal of CP (Nanjing) and its 16.14% stakes in Nanjing Longtan Terminal in 2019. In 2018, an amount of US$59,761,000 was paid by the Group to subscribe for the preference shares of COSCO-PSA Terminal. In addition, in 2018, 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 CSP Zeebrugge Terminal for a consideration of US$8,780,000 in 2018.

FINANCING AND CREDIT FACILITIES

As at 31 December 2019, the Group's total outstanding borrowings amounted to US$2,916,450,000 (31 December 2018: US$2,479,903,000) and cash balance amounted to US$957,479,000 (31 December 2018: US$606,689,000). Banking facilities available but unused amounted to US$969,830,000 (31 December 2018: US$764,138,000).

ASSETS AND LIABILITIES

As at 31 December 2019, the Group's total assets and total liabilities were US$10,476,518,000 (31 December 2018: US$9,045,452,000) and US$4,711,313,000 (31 December 2018: US$3,225,802,000), respectively. Net assets were US$5,765,205,000 (31 December 2018: US$5,819,650,000). Net current assets as at 31 December 2019 amounted to US$299,931,000 (31 December 2018: US$75,552,000). As at 31 December 2019, the net asset value per share of the Company was US$1.82 (31 December 2018: US$1.87).

As at 31 December 2019, the net debt-to-total-equity ratio (excluding lease liabilities) was 34.0% (31 December 2018: 32.2%) and the interest coverage was 4.5 times (2018: 6.6 times).

As at 31 December 2019, certain assets of the Group with an aggregate net book value of US$378,555,000 (31 December 2018: US$167,178,000), together with the Company's restricted bank deposits and interest in subsidiaries, were pledged to secure bank loans and a loan from COSCO SHIPPING Finance, totalling US$990,140,000 (31 December 2018: US$1,017,631,000).

DEBT ANALYSIS

	As at 31 December 2019		As at 31 December 2018	
	US$	**(%)**	US$	(%)
By repayment term				
Within the first year	**508,786,000**	**17.5**	196,374,000	7.9
Within the second year	**265,941,000**	**9.1**	233,126,000	9.4
Within the third year	**411,968,000**	**14.1**	258,830,000	10.5
Within the fourth year	**707,903,000**	**24.3**	379,635,000	15.3
Within the fifth year and after	**1,021,852,000**	**35.0**	1,411,938,000	56.9
	2,916,450,000*	**100.0**	2,479,903,000*	100.0
By category				
Secured borrowings	**990,140,000**	**34.0**	1,017,631,000	41.0
Unsecured borrowings	**1,926,310,000**	**66.0**	1,462,272,000	59.0
	2,916,450,000*	**100.0**	2,479,903,000*	100.0
By denominated currency				
US dollar borrowings	**1,163,246,000**	**39.9**	721,698,000	29.1
RMB borrowings	**577,486,000**	**19.8**	560,147,000	22.6
Euro borrowings	**829,024,000**	**28.4**	853,360,000	34.4
HK dollar borrowings	**346,694,000**	**11.9**	344,698,000	13.9
	2,916,450,000*	**100.0**	2,479,903,000*	100.0

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

FINANCIAL GUARANTEE CONTRACTS

As at 31 December 2019 and 31 December 2018, the Company did not have any guarantee contract.

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 mainly 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 2019, 37.0% (31 December 2018: 41.1%) 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 10 February 2020, the Company completed the disposals of all the shares in COSCO Ports (Yangzhou) Limited ("CP (Yangzhou)") together with its 51% interest in Yangzhou Yuanyang Terminal and all the shares in Win Hanverky Investments Limited ("Win Hanverky") together with its 51% interest in Zhangjiagang Terminal and 4.59% interest in Yangzhou Yuanyang Terminal to Shanghai International Port Group (HK) Co., Limited ("SIPG (HK)") at considerations of approximately RMB316,039,000 (equivalent to approximately US$45,772,000) and approximately RMB380,774,000 (equivalent to approximately US$55,148,000) respectively. The aggregate sum of payables owing to the Company by the disposal entities of approximately US$29,967,000 were also transferred to SIPG on the same day at the same consideration. Any lower of the net asset values of Yangzhou Yuanyang Terminal and Zhangjiagang Terminal at completion, according to the post-closing audit, compared to that as at 31 March 2019 would be settled by the Company.

Upon completion of the disposals, CP (Yangzhou), Yangzhou Yuanyang Terminal, Win Hanverky and Zhangjiagang Terminal ceased to be subsidiaries of the Company. An after-tax disposal gain of approximately US$61,000,000 is expected to be recognised subject to the results of post-closing audit.

After the outbreak of Coronavirus Disease 2019 ("COVID-19 Outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the world and have affected the business and economic activities to some extent. With the increasing market uncertainty regarding the impact of COVID-19 Outbreak, the Group will pay close attention to the development of the COVID-19 Outbreak and evaluate the impact on its future financial position and operating results. As at the date on which this set of consolidated financial statements were authorised for issue, the Group was not aware of any material adverse effects on the 2019 consolidated financial statements as a result of the COVID-19 Outbreak.

CORPORATE SUSTAINABLE DEVELOPMENT

Sustainable development is the key for COSCO SHIPPING Ports to achieve long-term business growth and become "The Ports for ALL". Integrating the concept of sustainable development into our business, the Group consistently implements sustainability in five key areas covering employees, customers, the environment, upstream and downstream business partners, and the communities in which we operate during the course of daily operations, in order to actively fulfill our corporate vision and create long-lasting value.

CARING FOR OUR PEOPLE

A professional and efficient team is the cornerstone of successful business. During the year, the Group continued to optimise human resources management measures, enhance the nurturing of talent and incentive scheme; provide trainings on professional knowledge and technique to encourage career advancement; strengthen safety management by implementing relevant measures in our terminals to safeguard all workers on site; and organise different types of trainings and drills to strengthen our employees' safety awareness and improve emergency preparedness.

CUSTOMERS FIRST

In 2019, the Group continued to pursue excellence by facilitating the transition to smart ports through continuous optimisation of operating system, improvement of operational efficiency, and enhancement of customer experience with an aim to serving more shipping companies and cargo owners with more advanced technologies and services. We tried to understand the opinions and suggestions of our customers on the quality of our terminal services through different channels such as meetings, business visits, promotional activities and seminars, so as to optimise customer relations management and increase interactions with our customers to build long-term business relationships.

GREEN DEVELOPMENT

The Group has integrated green development into its operations and continued to develop green technologies to increase the operational efficiency of our terminals and reduce energy consumption and carbon emission. During the year, our terminals continued to implement environmental protection projects such as "diesel-to-electric" conversion and shore power facilities to reduce sulphur emissions and marine pollution. In addition, the Group has proactively explored the risks and opportunities related to climate change to enhance risk management and our contingency plans for typhoon.

WIN-WIN COOPERATION

In order to strengthen collaboration with industry chain, the Group has been actively identifying new projects and facilitating the establishment of a "global shipping ecosystem" with all parties on the principles of achieving mutual benefits. To build smart ports, COSCO SHIPPING Ports has entered into a 5G strategic agreement with communication technology companies to jointly explore the application of fundamental communications, 5G intelligent application and cloud computing in terminal operations with an aim to constantly improving our services.

INVESTING IN COMMUNITIES

As a responsible corporate citizen, the Group has maintained a good relationship with the communities in which it operates by providing support to the local communities through donations, volunteer work or facilitating local employment and construction to create sustainable value.

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 Company 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 2019 is the Group's third 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 Company'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 investor presentation, results announcement conference call and press conference in order to have a better understanding of the Company's business operation; publishes Environmental, Social and Governance Report to enhance corporate governance.

STRENGTHENING COMMUNICATIONS WITH INVESTORS

As a leading global terminal operator, investors and analysts show great interests in the Company's business and developments. The Company has regularly arranged a series of events, including roadshow, press conference, investor presentation, investor meeting, results announcement conference call and etc. COSCO SHIPPING Ports endeavours 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 Company's valuation truly reflect its intrinsic value. In 2019, senior management and Investor Relations Department proactively communicated with investors and shareholders, explained the most updated strategies and the impacts of market changes on the Company to the investors, in order to deepen investors' knowledge of the industry and the Company and to enhance their confidence in the Company.

In 2019, the Group met over 300 funds and organisations, received more than 400 investors and related persons, covering China, the United Kingdom, the United States, Australia, Singapore, Malaysia and others. The Group actively arranges events and attends investor conferences to strengthen communications with shareholders, investors and analysts.

CONTINUING TO ENHANCE CORPORATE INFORMATION DISCLOSURE

The disclosure practice the Company implements is well above regulatory requirements. Since 1997, the Company has been posting the monthly terminal throughput on its corporate website, which serves an important reference for investors and media to follow the Company's business operations. Furthermore, the Company has started to announce quarterly results since the third quarter of 2007 to provide investors with latest operational updates and financial data. In order to further enhance corporate transparency, Investor Relations Department arranges investor and analyst conference call from time to time, which provides a two-way communication platform for investors all over the world to have an in-depth understanding of the Company's financial results and business operations. The Company continues to improve disclosure of the results announcement; distributes press release with the latest updates of major M&A projects, signing ceremony and business developments to investors and media, in order to enable the market to have a deeper understanding of the Company's operation and financial position.

The Company believes that interim and annual reports are essential references 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 corporate culture, business operations and growth strategies.

Meanwhile, the Company also prepares an independent Sustainability Report. The headquarters and the terminals collect sustainability data of employees and environmental protection on a monthly basis to enhance the depth and accuracy of data disclosure. In addition, the Company provides stakeholders and the market with relevant information, including the efforts undertaken by the terminals in promoting environmental protection, enhancing the quality of customer service, supply chain management and community engagement.

FACILITATING TWO-WAY COMMUNICATION BETWEEN THE COMPANY AND INVESTORS

Investor Relations Department formulates disclosure policy. Apart from regularly reporting to senior management, Investor Relations Department prepares investor relations report and informs senior management of the latest market perceptions and suggestions for the Company, investors' concerns and changes in regulations or compliance requirements, and optimises investor relations' work with reference to international best practice.

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

AWARDS

Efforts of investor relations that COSCO SHIPPING Ports made in enhancing effective communications with shareholders and investors were highly recognised by the market in 2019; the Company received a number of awards in the field of investor relations offered by various organisations. In April 2019, the Company was awarded "Best Investor Relations Ports Company" under transportation sector from Global Business Outlook for the second consecutive year; the Company was awarded "Best Investor Relations Company (Shipping Sector)" for the first time from International Business Magazine. In June, the Company was awarded by Corporate Governance Asia magazine the "Best Investor Relations Company" for the eighth consecutive year and "Asia's Best CEO (Investor Relations)" for the first time; in September, the Company was awarded "Best Investor Relations Company Hong Kong 2019" from Finance Derivative for the first time. The Company has been actively integrating the concept of sustainable development with its long-term business development. The achievements of the Company in environmental, social and corporate governance (ESG) are also highly recognised by the market in recent years. In February 2019, the Company was awarded "Best in ESG Awards – Middle Market Capitalization", "Best in Reporting Awards – Middle Market Capitalization" and "ESG Report of the Year Awards – Middle Market Capitalization" from BDO; in September, the Company was awarded "2019 InnoESG Prize" from InnoESG, and with its innovative reporting way, it was awarded the "Best Mid-Cap ESG Report Commendation", "Excellence in Environmental Disclosure Commendation", "Excellence in Social Disclosure Commendation" and "Innovative Frontrunner Award Commendation" under the Mid-Cap category from Alaya Consulting; in November, the Company was awarded "Titanium Award in Environmental, Social and Governance" from The Asset magazine. The Company also places great importance on the contents and designs of interim, annual and sustainability reports and the efforts were recognised by the market several times, and the Company's 2019 Annual Report was awarded "Annual Report – Silver Prize", "Annual Report Interior Design-Bronze Prize" and "Annual Report Photography-Bronze Prize" in the 2019 ARC Awards. The Company has been communicating with investors through the Company's website, and in October, it was awarded "Corporate Website Gold Prize" by 2019 Galaxy Awards.

INVESTOR RELATIONS EVENTS

Jan

- UBS "The 19th Greater China Seminar" Investor Forum
- Deutsche Bank "China Concept Shenzhen Summit"
- Goldman Sachs Corporate Day 2019
- UBS "The 2nd UBS Industrial and Infrastructure Corporate Day"

Mar

- 2018 Annual Results Announcement Investor Presentation
- 2018 Annual Results Announcement Conference Call
- 2018 Post Annual Results Hong Kong Roadshow

Apr

- 2019 First Quarter Post-results Conference Call

MARKET CAPITALISATION

As at 31 December	2015	2016	2017	2018	2019
Closing price (HK$)	8.54	7.79	8.13	7.70	6.38
Market capitalisation (in HK$ million)	25,334	23,495	24,854	23,971	20,173

SHARE PRICE PERFORMANCE

(HK$)	2018	2019
Highest closing price	8.72	9.26
Lowest closing price	6.13	6.06
Average	7.35	7.27
Closing price on 31 December	7.70	6.38
Monthly average trading volume (shares)	8,061,445	4,423,418
Monthly average trading value (in HK$ million)	61.63	34.07
Total number of shares issued (shares)	3,113,125,479	3,161,958,830
Market capitalisation on 31 December (in HK$ million)	23,971	20,173

Source: Bloomberg

May

- 2019 First Quarter Post-results Singapore Roadshow
- Maybank "Invest Asia Conference 2019" Investor Conference
- 2019 First Quarter Post-results New York Roadshow
- 2019 First Quarter Post-results London, Boston and Chicago Roadshow
- 2019 First Quarter Post-results Sydney Roadshow

Jun

- Goldman Sachs "Corporate Day" Investor Conference
- HSBC "Transport, Infrastructure & Transportation Forum" Investor Conference
- JP Morgan "Asia Infrastructure, Industrials & Transportation Forum" Investor Conference
- Daiwa "Auto/ Industrial Conference"

Aug

- 2019 Interim Results Announcement Investor Presentation
- 2019 Interim Results Announcement Conference Call
- 2019 Post Interim Results Hong Kong Roadshow

Nov

- HSBC "Global Investment Forum"
- Daiwa Investment Conference Hong Kong 2019

ANALYST COVERAGE

Company Name	Analyst	E-mail
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
Goldman Sachs (Asia) L.L.C	Simon CHEUNG	simon.cheung@gs.com
Guotai Junan Consultancy Services (Shenzhen) Co., Ltd	Spencer FAN	fanming@gtjas.com
The Hongkong and Shanghai Banking Corporation Limited	Parash JAIN	parashjain@hsbc.com.hk
JP Morgan Securities (Asia Pacific) Limited	Calvin WONG	calvin.wong@jpmorgan.com
Morgan Stanley Asia Limited	Qianlei FAN	qianlei.fan@morganstanley.com
Morningstar, Inc.	Jennifer SONG	jennifersong@morningstar.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	
Antwerp Gateway NV	Antwerp Terminal
Asia Container Terminals Limited	Asia Container Terminal
Beibu Gulf Port Co., Ltd.	Beibu Gulf Port
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
COSCO SHIPPING Ports Chancay PERU S.A.	CSP Chancay Terminal
COSCO SHIPPING Ports (Spain) Holding, S.L. and its subsidiaries	CSP Spain Group
CSP Abu Dhabi Terminal L.L.C.	CSP Abu Dhabi Terminal
CSP Iberian Bilbao Terminal, S.L.	CSP Bilbao Terminal
CSP Iberian Rail Services, S.L.U.	CSP Rail Services Terminal
CSP Iberian Valencia Terminal, S.A.U.	CSP Valencia Terminal
CSP Iberian Zaragoza Rail Terminal, S.L.	CSP Zaragoza Rail Terminal
CSP Zeebrugge CFS NV	CSP Zeebrugge CFS
CSP Zeebrugge Terminal NV	CSP 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 Yangtze 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

Abbreviation	
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
Piraeus Container Terminal S.A.	Piraeus Terminal
Qingdao Port Dongjiakou Ore Terminal Co., Ltd.	Dongjiakou Ore Terminal
Qingdao Port International Co., Ltd.	QPI
Qinhuangdao Port New Harbour Container Terminal Co., Ltd.	Qinhuangdao New Harbour Terminal
Qinzhou International Container Terminal Co., Ltd.	Qinzhou International Terminal
Quan Zhou Pacific Container Terminal Co., Ltd.	Quan Zhou Pacific Terminal
Reefer Terminal S.p.A.	Vado Reefer Terminal
Shanghai Mingdong Container Terminals Limited	Shanghai Mingdong Terminal
Shanghai Pudong International Container Terminals Limited	Shanghai Pudong Terminal
SSA Terminals (Seattle), LLC	Seattle Terminal
Suez Canal Container Terminal S.A.E.	Suez Canal Terminal
Taicang International Container Terminal Co., Ltd.	Taicang Terminal
Tianjin Five Continents International Container Terminal Co., Ltd.	Tianjin Five Continents Terminal
Tianjin Port Container Terminal Co., Ltd.	Tianjin Container Terminal
Tianjin Port Euroasia International Container Terminal Co., Ltd.	Tianjin Euroasia Terminal
Wuhan CSP Terminal Co., Ltd.	CSP Wuhan 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 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 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. In 2019, the Company was awarded with the following external recognitions:

- "Compliance Legal Team of the Year 2019" by In-House Community, a community of in-house legal and compliance professionals
- "Winner – Compliance Team" and ranked as one of the "Highly recommended – Aviation, Shipping & Logistics Teams" by Chinese Business Law Journal
- "Titanium Award in Environmental, Social and Governance" from The Asset magazine
- "Best in ESG Awards-Middle Market Capitalization", "Best in Reporting Awards-Middle Market Capitalization" and "ESG Report of the Year Awards – Middle Market Capitalization" from BDO ESG Awards 2019
- "2019 InnoESG Prize" from InnoESG
- "Best Mid-Cap ESG Report Commendation", "Excellence in Environmental Disclosure Commendation", "Excellence in Social Disclosure Commendation" and "Innovative Frontrunner Award Commendation" under the Mid-Cap category from Alaya Consulting
- "Best Port Operator 2019" from Business Tabloid Magazine, "Most Innovative Port Operator Hong Kong 2019" and "Best Investor Relations Company Hong Kong 2019" from Finance Derivative
- "Annual Report-Silver Prize", "Annual Report Photography-Bronze Prize" and "Annual Report Interior Design-Bronze Prize" under shipping category from 2019 ARC Awards the Company was awarded the "Best Port Operator" under shipping sector from International Business Magazine for the second consecutive year and "Best Investor Relations Company (Shipping Sector)" for the first time
- the "Best Investor Relations Company" for eighth consecutive year and was first awarded "Asia's Best CEO (Investor Relations)" by Corporate Governance Asia magazine
- awarded the "Shipping History of the Great Nation" during Global Trade and International Logistic Summit 2019
- "Outstanding China Enterprise Award" by Capital magazine for eighth consecutive year
- the "Best Container Operator of the Year" and "Best Investor Relations Ports Company" under transportation sector for second consecutive year from Global Business Outlook
- "Most Innovative Port Operator" by International Finance for the second consecutive year
- "Corporate Website Gold Prize" by 2019 Galaxy Awards

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.

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 2019, it has fully complied with the code provisions of the Corporate Governance Code, except the following deviation for a short period of time: Mr. ZHANG Wei (張為) was re-designated from the Vice Chairman of the Board to the Chairman of the Board on 25 April 2019. As he continued to be the Managing Director of the Company (i.e. Chief Executive of the Company), there was deviation from the requirement under code provision A.2.1 (the roles of chairman and chief executive should be separated and should not be performed by the same individual). Mr. ZHANG Wei (張為) resigned as Chairman of the Board and Managing Director of the Company on 13 September 2019 due to work commitments, and thereafter, the roles of Chairman and Managing Director have been performed by different individuals: Mr. FENG Boming has been the Chairman of the Board of the Company and Mr. ZHANG Dayu has been the Managing Director of the Company. Despite the short period of deviation mentioned above, as the management reported all major decisions of the Company to and obtained the approval of the Board Committees and the Board, and the Company had an effective internal control system, the Company was able to ensure adequate check-and-balance for such arrangements.

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 in order to protect its directors against potential 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 2019:

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 25 April 2019 and 29 October 2019, 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 2019. 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.

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 26 March 2020 (the date on which the Board approved this report), the Board consisted of ten members. Among them, four are executive directors, two are non-executive directors and four are independent non-executive directors, including Mr. FENG Boming[1] (Chairman), Mr. ZHANG Dayu[1] (Managing Director), Mr. DENG Huangjun[1], Mr. ZHANG Wei (張煒)[2], Mr. CHEN Dong[2], Dr. WONG Tin Yau, Kelvin[1], Dr. FAN HSU Lai Tai, Rita[3], Mr. Adrian David LI Man Kiu[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 2019.

SEPARATION OF CHAIRMAN AND MANAGING DIRECTOR

To ensure independence, accountability and responsibility in Board functions, save as the short period of deviation as mentioned in the section headed "Corporate Governance Practices" above, the posts of Chairman and Managing Director are separated and each plays a distinctive role. Mr. FENG Boming, Chairman of the Company, is responsible for setting the Group's strategy and business directions, managing the Board and ensuring that the Board functions efficiently with good corporate governance practices and procedures, as well as handles key issues timely. Mr. ZHANG Dayu, Managing Director of the Company, supported by other Board members and the senior management, is responsible for implementing major strategies set by the Board and managing the Group's day-to-day business. 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 two non-executive directors and four independent non-executive directors who are not involved in the day-to-day operation and management of the Group's businesses. The two 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 four independent non-executive directors, representing more than 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.

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 2019 at quarterly intervals. Two additional meetings were also held as required. The average attendance rate was 81.53%. The regular meetings were held to approve the 2018 final results, 2019 interim results and 2019 first and third quarterly results of the Company, and the additional meetings were held to approve a proposed transaction and the change of Chairman, Managing Director and directors of the Company, respectively. Independent non-executive directors of the Company had attended the Board meetings for considering and approving the connected transaction and continuing connected transaction. As the members of the Board are either in Hong Kong or in Mainland China, all of the Board meetings were conducted, if required, 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 2019 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 2019

	No. of Board meetings attended/held	Attendance rate of Board meetings (%)	No. of general meetings attended/held	Attendance rate of general meetings (%)
Directors				
Mr. FENG Boming[1] (Chairman) (note 1)	4/6	67	2/3	67
Mr. ZHANG Dayu[1] (Managing Director) (appointed on 13 September 2019)	1/1	100	2/2	100
Mr. DENG Huangjun[1]	6/6	100	3/3	100
Mr. ZHANG Wei (張煒)[2]	4/6	67	0/3	0
Mr. CHEN Dong[2]	3/6	50	3/3	100
Dr. WONG Tin Yau, Kelvin[1]	5/6	83	3/3	100
Dr. FAN HSU Lai Tai, Rita[3]	6/6	100	3/3	100
Mr. Adrian David LI Man Kiu[3]	6/6	100	3/3	100
Mr. LAM Yiu Kin[3]	6/6	100	3/3	100
Prof. CHAN Ka Lok[3]	5/6	83	3/3	100
Ex-directors				
Mr. HUANG Xiaowen[2] (Chairman) (resigned on 25 April 2019)	0/2	0	N/A	N/A
Mr. ZHANG Wei (張為)[1] (Chairman & Managing Director) (note 2) (resigned on 13 September 2019)	4/5	80	1/1	100
Mr. FANG Meng[1] (resigned on 25 April 2019)	2/2	100	N/A	N/A
Mr. WANG Haimin[2] (resigned on 13 March 2020)	4/6	67	3/3	100
Mr. FAN Ergang[3] (resigned on 20 March 2020)	6/6	100	3/3	100

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

Notes:

1. Mr. FENG Boming was re-designated from a non-executive director to an executive director and was appointed as the Chairman of the Board on 13 September 2019.
2. Mr. ZHANG Wei (張為) was re-designated from the Vice Chairman of the Board to the Chairman of the Board on 25 April 2019.

During the year ended 31 December 2019, the Chairman held a meeting with the independent non-executive directors without the other 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 2019 are set out in the "Nomination Committee" section below.

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

DIRECTORS' COMMITMENT AND PARTICIPATION IN CONTINUOUS PROFESSIONAL DEVELOPMENT PROGRAMMES

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 2019. 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. The following table sets out the details of all directors' participation in continuous professional development programmes during the year ended 31 December 2019:

Directors' Participation in Continuous Professional Development Programmes in 2019

	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. FENG Boming[1] (Chairman) (note 1)	✓	✓	✓
Mr. ZHANG Dayu[1] (Managing Director) (appointed on 13 September 20119)	✓	✓	✓
Mr. DENG Huangjun[1]	✓	✓	✓
Mr. ZHANG Wei (張煒)[2]	✓	✓	
Mr. CHEN Dong[2]	✓	✓	
Dr. WONG Tin Yau, Kelvin[1]	✓	✓	✓
Dr. FAN HSU Lai Tai, Rita[3]	✓	✓	✓
Mr. Adrian David LI Man Kiu[3]	✓	✓	✓
Mr. LAM Yiu Kin[3]	✓	✓	✓
Prof. CHAN Ka Lok[3]	✓	✓	✓
Ex-directors			
Mr. HUANG Xiaowen[2] (Chairman) (resigned on 25 April 2019)	✓	✓	
Mr. ZHANG Wei (張為)[1] (Chairman & Managing Director) (note 2) (resigned on 13 September 2019)	✓	✓	✓
Mr. FANG Meng[1] (resigned on 25 April 2019)	✓	✓	✓
Mr. WANG Haimin[2] (resigned on 13 March 2020)	✓	✓	✓
Mr. FAN Ergang[3] (resigned on 20 March 2020)	✓	✓	✓

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

Notes:

1. Mr. FENG Boming was re-designated from a non-executive director to an executive director and was appointed as the Chairman of the Board on 13 September 2019.
2. Mr. ZHANG Wei (張為) was re-designated from the Vice Chairman of the Board to the Chairman of the Board on 25 April 2019.
3. The Company provided the newly appointed director with training in directors' duties towards listed companies and reports on business and financial information of the Company.

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 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 2019. No incidents of non-compliance were identified by the Company in 2019.

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 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

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 the mainland China 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 2019, the Executive Committee held a total of 48 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 2019, 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 2019 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
- reviewed the report on legal work done
- reviewed the summary of continuing connected transactions of the Company on a quarterly basis

Attendance Record of Audit Committee Members in 2019

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

1 Independent non-executive director

3. Remuneration Committee

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

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

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

The following is a summary of the work of the Remuneration Committee in 2019:

- conducted annual review and made recommendations to the Board on the remuneration packages of all directors and members of senior management
- reviewed and made recommendation to the Board on the remuneration of newly appointed or re-designated directors
- reviewed and approved the arrangements for certain share options granted and unvested

Attendance Record of Remuneration Committee Members in 2019

Name of Members	No. of meetings attended/held	Attendance rate (%)
Members		
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. FENG Boming[2] (appointed on 13 September 2019)	1/1	100
Mr. LI Yingwei	1/2	50
Ex-member		
Mr. ZHANG Wei (張為)[3] (resigned on 13 September 2019)	0/1	0

1 Independent non-executive director
2 Executive director, Chairman of the Board
3 Executive director, Chairman of the Board and Managing Director

Remuneration policy

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

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

4. Nomination Committee

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

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

During 2019, the work performed by the Nomination Committee included the following:

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

According to the terms of reference of the Nomination Committee, all new appointments of directors and nominations of retiring directors proposed for re-election at the annual general meeting should first be considered by the Nomination Committee and then recommended by the Nomination Committee to the Board for decision. New directors appointed by the Board are subject to re-election by shareholders at the next following general meeting (in the case of filling a casual vacancy) or annual general meeting (in the case of an addition to the Board) pursuant to the Bye-laws of the Company.

In April 2019, Mr. HUANG Xiaowen resigned as a non-executive director and the Chairman of the Board, Mr. ZHANG Wei (張為), an Executive Director, Vice Chairman of the Board and Managing Director of the Company, was re-designated from the Vice Chairman of the Board to the Chairman of the Board, and Mr. FANG Meng resigned as an Executive Director and a Deputy Managing Director of the Company. In September 2019, Mr. ZHANG Wei (張為) resigned as an Executive Director, Chairman of the Board and Managing Director of the Company, Mr. FENG Boming, a non-executive Director of the Company, was re-designated as an Executive Director of the Company and appointed as the Chairman of the Board, and Mr. ZHANG Dayu, a Deputy Managing Director, was appointed as an Executive Director and the Managing Director of the Company. In considering the change of duties and responsibilities and appointment of directors, the Nomination Committee followed the procedures and process set out in the Nomination Policy (hereinafter defined) for nomination of directorship and assessed the relevant directors and candidates on criteria such as integrity, independent mindedness, experience, skill and ability to commit time and effort to carry out their duties and responsibilities effectively, etc., and made recommendation to the Board for approval.

In early 2020, the Nomination Committee nominated and the Board recommended that Mr. DENG Huangjun, Dr. WONG Tin Yau, Kelvin, Dr. FAN HSU Lai Tai, Rita and Mr. Adrian David LI Man Kiu, being directors longest in office since their last re-election and have been in office for three years, 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. Mr. ZHANG Dayu who was appointed by the Board in September 2019, had retired and re-elected at the special general meeting of the Company held on 8 October 2019.

Attendance Record of Nomination Committee Members in 2019

Name of Members	No. of meetings attended/held	Attendance rate (%)
Members		
Mr. Adrian David LI Man Kiu[1] (Chairman)	2/2	100
Dr. FAN HSU Lai Tai, Rita[1]	2/2	100
Mr. FENG Boming[2] (appointed on 13 September 2019)	1/1	100
Ex-member		
Mr. ZHANG Wei (張為)[3] (resigned on 13 September 2019)	0/1	0

1 Independent non-executive director
2 Executive director, Chairman of the Board
3 Executive director, Chairman of the Board 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 (hereinafter defined) and the existing procedures for nomination of directors of the Nomination Committee, aimed at setting out the nomination procedures and the process and criteria to select and recommend candidates for directorship.

According to the Nomination Policy, for filling a casual vacancy or appointing addition 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 nominations of candidates from Board members for consideration by the Committee prior to its meeting. The Nomination

Committee may also put forward candidates who are not nominated by Board members. Furthermore, shareholder(s) 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 under the section titled "Procedures for Shareholders to Propose a Person for Election as a Director" below.

The Nomination Committee will make reference to factors including reputation for integrity, accomplishment and experience, in particular, in the industry of the Company's business, diversity in all aspects, independent mindedness, etc. For the appointment of independent non-executive directors, independence factors as required under the applicable laws, rules or regulations will be considered. Apart from the personal data to be disclosed on the relevant websites, Nomination Committee may request candidates to provide additional information and documents, if considered necessary, for the reference of the Nomination Committee and the Board.

Board Diversity Policy

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

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

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

Board Diversity

1. Designation	Executive Director (4)	Non-executive Director (2)	Independent Non-executive Director (4)
2. Gender	Male (9)	Female (1)	
3. Ethnicity	Chinese (10)		
4. Age group	40–50 (4)	51–60 (4)	Over 60 (2)
5. Length of service (years)	Over 10 (2)	3–10 (7)	Less than 3 (1)
6. Skills, knowledge and professional experience Note 1	Terminal operation and management (6)	Accounting and financing (5)	Banking (1)
	Law (1)	Management and commercial (1)	Capital management and investor relations (1)
7. Academic background	University (10)		

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

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

5. Corporate Governance Committee

The Corporate Governance Committee, led by an executive director, comprises six members (including an executive director, members of senior management and management 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 2019 and early 2020, 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 2019

	No. of meetings attended/held	Attendance rate (%)
Members		
Dr. WONG Tin Yau, Kelvin[1] (Chairman)	4/4	100
Ms. HUNG Man, Michelle	4/4	100
Mr. HUANG Chen	4/4	100
Mr. LI Huadong	2/4	50
Ms. ZHOU Lan	4/4	100
Mr. NG Wai Kei (appointed on 13 September 2019)	4/4	100
Ex-member		
Ms. CHAN Kar Yau, Michelle (resigned on 13 September 2019)	N/A	N/A

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 23 October 2019 and 13 March 2020, i.e. during the year prior to the publication of the 2019 final results announcement.

6. Investment and Strategic Planning Committee

The Investment and Strategic Planning Committee, led by an executive director, comprises 11 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 2019

	No. of meetings attended/held	Attendance rate (%)
Members		
Mr. FENG Boming[1] (Chairman) (appointed on 13 September 2019)	2/2	100
Mr. ZHANG Dayu[2]	2/2	100
Mr. DENG Huangjun[3]	2/2	100
Mr. LI Yingwei	0/2	0
Mr. HUANG Chen	2/2	100
Ms. ZHOU Lan	2/2	100
Mr. LI Huadong	2/2	100
Ms. HUANG Li	2/2	100
Mr. LI Wei	2/2	100
Ms. YAO Li	2/2	100
Mr. CHEN Dong (appointed on 13 September 2019)	2/2	100
Ex-members		
Mr. ZHANG Wei (張為)[4] (resigned on 13 September 2019)	N/A	N/A
Mr. FANG Meng[3] (resigned on 25 April 2019)	N/A	N/A
Mr. GUAN Shuguang (resigned on 25 April 2019)	N/A	N/A
Mr. YANG Zhikui (resigned on 13 September 2019)	N/A	N/A
Ms. CHAN Kar Yau, Michelle (resigned on 13 September 2019)	N/A	N/A

1 Executive director, Chairman of the Board
2 Executive director, Managing Director
3 Executive director
4 Executive director, Chairman of the Board and Managing Director

7. Risk Management Committee

The Risk Management Committee of the Company, led by an executive director, comprises eight 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 2019

	No. of meetings attended/held	Attendance rate (%)
Members		
Mr. ZHANG Dayu[1] (Chairman)	3/4	75
Mr. DENG Huangjun[2]	4/4	100
Ms. HUNG Man, Michelle	4/4	100
Mr. HUANG Chen	4/4	100
Ms. ZHOU Lan	3/4	75
Mr. LI Huadong	3/4	75
Mr. CHEN Dong (appointed on 13 September 2019)	2/2	100
Mr. ZHU Hanliang (appointed on 18 March 2019)	3/3	100
Ex-members		
Mr. ZHANG Wei (張為)[3] (resigned on 13 September 2019)	0/2	0
Mr. FANG Meng[2] (resigned on 25 April 2019)	1/1	100
Mr. HUNG Chun, Johnny (resigned on 18 March 2019)	1/1	100

1 Executive director, Managing Director
2 Executive director
3 Executive director, Chairman of the Board and Managing 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 123 to 128 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.

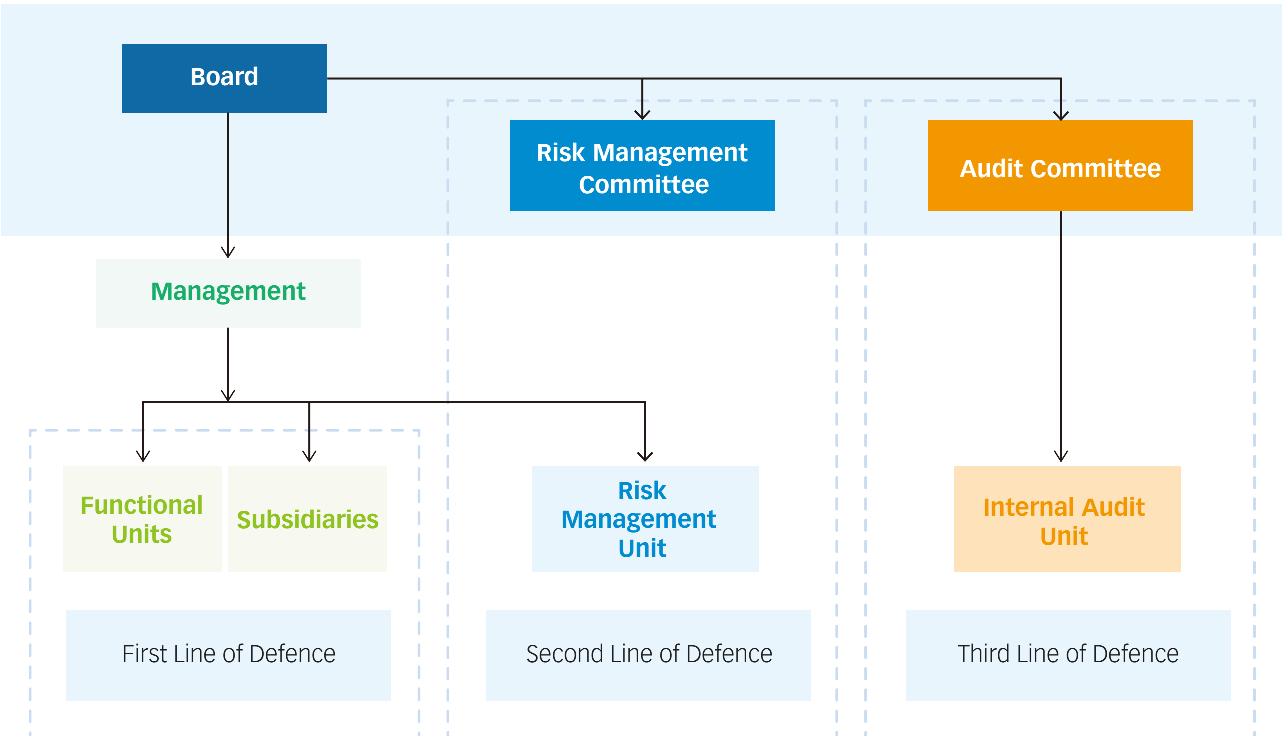
RISK MANAGEMENT AND INTERNAL CONTROL

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.

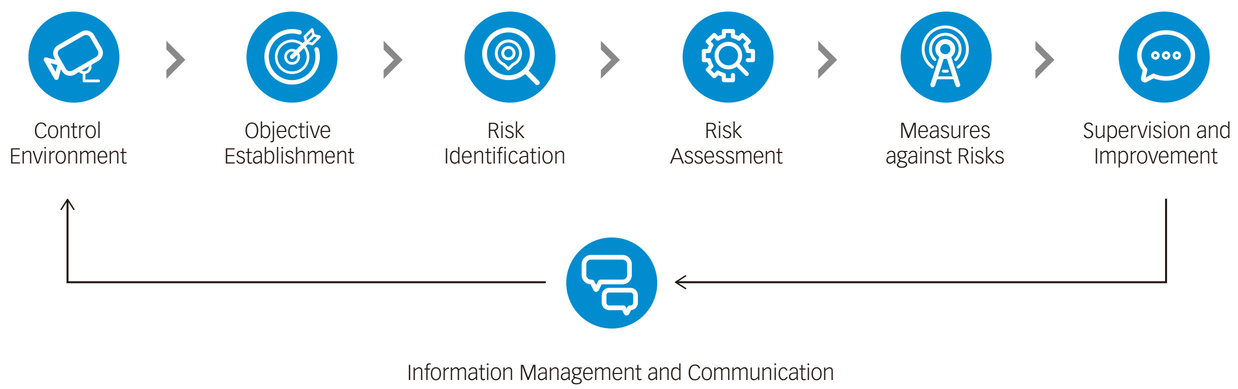
RISK MANAGEMENT FRAMEWORK

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

Risk Management Structure



Risk Management Procedures



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

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
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 • Guide and supervise the risk management and internal control exercised on business carried out by functional units and subsidiaries within their scope of duties • 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

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
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, as a committee under the board, 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 continued to follow the requirements of COSCO SHIPPING, the parent company of the Company, by actively preparing for the preliminary work on risk assessment. It also invited external professional institution to collect and analyse information from all aspects including macroeconomics, politics, industry, and within the Company and invited senior management of the Company, department heads and key personnel of the business to carry out risk investigations on this basis. At last, through tabulate statistics, analysis, and ranking of the risk investigations, the top five risks of the Company were eventually identified, namely the risks relating to fluctuations in economy, risks relating to changes in international trade landscape, risks relating to political landscapes, risk relating to accounts receivables, and risks relating to investment decisions, and formulated corresponding countermeasures accordingly. As the Company's business continues to expand and develop, these risks are expected to be long-standing and require continuous attention and response. The Novel Coronavirus Pneumonia epidemic, which began in late 2019, was initially found in a single region only but has spread rapidly across the world in merely few months. As at the date of this report, the Novel Coronavirus Pneumonia epidemic has become a global issue and severely hit the macro economy, micro entities and various industries. In view of this, the Company regards "public health emergencies risk" as the sixth largest risk which the Company is facing and has formulated countermeasures accordingly.

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
Public health emergencies risk	**Social risk** Public health emergencies are risks caused by major infectious diseases, group diseases of unknown causes and other events that seriously affect public health. Since it is sudden, uncontrollable and widespread in nature, the Company is unable to study and evaluate our exposure to the risk in advance, which may lower the response efficiency of related risks and affect the normal operation of the Company. The outbreak of novel coronavirus pneumonia occured at the beginning of the new year in 2020. From the perspective of its impact on the transport port area, though the outbreak of the disease is in Wuhan, an inland city, it is located in the inland center of China's comprehensive transport corridor and is an important hub along the Middle Stream of the Yangtze River that connects to the sea freight, thus more stringent control measures may be applied to the coastal hub ports in Zhoushan of Ningbo, Shenzhen, Guangzhou, etc., and the substantial ports along inland rivers in Wuhan, Yichang, Yueyang, etc., result in a greater impact. As the epidemic is spreading worldwide, CSP Spain Group, Piraeus Terminal and CSP Zeebrugge Terminal, which are all located in Europe where it is hardest hit by the epidemic overseas, the Company's operation will be further threatened if corresponding risk control measures are not adopted timely. At present, various terminals of the Company in China have resumed work gradually. However, due to the sudden decrease of external demand, the delay of resumption of upstream and downstream enterprises, and the obstruction of the collection and distribution system,	• Enhance efforts in inspection and monitoring during work resumption stage. Firstly, we will strengthen the monitor on industry operation, establish communication and coordination mechanism with superior administrative departments, timely update the epidemic situation and relevant policies, assess the degree of impact and potential operation risks in real time according to the epidemic development trend, and timely respond. Secondly, the health condition of the employees that return to work will be monitored in real time, and the health inspection status will be reported every day, while emergency supplies will be sufficiently equipped. As the risk of the epidemic from overseas increases, the Company will proactively reserve protective testing supplies and emergency supplies such as masks, disinfectants, protective gloves and thermometers, to ensure the personal safety of employees when they return to work. Thirdly, we will strengthen the management of ships and boarding operators, especially ships and personnel on shipping routes in severe epidemic areas abroad, strengthen inspection and disinfection, reduce the possibility of direct human contact, to prevent the transmission and spread of epidemic from overseas to port enterprises through water transport. • Recharge and accumulate, make up weakness and enhance capability. Although profit of the Company for the first quarter was significantly affected by the epidemic, it is expected to see a wave of exponential recovery in the second half of the year driven by the potential rigid domestic demand, as the epidemic gradually slows. On one hand, the Company will use	

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
	the Company is recording a low ship loading rate and significantly decrease in business volume, while the room for price adjustment is limited, leading to substantial decrease in revenue. At the same time, the change of its fixed expenses such as rental costs and labor costs is relatively flat and hence, the pressure on the Company's operation and profitability has increased sharply. In addition, as the Company is in the downstream of the industrial chain, its port container business is the first to bear the brunt due to the dual impact of the sluggish upstream processing and manufacturing industry, the change of its own shipping routes and the increased restrictions of the port of call. Therefore, the Company should take prevention and control measures proactively to accelerate the resumption of domestic ports and reduce the impact on overseas ports due to the widespread of the epidemic across the globe.	this period to strengthen internal operation and maintenance management by comparing with the front-end development of the same industry, making up for the weaknesses and enhancing capabilities towards the model of lean management and operation. On the other hand, based on our latest knowledge of the peripheral industry, we will focus on relevant works, such as equipment maintenance, personnel skills training, yard site renovation, upgrading hardware facilities and professional skills of employees, so as to adapt to the higher standards under the impact of industrial chain diversification after the epidemic. At the same time, we will raise the supply capacity of the terminal and work resumption plan for peak production, so as to guarantee every aspects of the operation ahead of exponential growth from the subsequent capacity recovery and production to prevent the shortage of supply. • Increase our marketing efforts and expand business scope. On one hand, the Company will actively expand the terminal extended logistic business in China and strengthen the synergy between the upstream and downstream of the industrial chain, forming the joint marketing of key nodes on the supply chain and striving to realise the transformation from a single terminal business to a integrated business of the supply chain; on the other hand, overseas terminals should fully use their own advantages to strengthen marketing and widen the channels to increase revenue, so as to balance the negative impact of domestic terminal business. While increasing revenue, it should strengthen the efforts on epidemic prevention and control by formulating emergency plans on the epidemic for overseas terminals, as so to take precaution against the adverse impact on overseas terminal operation due to the widespread of the epidemic across the globe.	

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
Strategic risk	**Risks relating to fluctuations in economy** Not only are macroeconomic conditions affected by macroeconomic cycle, but also the geopolitics among countries would affect the overall conditions of macroeconomy. Industry and market economic environment were mainly affected by the factors including supply-demand relationship in the industry and competitive environment in the industry. For the Company, the significant synergy with the parent company has created clear advantages for the Company to develop in the same industry. Therefore, as compared with the uncertainties in the economic environmental factors of the industry and market, the related risks arise from the macroeconomic conditions are more sensitive to the Company. Ports mainly serve the corresponding economic hinterland and have a cycle similar to the macroeconomic conditions. In the second quarter of 2019, the year-on-year growth rate of cargo transportation in major ports in the world was 0.8%, which was much lower than the strong growth rate of 7.2% last year. The growth rate of container transportation volume was only 3.0% year-on-year, a decrease of 1.4 percentage points from the same period last year. The lack of momentum for economic recovery and the continuous weakness in domestic and foreign demand will affect the further development of the port industry.	• Continuous attention will be paid to the overall economic conditions and the national policies. Information and policies that are closely related to the Company have been constantly collected in all aspects, and the results of the development trends predicted through systematic analysis will be reported to the management or relevant departments, so as to formulate a response plan in advance and proactively take precautions to mitigate the impact of macroeconomic conditions to the Company. • Strengthen the Company's resistance to the macroeconomic environment. Prevent risks from the front end of the business by avoiding the increase of the Company's general risk that is beyond its control as a result of sudden changes in policies and inappropriate investment; improve the efficiency and effectiveness of terminal operations by continuing to strengthen the synergy within the Group and leveraging on its own business and resource advantages, so as to control the level of operating costs continuously to ensure the Company maintains steady growth and stable development; strengthen cooperation with the upstream and downstream of the supply chain and seek opportunities to extend investment to both ends of the industrial chain to enhance its own competitiveness, diversify risks, and add profit growth drivers.	↑

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
Market risk	**Risks relating to changes in international trade landscape** Recently, the Sino-US trade war has undoubtedly become a global issue and focus. Under highly globalised economic system, the unilateral trade protectionism of the United States and the trade tensions it caused have led to some shuffle in the international trade environment. The increase in tariffs has directly cooled the export enthusiasm of the cargo companies on the list, which give downside expectations to the global shipping market. Although the Company possesses certain resource advantages in the portfolio and layout of domestic terminals currently, excess capacity or over-centralised layout of some terminals would be unfavourable to resource utilisation and efficient operation in this trade landscape.	• While expanding the scale of development, building a global terminal network, and enhancing its strength, the Company will focus on exploring further potential in service, management, efficiency and the entire industrial chain, so as to adapt to higher international standards and stand firm in the changing international trade landscape. Secondly, facing the changes of growth rate of trade caused by the changing environment, the generation of new demand and the opening of routes will also impose new requirements to shipping services, and the Company has to seize opportunities to find new development points. In terms of international routes, the Company will closely follow the development trend from the national initiative of "the Belt and Road". It will accelerate the layout in emerging markets and strategic locations, explore the global hub ports, and strengthen the operational and strategic collaboration with the container fleet of the parent company, so as to fully promote the global terminal layout. In addition, with the gradual deepening of domestic regional port integration, the Company will continue to integrate domestic port and terminal resources by way of integration and disposal of equity, etc., so as to optimise resource layout rationally and fully utilise port resources, with an aim to improve the operating efficiency of the terminals.	↑

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
Strategic risk	**Risks relating to political landscapes** In general, due to the contests and increasing conflicts among major countries and regions, the overall risks relating to geopolitics may increase. The political and economic protectionism, especially in the United States, is challenging the existing international order, which poses threats to the multilateral trading system under the global order and intensifies the strategic competition among major countries. As a result, the uncertainties in the global economy policies characterised by increased tariff increased and the related negative impact start to surface, disrupting the stable development of global value chain and supply chain. To the Company as a whole, the political and policy risks at strategic level are mainly reflected in the following aspects: firstly, the changes in international sanctions situation in the backgrounds of China-U.S. trade friction and Iran sanctions has affected the choices of the partners of the Company's business and ways of cooperation, and day-to-day compliance management to a certain extent; secondly, the changes of attitude of countries along "the Belt and Road" towards foreign investment and shipping policies have affected the strategic development of the projects and shipping routes of the Company directly and indirectly; thirdly, the security review policy for overseas investment are becoming more stringent where various regulatory measures related to restrictions on foreign investment were promulgated by overseas countries in recent years, and the continuous tightening of overseas regulatory environment will add uncertainties to the Company's overseas investment, which resulted in certain risks relating to compliance and security review. In addition, the tariffs policy and anti-monopoly policy under trade protectionism and the uncertainties in volume of free trade and volume of shipping business from relevant countries and regions affected by Brexit and EU elections have increased.	• In view of the increasing competition among major countries and the extension of trade protectionism, apparently both risks and opportunities exist. The Company shall continue to keep an eye on and collect information about the latest changes in political landscape, shipping and investment policies of various countries and the potential risks and opportunities related thereto, and put more efforts in the relevant analysis and studies to give full play to the development advantages under the national initiative of "the Belt and Road". It shall combine the development strategy of the Company and the demand of markets, and place emphasis on the control of compliance risk, so as to plan and optimise the layout of industry, supply chain and investment continuously to effectively prevent the risks relating to geopolitics. • Regarding frequent events of international sanction in the shipping sector in recent years, the Company shall further enhance the daily management regarding sanction and compliance, improve the compliance management procedures on international sanctions and the ability to prevent and control risks. It shall establish a contingency mechanism and raise the awareness for compliance management of its staff and training for compliance abilities. While the Company carries out active alert and management, it shall keep abreast of the internal and external sanction acts and significant law enforcement in the Group, so as to draw reference and take precautions promptly.	↑

Corporate Governance Report

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
Operational risk	**Risk relating to accounts receivables** Under the influence of factors such as the continuous decline of the global economy, international environmental protection policies, and fluctuations in freight prices, the operating costs of shipping companies will further rise, affecting their operating results. Shipping companies are generally suffering from the disadvantage of eroding profits due to low freight rates, and the growth rate of global trade volume has declined year by year, thus some shipping companies have obviously experienced excess transportation capacity and oversupply of fleet, which has further intensified the price competition among shipping companies. As a result of low-sulphur fuel policy of the IMO, the shipping fuel costs is expected to increase significantly, showing that the issue of cost control for shipping companies is imminent. Based on above, the operating conditions, profitability and operating results of the customers have drawn more attention from the Company than in previous years. In 2019, certain existing clients of the Company have already experienced similar operating problems. If there is decline in operating results, overexpansion or even impacts on continuing operations, those clients will cause potential risks to the due collection of receivables by the Company.	• In view of the possible insufficient payment capacity of various shipping companies which exposes the Company to risk relating to receivables, the Company, on one hand, shall further tighten the entry barriers of the customers; on the other hand, it shall keep track of customer credit status. The qualification research on new customers shall be further refined and deepened, while the credit ratings for existing customers shall be objective and fair based on the research. Moreover, it shall strengthen the active tracking of customers' operating results and credit status in the daily credit management, so as to lower the risk of overdue receivables and bad debt ratio by further strengthening the management of the receivables from early and mid stage. • Further enhance the analysis and collection system for our receivables. In response to collection issue of the amount due from Antong during the year, the Company has established a special task force on top of the daily management of receivables to analyse and stipulate corresponding strategies and track the receivables due from customers timely. At a later stage, the Company shall further enhance the ageing analysis and past-due status analysis of receivables, as well as the ability in handling emergency for special events, in a bid to further strengthen the management for receivables in the mid and later stage.	↑

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
Strategic risk	**Risks relating to investment decisions** Risks affecting the investment decision of the Company arise from multiple factors. In terms of external factors, uncertainties lie in the investment policies, shipping policies, and shipping environment, taxation policies, geopolitics, as well as local religions and culture of the region to be developed, therefore overseas investment proposals are more sensitive to the effect of such factors. In terms of internal factors, the adaptivity between the investment projects to be developed and the strategic targets of the Company, the constructive layout regarding the Company's global terminal network of ports, the risk preference of projects, investment return, the balances and gaming between the long-term objectives and the short-term interests of the Company are all closely related to the investment decision of the projects. Where the potential risks relating to investment decision are not fully identified or inaccurately assessed, or the preparation for addressing the risk is insufficient, it may result in making wrong investment decision that deviate from the strategic targets or lower investment efficiency.	• Continuously optimise the portfolio of terminal investments. Facing the actual situation in which various internal and external factors affecting each other, and taking into account the long-term strategic development, the Company will be active and prudent when selecting both domestic and international investment project, and will constantly consider factors such as strategic targets, regional layouts, changes in industrial policies and return on investment while adopting strategic expansion and contraction, so as to continuously optimise the layout of terminal resources. • Reinforce the control on the entire process of investment projects to continuously enhance the standard of investment and operational management, including but not limited to: rigorous and scientific argument in the preliminary study on the decision-making such as site selection, plan demonstration and feasibility analysis of investment project; risk assessment and follow-up management during the all stages of process; full cooperation on resources, human resource and capital among parties involved in the implementation of investment proposals; close connection between investment and financing work; efficient management at the investment and operational stage; and objective evaluation of post-project analysis and effective application of the analysis result, so as to realise closed-loop management and continuous improvement from investment to operational management.	

The risk management and internal control report for 2019 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 2019.

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 Chairman of the Board and/or the Managing Director 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.

According to Corporate Internal Control Basic Regulations and its ancillary guidelines, and other internal control regulatory requirements (the "Corporate Internal Control Regulatory System"), and taking into account the internal control system and assessment rules of COSCO SHIPPING, the parent company of the Company, and the Company, on the basis of day-to-day and special internal control supervision, external experts were invited to assess the effectiveness of internal control of the Company as at 31 December 2019 (the base date of the internal control assessment report). In accordance with the accreditation standard on internal control weaknesses, neither material weakness nor important weakness on the internal control of the Company was found during the reporting period.

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 2019, 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.

The audit projects for 2019 covered 18 terminals, including 9 terminal companies in which the Group has controlling stakes. The audit carried out in terminal companies in which the Group has controlling stakes focused on major risks during operations, and the establishment and implementation of internal control, risk prevention and control mechanism were also audited, including the situation of accounts receivable management and customer credit rating, for which, given there were several market disruption incidents in 2019, those terminals that have customers that take up a relatively large part of the customer base were reminded to be aware of the changes in market situation and pay close attention to collection of funds. In addition, from a compliance perspective, checks in relation to the implementation of establishing the policy for the three-important and one-significant decision-making matters and performance benefits by terminal companies in which the Group has controlling stakes were also conducted to see if they comply with the requirements of the Company.

In addition, audit and supervision tasks also enhanced overseas audit efforts through multiple modes such as joint-audit with other shareholders and internal control audits. In 2019, four overseas terminals namely CSP Zeebrugge Terminal, CSP Abu Dhabi Terminal, Piraeus Terminal and Kumport Terminal were subject to audits, among which the audit for Kumport Terminal was conducted during March with other shareholders jointly to find out the risks during the production and operation of the terminal. In October, the internal control audit for CSP Abu Dhabi Terminal was conducted. This was the first audit for CSP Abu Dhabi Terminal after it completed its construction and commenced operations. The focus of the audit was to understand the status of establishment of internal policies, management and governance structure, etc. This laid a foundation for the terminal to establish a complete internal control system, standardise operational management and prevent risk.

During 2019, the Internal Audit Unit completed a total of 19 audit assignments. All the internal audit reports were reviewed and approved by the Audit Committee. All internal audit work scheduled for the year 2019 was completed. The Company will follow up with all the matters of concern reported by the internal auditor till corrective measures have been 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.
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 continuously strengthen legal governance to ensure that business operations comply with the laws and regulations. In 2019, the Company established a management group and a working group to coordinate and promote the legal governance, while the Audit Committee was designated to be in charge of legal governance function and the Risk Management Committee was designated to be in charge of risk management, internal control and compliance management functions. The Company also implemented the below measures in 2019 to strengthen legal governance: (1) enhanced major contract management and litigation management, conducted investigation on legal risks and formulated corresponding preventive and control measures; (2) amended several legal related internal regulations and improved overall legal risks prevention and management system; (3) strengthened the prevention and control regarding legal risks for investment and financing projects; and (4) followed up the status of key legal development and actively provided compliance and risk management trainings to raise the legal awareness of all 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 2019, 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	**2019 US$**	2018 US$
Audit services	**1,002,000**	850,000
Audit related services	**275,000**	257,000
Non-audit services:		
– Circular related services	**246,000**	–
– Tax related services	**176,000**	92,000

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.

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 2019)

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$316,195,883 comprising 3,161,958,830 shares of a par value of HK$0.1 each

Type of Shareholders (as at 31 December 2019)

Type of shareholders	No. of shares held	% of the total number of issued shares
China COSCO (Hong Kong) Limited and its subsidiary	1,544,171,935	48.84
Other corporate shareholders	1,612,434,932	50.99
Individual shareholders	5,351,963	0.17
Total	**3,161,958,830**	**100**

Location of Shareholders (as at 31 December 2019)

Location of shareholders[1]	No. of shareholders	No. of shares held
Hong Kong	518	3,161,949,830[2]
The People's Republic of China	1	4,000
United Kingdom	1	5,000
Total	**520**	**3,161,958,830**

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 1,956,745,132 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 2019.

KEY CORPORATE EVENT DATES

The following are the dates for certain key corporate events:

Event	Date
Payment of 2019 Interim Dividend	25 October 2019
2019 Annual Results Announcement	26 March 2020
2020 First Quarter Results Announcement	27 April 2020
Closures of Register of Members	
(a) for attending the 2020 Annual General Meeting	18 May 2020 to 21 May 2020
(b) for receiving the 2019 Final Dividend	27 May 2020 to 1 June 2020
Annual General Meeting	21 May 2020
Payment of 2019 Final Dividend	17 July 2020
2020 Interim Results Announcement	August 2020
2020 Third Quarter Results Announcement	October 2020

DIRECTORS AND SENIOR MANAGEMENT PROFILES

DIRECTORS

FENG Boming
Chairman of the Board, Executive Director

Mr. FENG, aged 50, has been an Executive Director of the Company and the Chairman of the Board since September 2019. Before the re-designation, he had been a Non-executive Director of the Company since October 2016. Mr. FENG is the Chairman of the Executive 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 of COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings") and Orient Overseas (International) Limited, a Non-executive Director of COSCO SHIPPING Development Co., Ltd., COSCO SHIPPING Energy Transportation Co., Ltd., COSCO SHIPPING International (Hong Kong) Co., Ltd. and Piraeus Port Authority S.A. All the above are listed companies. He is also a Director of COSCO SHIPPING Bulk Co., Ltd., COSCO SHIPPING (Hong Kong) Co., Limited, COSCO SHIPPING Financial Holdings Co., Limited and Hainan Harbour & Shipping Holding Co., Ltd. Mr. FENG served as Manager of the Commercial Section of the Ministry of Trade Protection of COSCO Container Lines Co., Ltd. (now known as 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, a Non-executive Director of COSCO SHIPPING Holdings and the General Manager of the Strategic and Corporate Management Department of China COSCO SHIPPING Corporation Limited.

Mr. FENG has over 20 years of work experience in the shipping industry and has extensive experience in ports management and operation, enterprise strategy management, business management and container shipping management. Mr. FENG holds a Master of Business Administration degree from The University of Hong Kong. He is an economist.

ZHANG Dayu
Managing Director, Executive Director

Mr. ZHANG, aged 47, has been an Executive Director and Managing Director of the Company since September 2019. He is the Chairman of the Risk Management Committee, and a member of the Executive Committee and the Investment and Strategic Planning Committee of the Company.

Mr. ZHANG was a Deputy Managing Director of the Company, the General Manager of Overseas Business Department and Assistant General Manager of China Shipping Ports Development Co., Ltd. (now known as COSCO SHIPPING Ports Development Co., Ltd.), the Deputy General Manager of Container Control Division of China Shipping Container Lines Company Limited (now known as COSCO SHIPPING Development Co., Ltd.), the Managing Director of China Shipping Egypt Co., Ltd. and the Managing Director of China Shipping Malta Agency Co., Ltd. Mr. ZHANG graduated from Shanghai Maritime University with Marine Navigation major.

DENG Huangjun
Executive Director

Mr. DENG, aged 58, 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.

ZHANG Wei
Non-executive Director

Mr. ZHANG, aged 53, has been a Non-executive Director of the Company since October 2016. He is also a Director and the Deputy Managing Director of COSCO SHIPPING Lines Co., Ltd. ("COSCO SHIPPING Lines"), a Non-executive Director of COSCO SHIPPING Energy Transportation Co., Ltd. and a Director of COSCO SHIPPING Specialized Carriers Co., Ltd. and COSCO SHIPPING Bulk Co., Ltd. All the above companies are subsidiaries of China COSCO SHIPPING Corporation Limited ("COSCO SHIPPING"). Mr. ZHANG 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), Executive Vice-President of Piraeus Container Terminal S.A., a wholly owned subsidiary of the Company, the General Manager of Operation and Management Department of COSCO SHIPPING and a Non-executive Director of COSCO SHIPPING Holdings Co., Ltd. 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 45, 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 International (Hong Kong) Co., Ltd. and a Director of COSCO SHIPPING Specialized Carriers Co., Ltd. and COSCO SHIPPING Bulk Co., Ltd. All the above companies are subsidiaries of COSCO SHIPPING. He served as the Deputy Head of Risk Control Section under the Planning and Finance Department of China Shipping (Group) Company (now known as China Shipping Group Co., Ltd.) ("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 and the Deputy General Manager of the Finance Department of China Shipping, and was a Non-executive Director of COSCO SHIPPING Holdings Co., Ltd. and COSCO SHIPPING Development Co., Ltd. Mr. CHEN has over 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.

WONG Tin Yau, Kelvin *JP*
Executive Director

Dr. WONG, aged 59, 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 Chairman and was a member of Financial Reporting Council (2015-2018) 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 and Financial Education Council (2017-2018), the Chairman of The Hong Kong Institute of Directors (2009-2014), 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 JS Global Lifestyle Company Limited. He was also an Independent Non-executive Director of Asia Investment Finance Group Limited (now known as China Cloud Copper Company Limited), Mingfa Group (International) Company Limited and Huarong International Financial Holdings Limited. All the aforementioned companies are listed in Hong Kong. In addition, he is an Independent Non-executive Director of Xinjiang Goldwind Science & Technology Co., Ltd. (a company dual listed in Hong Kong and Shenzhen), Shanghai Fosun Pharmaceutical (Group) Co., Ltd. and Yangtze Optical Fibre and Cable Joint Stock Limited Company (companies dual listed in Hong Kong and Shanghai), and was an Independent Non-executive Director of Bank of Qingdao Co., Ltd. (a company dual listed in Hong Kong and Shenzhen). 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.

HSU Lai Tai, Rita (alias: FAN HSU Lai Tai, Rita)
GBM, GBS, JP
Independent Non-executive Director

Dr. FAN, aged 74, 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.

Adrian David LI Man Kiu *JP*
Independent Non-executive Director

Mr. LI, aged 46, 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 Co-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 Mastercard's Asia Pacific Advisory Board. 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 Chairman of The Chinese Banks' Association, a Vice President of The Hong Kong Institute of Bankers' Council and a member of the MPF Industry Schemes Committee of the Mandatory Provident Fund Schemes Authority. He is a board member of The Community Chest of Hong Kong and serves on its Executive Committee, a member of the Advisory Board of The Salvation Army, Hong Kong and Macau Command, and a Trustee of The University of Hong Kong's occupational retirement schemes. 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. 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.

Mr. LAM, aged 65, 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, Topsports International Holdings Limited, Vital Innovations 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.

Prof. CHAN, aged 58, 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 Wei Lun Professor of Finance at the Department of Finance 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 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 Dean of CUHK Business School from 2014 to 2019, and the Chair Professor of Finance and Acting Dean of the Hong Kong University of Science and Technology ("HKUST"). He was also Head of HKUST's Finance Department from 2003 to 2013 and the President of Asian Finance Association from 2008 to 2010. Prof. CHAN obtained his Bachelor of Social Science degree in Economics from CUHK and Doctor of Philosophy degree in Finance from Ohio State University in the USA.

SENIOR MANAGEMENT

HUNG Man, Michelle
General Counsel & Company Secretary

Ms. HUNG, aged 50, 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 2019.

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 45 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 17 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 2019 are provided in note 43 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 2019 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 2019 are set out in the consolidated income statement on page 131 of this annual report.

The directors declared an interim dividend of HK14.8 cents (equivalent to US1.900 cents) per share with a scrip dividend alternative, totalling HK$467,906,000 (equivalent to US$60,069,000), which was paid on 25 October 2019.

The directors recommend the payment of a final dividend of HK15.7 cents (equivalent to US2.028 cents) per share with a scrip dividend alternative, totalling HK$496,428,000 (equivalent to US$64,125,000), payable on 17 July 2020.

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 235 of this annual report.

DONATIONS

Charitable and other donations made by the Group during the year amounted to US$1,279,000.

SHARES ISSUED IN THE YEAR

Details of the Shares issued by the Company during the year are set out in note 22 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as of 31 December 2019 calculated under the Companies Act of Bermuda amounted to US$2,674,839,000.

BORROWINGS

Details of the borrowings of the Group are set out in note 24 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group are set out in notes 3.21 and 36 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)*	(resigned on 25 April 2019)
Mr. ZHANG Wei (張為)[1] *(Chairman and Managing Director)*	(re-designated from the Vice Chairman to the Chairman on 25 April 2019 and resigned on 13 September 2019)
Mr. FENG Boming[1] *(Chairman)*	(re-designated from a Non-executive Director to an Executive Director and appointed as the Chairman on 13 September 2019)
Mr. FANG Meng[1]	(resigned on 25 April 2019)
Mr. ZHANG Dayu[1] *(Managing Director)*	(appointed on 13 September 2019)
Mr. DENG Huangjun[1]	
Mr. ZHANG Wei (張煒)[2]	
Mr. CHEN Dong[2]	
Mr. WANG Haimin[2]	(resigned on 13 March 2020)
Dr. WONG Tin Yau, Kelvin[1]	
Dr. FAN HSU Lai Tai, Rita[3]	
Mr. Adrian David LI Man Kiu[3]	
Mr. FAN Ergang[3]	(resigned on 20 March 2020)
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. DENG Huangjun, Dr. WONG Tin Yau, Kelvin, Dr. FAN HSU Lai Tai, Rita and Mr. Adrian David LI Man Kiu, being directors longest in office and already served the Company for 3 years 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 94 to 99 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 "Lisiting Rules")).

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. During the period from 19 June 2018 to 18 June 2019, 3,640,554 share options were granted pursuant to the Reserved Grant and no further share options could be granted under the Share Option Scheme since 19 June 2019.

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 53,658,715 Shares (representing approximately 1.70% 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 2019 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:

Category	Exercise price per share HK$	Number of share options: Outstanding at 1 January 2019	Granted during the year	Exercised during the year	Transfer (to)/from other categories during the year	Lapsed during the year	Outstanding at 31 December 2019	% of total number of issued Shares	Exercise period	Notes
Directors										
Mr. ZHANG Dayu	7.27	–	–	–	1,200,000	–	1,200,000	0.04%	19.6.2020-18.6.2023	(1), (2), (3)
Mr. DENG Huangjun	7.27	1,200,000	–	–	–	–	1,200,000	0.04%	19.6.2020-18.6.2023	(1), (2)
Dr. WONG Tin Yau, Kelvin	7.27	1,200,000	–	–	–	–	1,200,000	0.04%	19.6.2020-18.6.2023	(1), (2)
Ex-directors										
Mr. ZHANG Wei (張為)	7.27	1,500,000	–	–	(1,500,000)	–	–	–	19.6.2020-18.6.2023	(1), (2), (4)
Mr. FANG Meng	7.27	1,500,000	–	–	(1,500,000)	–	–	–	19.6.2020-18.6.2023	(1), (2), (4)
		5,400,000	–	–	(1,800,000)	–	3,600,000			
Continuous contract employees	7.27	46,015,948	–	–	(2,692,607)	(1,150,598)	42,172,743	1.33%	19.6.2020-18.6.2023	(1), (5), (6)
	8.02	851,966	–	–	–	–	851,966	0.03%	29.11.2020-28.11.2023	(7)
	8.48	–	848,931	–	–	–	848,931	0.03%	29.3.2021-28.3.2024	(8)
	7.27	–	666,151	–	–	–	666,151	0.02%	23.5.2021-22.5.2024	(9)
	7.57	–	1,273,506	–	–	–	1,273,506	0.04%	17.6.2021-16.6.2024	(10)
Others	7.27	–	–	–	4,492,607	–	4,492,607	0.14%	19.6.2020-18.6.2023	(1), (4), (5)
		46,867,914	2,788,588	–	1,800,000	(1,150,598)	50,305,904			
		52,267,914	2,788,588	–	–	(1,150,598)	53,905,904			

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 1,200,000 share options were transferred from the category of "continuous contract employees" pursuant to the terms of the Share Option Scheme.

(4) These share options were transferred to the category of "others" pursuant to the terms of the Share Option Scheme.

(5) Amongst the 2,692,607 share options, 1,200,000 share options were transferred to the category of "directors" and 1,492,607 share options were transferred to the category of "others" pursuant to the terms of the Share Option Scheme.

(6) The 1,150,598 share options were lapsed due to resignation or retirement of the relevant employees.

(7) 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.

(8) The share options were granted on 29 March 2019 under the Share Option Scheme at an exercise price of HK$8.48 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) not more than 33.3% of their respective Share Options will be vested on 29 March 2021; (b) not more than 33.3% of their respective Share Options will be vested on 29 March 2022; and (c) not more than 33.4% of their respective Share Options will be vested on 29 March 2023.

(9) The share options were granted on 23 May 2019 under the Share Option Scheme at an exercise price of HK$7.27 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) not more than 33.3% of their respective Share Options will be vested on 23 May 2021; (b) not more than 33.3% of their respective Share Options will be vested on 23 May 2022; and (c) not more than 33.4% of their respective Share Options will be vested on 23 May 2023.

(10) The share options were granted on 17 June 2019 under the Share Option Scheme at an exercise price of HK$7.57 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) not more than 33.3% of their respective Share Options will be vested on 17 June 2021; (b) not more than 33.3% of their respective Share Options will be vested on 17 June 2022; and (c) not more than 33.4% of their respective Share Options will be vested on 17 June 2023.

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

(12) The fair values of the share options granted during the year and outstanding as at 31 December 2019 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 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 29 March 2019 – 848,931 options	1.395	8.48	8.48	30.18%	4 years	4.30%	1.44%
Granted on 23 May 2019 – 666,151 options	1.154	7.16	7.27	29.94%	4 years	4.30%	1.68%
Granted on 17 June 2019 – 1,273,506 options	1.187	7.45	7.57	29.84%	4 years	4.30%	1.60%

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.

(13) The closing price of the Shares immediately before the date on which the share options were granted on 29 March 2019, 23 May 2019 and 17 June 2019 was HK$7.63, HK$7.25 and HK$7.55.

(14) Regarding the fulfillment of the performance indicators under the Share Option Scheme, the Company has fulfilled the three indicators namely (1) return on net assets (excluding extraordinary gains and losses) is not lower than 6%; (2) growth rate of revenue is not lower than 15% (compared with revenue of the financial year immediately preceding the date of the Proposed Initial Grant); and (3) economic value added (EVA) indicator accomplished has reached the assessment target set by COSCO SHIPPING. The vesting condition of the share options relating to comparison with the average of the selected peer benchmark enterprises is subject to further confirmation after such enterprises have published their annual reports.

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 2019 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 Dayu	Beneficial owner	Personal	120,000	0.004%
Mr. DENG Huangjun	Beneficial owner	Personal	51,059	0.002%
Mr. ZHANG Wei (張煒)	Beneficial owner	Personal	30,000	0.001%
Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	603,378	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 Development Co., Ltd.	Mr. FENG Boming	Beneficial owner	Personal	29,100 A shares	0.0004%
	Mr. DENG Huangjun	Interest of spouse	Family	38,000 A shares	0.0005%
COSCO SHIPPING Energy Transportation Co., Ltd.	Mr. Adrian David LI Man Kiu	Beneficial owner	Personal	508,000 H shares	0.04%

(d) LONG POSITIONS IN UNDERLYING SHARES (EQUITY DERIVATIVES) OF ASSOCIATED CORPORATIONS

Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise Price RMB	Number of share options	% of total number of issued shares of the relevant class of shares of the relevant associated corporation
COSCO SHIPPING Holdings Co., Ltd.	Mr. FENG Boming	Interest of spouse	Family	4.10	530,000	0.01%

Note: The share options were granted by COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings", a controlling shareholder of the Company), on 3 June 2019 pursuant to the A-shares share option incentive scheme of COSCO SHIPPING Holdings adopted on 30 May 2019. Each share option entitles the person being granted the share option to acquire one A share of COSCO SHIPPING Holdings at an exercise price of RMB4.10. Subject to the vesting period provision and satisfaction of the conditions of exercise, (a) 33% of the share options can be exercised during the first trading day after 24 months from the date of grant (i.e. 3 June 2019) (the "Grant Date") to the last trading day of the 36-month period from the Grant Date; (b) 33% of the share options can be exercised from the first trading day after 36 months from the Grant Date to the last trading day of the 48-month period from the Grant Date; and (c) 34% of the share options can be exercised from the first trading day after 48 months from the Grant Date to the last trading day of the 84-month period from the Grant Date. For details, please refer to the circular dated 18 March 2019 and the announcements dated 22 April 2019, 7 May 2019 and 3 June 2019 of COSCO SHIPPING Holdings.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2019, the directors, namely Mr. FENG Boming, Mr. DENG Huangjun, Mr. ZHANG Wei (張煒), Mr. CHEN Dong and Mr. WANG Haimin held directorships in the associates of COSCO SHIPPING and/or other companies which have interests in terminals operation and management business.

The Board is of the view that the Group is capable of carrying on its businesses independently of the interests referred to in the paragraph above. When making decisions on the terminals business of the Group, the relevant directors, in the performance of their duties as directors of the Company, have acted and will continue to act in the best interest of the Group. Other than as disclosed above, none of the Directors and their respective associates has interests in the businesses which competes or was likely to compete, whether directly or indirectly, with the businesses of the Group.

SUBSTANTIAL INTEREST IN THE SHARE CAPITAL OF THE COMPANY

So far as is known to any directors or chief executive of the Company, as at 31 December 2019, 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 2019				
Name	**Capacity**	**Nature of interests**	**Long positions**	**%**	**Short positions**	**%**	**Notes**
COSCO Investments Limited	Beneficial owner	Beneficial interest	218,908,243	6.92	–	–	(1), (2)
China COSCO (Hong Kong) Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,494,309,652	47.26	–	–	(1), (2)
COSCO SHIPPING Holdings Co., Ltd.	Interest of controlled corporation	Corporate interest	1,494,309,652	47.26	–	–	(1), (2)
China Ocean Shipping Co., Ltd.	Interest of controlled corporation	Corporate interest	1,494,309,652	47.26	–	–	(1), (2)
China COSCO SHIPPING Corporation Limited	Interest of controlled corporation	Corporate interest	1,494,309,652	47.26	–	–	(1), (2)
Silchester International Investors LLP	Investment manager	Other interest	316,631,929	10.01	–	–	(1), (3)

Notes:

(1) The percentage was compiled based on the total number of issued Shares as at 31 December 2019 (i.e. 3,161,958,830 Shares).

(2) The 1,494,309,652 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 218,908,243 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 and it itself held 1,275,401,409 Shares beneficially. Accordingly, China COSCO (HK)'s interest in relation to the 1,494,309,652 Shares is also recorded as COSCO SHIPPING Holdings' interest in the Company. China Ocean Shipping Co., Ltd. ("COSCO Group") held 45.47% equity interest in COSCO SHIPPING Holdings as at 31 December 2019, and accordingly, COSCO Group is deemed to have the interest of 1,494,309,652 Shares held by China COSCO (HK). COSCO is a wholly owned subsidiary of China COSCO SHIPPING Corporation Limited ("COSCO SHIPPING"). Accordingly, COSCO Group's interest in relation to the 1,494,309,652 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 1,544,171,935 Shares (representing 48.84% of the total number of issued Shares) as at 31 December 2019, of which 223,548,369 Shares (representing 7.07% of the total number of issued Shares) were held by COSCO Investments.

(3) As reported in the Corporate Substantial Shareholder Notice ("Form 2") filed by Silchester International Investors LLP on 4 October 2019, being the latest Form 2 filed before 31 December 2019, it held 316,631,929 Shares, representing 10.02% of the total number of issued Shares as at the date of filing of the Form 2.

Save as disclosed above, as at 31 December 2019, 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.

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 2019.

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	13%
Percentage of purchases attributable to the Group's five largest suppliers	42%
Percentage of revenue from sales of goods or rendering of services attributable to the Group's largest customer	18%
Percentage of revenue from sales of goods or rendering of services attributable to the Group's five largest customers	63%

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

During the year ended 31 December 2019, COSCO SHIPPING, a controlling Shareholder, has equity interest in (1) one of the five largest suppliers of the Group which contributed 11% of the purchases made by the Group; and (2) the largest customer of the Group which contributed 18% of the revenue 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 continues to maintain high standards of corporate governance so as to promote transparency and ensure better protection of shareholders' interest as a whole. The Company has fully complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2019, except the following deviation for a short period of time: Mr. ZHANG Wei (張為) was re-designated from the Vice Chairman of the Board to the Chairman of the Board on 25 April 2019. As he continued to be the Managing Director of the Company (i.e. Chief Executive of the Company), there was deviation from the requirement under code provision A.2.1 (the roles of chairman and chief executive should be separated and should not be performed by the same individual). Mr. ZHANG Wei (張為) resigned as Chairman of the Board and Managing Director of the Company on 13 September 2019 due to work commitments, and thereafter, the roles of Chairman and Managing Director have been performed by different individuals: Mr. FENG Boming has been the Chairman of the Board of the Company and Mr. ZHANG Dayu has been the Managing Director of the Company. Despite the short period of deviation mentioned above, as the management reported all major decisions of the Company to and obtained the approval of the Board Committees and the Board, and the Company had an effective internal control system, the Company was able to ensure adequate check-and-balance for such arrangements.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 54 to 93 of this annual report.

CONNECTED TRANSACTIONS

During the year, the Group conducted certain continuing related party transactions, as disclosed in note 41 (Related party transactions) of the audited consolidated financial statements of the Company for the year ended 31 December 2019, 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 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 rental and management fee paid by COSCO SHIPPING Ports Management for the year ended 31 December 2019 was HK$15,791,000.

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.

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 2019 was RMB2,955,728,000.

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 2019 was RMB320,577,000.

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 2019, 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.

As the Financial Services Master Agreement expired on 31 December 2019, and it was expected that the Group would continue to enter into transactions of similar nature to transactions under the Financial Services Master Agreement, the Company had entered into a new financial services master agreement on 30 October 2019 with COSCO SHIPPING for a term of three years from 1 January 2020 to 31 December 2022.

(3) MASTER AGREEMENTS RELATING TO SHIPPING AND TERMINAL RELATED SERVICES TRANSACTIONS (COLLECTIVELY, THE "SHIPPING AND TERMINAL RELATED SERVICES MASTER AGREEMENTS")

On 30 October, 22 November and 23 November 2018 respectively, the Company and certain of its subsidiaries entered into the following master agreements each for a term of three years from 1 January 2019 to 31 December 2021:

(1) COSCO SHIPPING Shipping Services and Terminal Services Master Agreement entered into between the Company and COSCO SHIPPING on 22 November 2018 in respect of the following transactions:

(a) Provision of shipping related services by the Group to COSCO SHIPPING, its subsidiaries and associates (excluding the Group) (collectively, the "COSCO SHIPPING Group"), being the terminal services which are related to the shipping business carried out by COSCO SHIPPING, including but not limited to handling, storage, stevedoring, transshipment, maintenance of cargoes and provision of container storage space and terminal facilities, and other ancillary services. The annual caps of the aggregate amount receivable by the Group from the COSCO SHIPPING Group for such services for the three years ended 31 December 2019, 2020 and 2021 are RMB2,337,172,000, RMB3,369,639,000 and RMB4,127,542,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2019 was RMB1,626,723,000.

(b) Provision of terminal related services by the relevant members of COSCO SHIPPING Group to the Group being the shipping services which are related to the terminal business carried out by the Company, including but not limited to the provision of manpower services, cargo handling services, logistics services, purchase of materials, supply of fuel and oil products (including but not limited to diesel oil, fuel oil, lubricating oil, hydraulic oil and transmission oil) and subsidy on port construction fee, and other ancillary services. The annual caps of the aggregate amount payable by the Group to the COSCO SHIPPING Group for such services for the three years ended 31 December 2019, 2020 and 2021 are RMB163,097,000, RMB238,172,000 and RMB358,201,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2019 was RMB70,982,000.

It was agreed that the service fees payable by the relevant members of the COSCO SHIPPING 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) Maersk Line Shipping Services Master Agreement entered into between the Company and Maersk Line A/S in its own capacity and for and on behalf of entities trading under the names of Maersk Line, Safmarine, MCC Transport, Sealand and Hamburg Süd and any other future entities where Maersk Line A/S holds a majority ownership (collectively, the "Maersk Line") on 30 October 2018 in respect of the provision of shipping related services, including but not limited to handling, storage, stevedoring, transshipment, maintenance of cargoes, provision of container storage space and terminal facilities, by members of the Group to the Maersk Line.

The annual caps of the aggregate amount receivable by the Group from the Maersk Line for such services for the three years ended 31 December 2019, 2020 and 2021 are RMB1,079,447,000, RMB1,385,889,000 and RMB1,722,381,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2019 was RMB629,069,000.

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

(3) GZ Port Company Container Terminal Services Master Agreement entered into between 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") on 23 November 2018 in respect of the following transactions:

(a) Provision of terminal related services, including but not limited to cargo inspection related services, leasing of frontloaders, port related services (including without limitation, provision of berths, loading and unloading, inspection, transportation, shifting, boxing and unboxing of containers, transshipment of passenger liners, operation and management of transshipment of cargoes and provision of container storage space), provision of vehicles for hire, repairing services to pontoon, leasing of terminal areas and provision of machinery, and all other ancillary and related services, by GZ South China to GZ Port Company and its subsidiaries and branches (collectively, the "GZ Port Company Group"). 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 2019, 2020 and 2021 are RMB86,972,000, RMB113,063,000 and RMB146,982,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2019 was RMB24,604,000.

(b) Provision of terminal related services, including but not limited to container handling services, provision of fuel and oil, port related services (including without limitation, provision of berths, cargoes loading and unloading, operation and management of transshipment of cargoes, transshipment and transportation of containers, and provision of container storage space), inspection center services, construction services, electricity supply services, supervision services, surveying services, pollution prevention, manpower services relating to the appointment of seconded staff, leasing and maintenance of frontloaders, floating cranes and pontoons, logistics services, customs declaration and inspection declaration services, procurement and purchase of tyres and materials, marketing centers services (which are mainly in the nature of market expansion, sales and promotion and external coordination) and all other ancillary and related services, by members of the 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 2019, 2020 and 2021 are RMB490,435,000, RMB629,866,000 and RMB810,355,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2019 was RMB40,293,000.

It was agreed that the terms (including without limitation, the service fees) for the provision of services by members of the GZ Port Company Group shall 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, and the terms (including without limitation, the service fees) for the provision of services by GZ South China shall be no less favourable to GZ South China (as service providing party) than terms offered by it to independent third parties for the relevant services.

(4) GZ Port Holding Container Terminal Services Master Agreement entered into between GZ South China and Guangzhou Port Group Company Limited ("GZ Port Holding") on 23 November 2018 in respect of the provision of terminal related services, including but not limited to property management, property cleaning, pest control and garbage clean up services, "shuttle bus" service, provision of vehicle for staff commuting, safety management, security services, training services, printing services, marketing centers services (which are mainly in the nature of market expansion, sales and promotion and external coordination) and travel agency services, by GZ Port Holding and its subsidiaries, branches and associates (but excluding GZ Port Company, its subsidiaries and branches) (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 2019, 2020 and 2021 are RMB46,963,000, RMB61,052,000 and RMB79,367,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2019 was RMB16,480,000.

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 shall be no less favourable to GZ South China than terms available to GZ South China from independent third parties for the relevant services.

(5) Xiamen Container Terminal Services Master Agreement entered into between 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") on 30 October 2018 in respect of the following transactions:

(a) Provision of terminal related services, including but not limited to project management services, manpower services (including the appointment of seconded staff), inspection services, agency services, equipment leasing services, storage leasing services and all other ancillary and related services, by Xiamen Haicang Holding and its subsidiaries, branches and associates (but excluding Xiamen Ocean Gate) (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 2019, 2020 and 2021 are RMB56,000,000, RMB62,000,000 and RMB68,000,000 respectively. The total amount for the aforesaid transactions for the year ended 31 December 2019 was RMB12,398,000.

(b) Provision of terminal related services, including but not limited to loading and unloading services, storage services, manpower services, management services and all other ancillary and related services, by Xiamen Ocean Gate to members of the Xiamen Haicang Group. The annual caps of the aggregate amount receivable by Xiamen Ocean Gate from the Xiamen Haicang Group for such services for the three years ended 31 December 2019, 2020 and 2021 are RMB6,400,000, RMB7,000,000 and RMB7,600,000 respectively. The total amount for the aforesaid transactions for the year ended 31 December 2019 was RMB1,136,000.

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

(6) Yangzhou Terminal Services Master Agreement entered into between Yangzhou Yuanyang International Ports Co., Ltd. ("Yangzhou Yuanyang", a then subsidiary of the Company) and Yangzhou Port of Jiangsu Province Group Co., Ltd. ("Yangzhou Port Holding") on 30 October 2018 in respect of the following transactions:

(a) Provision of terminal related services, including without limitation, port related services (including without limitation, provision of berths, operation and management of loading and unloading of cargoes, terminal transshipment and transportation, and provision of cargo storage space), manpower services by the appointment of management officials, and all other ancillary and related services, by Yangzhou Port Holding and its subsidiaries, branches and associates (excluding Yangzhou Yuanyang) (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 2019, 2020 and 2021 are RMB46,007,000, RMB50,319,000 and RMB55,062,000 respectively. The total amount for the aforesaid transactions for the year ended 31 December 2019 was RMB4,185,000.

(b) Provision of terminal related services by Yangzhou Yuanyang to members of the Yangzhou Port Group, including without limitation, port related services (including without limitation, provision of berths). The annual caps of the aggregate amount receivable by Yangzhou Yuanyang from the Yangzhou Port Group for such services for the three years ended 31 December 2019, 2020 and 2021 are RMB31,847,000, RMB31,900,000 and RMB32,090,000 respectively. The total amount for the aforesaid transactions for the year ended 31 December 2019 was RMB25,749,000.

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 Yangzhou Yuanyang from independent third parties for the relevant services, and the terms (including without limitation, the service fees) for the provision of services by Yangzhou Yuanyang shall be no less favourable to Yangzhou Yuanyang (as service providing party) than terms offered by it to independent third parties for the relevant services.

(7) Zhangjiagang Container Terminal Services Master Agreement entered into between Zhangjiagang Win Hanverky Container Terminal Co., Ltd. ("Zhangjiagang Win Hanverky", a then subsidiary of the Company) and Zhangjiagang Port Group Co., Ltd. ("Zhangjiagang Port") on 30 October 2018 in respect of the provision of terminal related services, including without limitation, port related services (including without limitation, provision of berths lifting and dropping, unpacking, tallying, packing services, etc.), electricity and fuel supply services, maintenance services, manpower services relating to the appointment of management officials, property cleaning and greening bonsai services, terminal and site repair and renovation services, processed steel wire ropes and power substation management services, and all other ancillary and related services, by Zhangjiagang Port and its subsidiaries, branches and associates (excluding Zhangjiagang Win Hanverky) (collectively, the "Zhangjiagang Port Group") to Zhangjiagang Win Hanverky.

The annual caps of the aggregate amount payable by Zhangjiagang Win Hanverky to the Zhangjiagang Port Group for such services for the three years ended 31 December 2019, 2020 and 2021 are RMB59,465,000, RMB77,898,000 and RMB107,058,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2019 was RMB10,937,000.

It was agreed that the terms (including without limitation, the service fees) for the provision of services by members of the Zhangjiagang Port Group shall be no less favourable to Zhangjiagang Win Hanverky than terms available to Zhangjiagang Win Hanverky from independent third parties for the relevant services.

(8) Lianyungang Terminal Services Master Agreement entered into between Lianyungang New Oriental International Terminals Co., Ltd. ("Lianyungang New Oriental", a subsidiary of the Company) and Lianyungang Port Group Co., Ltd. ("Lianyungang Port") on 30 October 2018 in respect of the following transactions:

(a) Provision of terminal related services, including but not limited to port facility leasing and maintenance services; port and waterway facilities projects, construction projects, water supply and drainage projects, mechanical and electrical equipment installation projects, road and bridge projects, intelligent building projects, communication conduit design and construction projects; port dredging operations; software development and systems integration; network technology services; environmental project supervision and environmental technology testing services; telecommunications construction projects; catering services; labour services (excluding labour arrangement); measuring instrument testing and weighing equipment installation verification; supply of metal materials, plastic products, rubber products, chemical materials, electrical machinery and equipment, bearings, fasteners, instrumentation and weighing instruments, sales of workplace safety supplies; waste materials recycling; ethanol gasoline supply, diesel retail; gas sales; port railway transportation; electricity and water supply for port area, by Lianyungang Port and its subsidiaries, branches and associates (but excluding Lianyungang New Oriental) (collectively, the "Lianyungang Port Group") to Lianyungang New Oriental. The annual caps of the aggregate amount payable by Lianyungang New Oriental to the Lianyungang Port Group for such services for the three years ended 31 December 2019, 2020 and 2021 are RMB76,160,000, RMB89,600,000 and RMB101,950,000 respectively. The total amount for the aforesaid transactions for the year ended 31 December 2019 was RMB64,173,000.

(b) Provision of terminal related services, including but not limited to container or bulk cargo handling (including barge), warehousing and storage, intra-port transfer, container consolidation and devanning; port facilities and equipment and port machinery leasing; dangerous goods port operations (under the scope of the "Dangerous Goods Port Operation Approval Certificate"), by Lianyungang New Oriental to members of the Lianyungang Port Group. The annual caps of the aggregate amount receivable by Lianyungang New Oriental from the Lianyungang Port Group for such services for the three years ended 31 December 2019, 2020 and 2021 are RMB1,500,000, RMB1,500,000 and RMB1,500,000 respectively. The total amount for the aforesaid transactions for the year ended 31 December 2019 was RMB557,000.

It was agreed that the terms (including without limitation, the service fees) for the provision of services by the members of the Lianyungang Port Group shall be no less favourable to Lianyungang New Oriental (as service receiving party) than terms available to Lianyungang New Oriental from independent third parties for the relevant services, and the terms (including without limitation, the service fees) for the provision of services by Lianyungang New Oriental shall be no less favourable to Lianyungang New Oriental (as service providing party) than terms offered by it to independent third parties for the relevant services.

Since COSCO SHIPPING is a controlling shareholder of the Company, members of the COSCO SHIPPING Group are connected persons of the Company.

Maersk Line A/S is an associate of a substantial shareholder of a 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. Accordingly, 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 then subsidiary of the Company, and accordingly, Yangzhou Port Holding is a substantial shareholder of a then subsidiary of the Company.

Zhangjiagang Port has a 49% equity interest in Zhangjiagang Win Hanverky, a then subsidiary of the Company, and accordingly, Zhangjiagang Port is a substantial shareholder of a then subsidiary of the Company.

Lianyungang Port has a 45% equity interest in Lianyungang New Oriental, a subsidiary of the Company, and accordingly, Lianyungang Port is a substantial shareholder of a subsidiary of the Company.

The continuing connected transactions under the agreement numbered (1) above was subject to the reporting, annual review, announcement and independent shareholders' approval requirements and was approved by the independent shareholders of the Company at the special general meeting held on 28 December 2018, whilst the transactions under the agreements numbered (2) to (5) were exempted from the independent shareholders' approval requirement (so far as applicable) under Rule 14A.101 of the Listing Rules.

In addition, the transactions under the agreements numbered (6) to (8) did not constitute continuing connected transactions of the Company for the year ended 31 December 2019, since members of the Yangzhou Port Group, members of the Zhangjiagang Port Group and members of the Lianyungang Port Group, were persons connected with insignificant subsidiaries for the relevant period under Rule 14A.09 of the Listing Rules.

After the year ended 31 December 2019, the Company disposed of all its equity interest in Yangzhou Yuanyang and Zhangjiagang Win Hanverky on 10 Feburary 2020.

(4) CONCESSION AGREEMENT

On 25 November 2008, Piraeus Container Terminal S.A. ("PCT"), a wholly owned subsidiary of the Company, 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.

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" each quarter 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. 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 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 Related Services Master Agreements and the Concession Agreement were:

– entered into in the ordinary and usual course of the Group's businesses;

– entered into on normal commercial terms or terms no less favourable to the Group than terms available from/to independent third parties; and

– entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the Shareholders 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 2019 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 2019 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	US$'000
Non-current assets	2,177,461
Current assets	270,210
Current liabilities	(167,706)
Non-current liabilities	(1,917,260)
Net assets	362,705
Share capital	21,288
Reserves	299,988
Non-controlling interest	41,429
Capital and reserves	362,705

As at 31 December 2019, interests in such affiliated companies attributable to the Group amounted to US$400,416,000.

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

FENG Boming
Chairman

Hong Kong, 26 March 2020

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 129 to 234 which comprise:

- the consolidated balance sheet as at 31 December 2019;
- 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 2019, 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, 10, 11, 12 and 13 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, Abu Dhabi and other countries. As at 31 December 2019, there were terminal assets with a total carrying value of property, plant and equipment of US$3,125 million, right-of-use assets of US$938 million, intangible assets of US$456 million approximately, investments in joint ventures with a total carrying amount of US$1,278 million, and investments in associates with a total carrying amount of US$2,753 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.	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, where applicable; • 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;

Key Audit Matter	How our audit addressed the Key Audit Matter
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 2019. 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 terminal 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.	• 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill Refer to notes 3.7(a), 5(b) and 11 to the consolidated financial statements. As at 31 December 2019, the Group had a balance of goodwill of US$169 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 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, 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, 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 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.

- 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, 26 March 2020

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Note	2019 US$'000	2018 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**3,125,239**	3,057,069
Right-of-use assets	10	**937,849**	–
Investment properties	8	**9,566**	17,871
Land use rights	9	**–**	262,507
Intangible assets	11	**455,632**	423,811
Joint ventures	12	**1,278,125**	1,269,250
Loans to a joint venture	12	**23,113**	23,812
Associates	13	**2,752,908**	2,578,830
Loans to associates	13	**147,121**	150,269
Financial asset at fair value through profit or loss	15	**–**	72,771
Financial assets at fair value through other comprehensive income	14	**173,375**	183,263
Deferred income tax assets	16	**95,333**	94,648
Other non-current assets	17	**5,776**	54,991
		9,004,037	8,189,092
Current assets			
Inventories	18	**12,348**	13,837
Trade and other receivables	19	**227,032**	235,421
Current income tax recoverable		**3,711**	413
Restricted bank deposits	40(c)	**30,285**	63,674
Cash and cash equivalents	40(c)	**927,194**	543,015
		1,200,570	856,360
Assets classified as held for sale	21	**271,911**	–
		1,472,481	856,360
Total assets		**10,476,518**	9,045,452
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	22	**40,596**	39,971
Reserves		**4,954,865**	5,125,241
		4,995,461	5,165,212
Non-controlling interests		**769,744**	654,438
Total equity		**5,765,205**	5,819,650

CONSOLIDATED BALANCE SHEET

	Note	**2019 US$'000**	2018 US$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	16	**135,043**	107,672
Lease liabilities	10	**733,948**	–
Long term borrowings	24	**2,407,664**	2,283,529
Loans from non-controlling shareholders of a subsidiary	25(a)	**484**	685
Loans from a fellow subsidiary	25(b)	**–**	8,870
Derivative financial instruments	29	**8,878**	7,358
Put option liability	28	**217,711**	–
Other long term liabilities	26	**35,035**	36,880
		3,538,763	2,444,994
Current liabilities			
Trade and other payables and contract liabilities	27	**586,963**	565,209
Current income tax liabilities		**14,338**	16,079
Current portion of lease liabilities	10	**36,425**	–
Current portion of long term borrowings	24	**228,957**	87,824
Short term borrowings	24	**279,829**	108,550
Derivative financial instruments	29	**3,209**	3,146
		1,149,721	780,808
Liabilities directly associated with assets classified as held for sale	21	**22,829**	–
		1,172,550	780,808
Total liabilities		**4,711,313**	3,225,802
Total equity and liabilities		**10,476,518**	9,045,452

On behalf of the Board

FENG Boming
Executive Director and Chairman of the Board

ZHANG Dayu
Executive Director and Managing Director

The accompanying notes on pages 137 to 234 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the Year Ended 31 December 2019

	Note	2019 US$'000	2018 US$'000
Revenues	6	**1,027,658**	1,000,350
Cost of sales		**(754,934)**	(706,659)
Gross profit		**272,724**	293,691
Administrative expenses		**(123,998)**	(110,871)
Other operating income	30	**94,345**	37,375
Other operating expenses		**(30,561)**	(7,001)
Operating profit	31	**212,510**	213,194
Finance income	32	**12,415**	12,342
Finance costs	32	**(108,863)**	(78,022)
Operating profit (after finance income and costs)		**116,062**	147,514
Share of profits less losses of			
– joint ventures	12	**86,359**	90,969
– associates	13	**181,095**	201,483
Profit before income tax		**383,516**	439,966
Income tax expenses	33	**(33,566)**	(66,042)
Profit for the year		**349,950**	373,924
Profit attributable to:			
Equity holders of the Company		**308,017**	324,583
Non-controlling interests		**41,933**	49,341
		349,950	373,924
Earnings per share for profit attributable to equity holders of the Company			
– Basic	34	**US9.82 cents**	US10.58 cents
– Diluted	34	**US9.82 cents**	US10.57 cents

The accompanying notes on pages 137 to 234 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2019

	2019 US$'000	2018 US$'000
Profit for the year	**349,950**	373,924
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Share of other comprehensive income of an associate		
– other reserves	**2,474**	(4,172)
Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax	**(6,032)**	(64,135)
Items that may be reclassified to profit or loss		
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates	**(74,097)**	(246,247)
Release of reserve upon deemed disposal of an associate	**(24)**	–
Release of reserve upon disposal of an associate	**(1,451)**	–
Release of reserve upon remeasurement of equity investments	**(3,457)**	–
Cash flow hedges, net of tax		
– fair value loss	**(935)**	(1,225)
Share of other comprehensive income of joint ventures and associates		
– exchange reserves	**(1,046)**	(4,821)
– other reserves	**(125)**	345
Other comprehensive loss for the year, net of tax	**(84,693)**	(320,255)
Total comprehensive income for the year	**265,257**	53,669
Total comprehensive income attributable to:		
Equity holders of the Company	**233,976**	39,359
Non-controlling interests	**31,281**	14,310
	265,257	53,669

The accompanying notes on pages 137 to 234 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2019

	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Capital reserve US$'000	Contributed surplus 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 2018 as originally presented	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
Change in accounting policy (note 2.2 (b)(i))	–	–	–	–	–	–	–	–	–	(109,979)	(109,979)	(9,213)	(119,192)
Restated at 1 January 2019	39,971	1,792,882	1,185	(230,552)	115	32,768	10,699	(185,241)	68,782	3,524,624	5,015,262	645,225	5,700,458
Profit for the year	–	–	–	–	–	–	–	–	–	308,017	308,017	41,933	349,950
Release of reserve upon deemed disposal of an associate	–	–	–	(8)	–	–	–	–	(379)	363	(24)	–	(24)
Release of reserve upon disposal of an associate	–	–	–	–	–	–	–	(1,451)	–	–	(1,451)	–	(1,451)
Release of reserve upon remeasurement of equity investments	–	–	–	–	–	–	–	(3,457)	–	–	(3,457)	–	(3,457)
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates	–	–	–	–	–	–	–	(62,615)	–	–	(62,615)	(11,482)	(74,097)
Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	–	(6,032)	–	–	–	–	(6,032)	–	(6,032)
Cash flow hedges, net of tax	–	–	–	–	–	–	–	–	(273)	–	(273)	(662)	(935)
Share of other comprehensive income of joint ventures and associates	–	–	–	–	–	–	–	(2,538)	2,349	–	(189)	1,492	1,303
Total comprehensive income for the year	–	–	–	(8)	–	(6,032)	–	(70,061)	1,697	308,380	233,976	31,281	265,257
Issue of shares on settlement of scrip dividends	625	45,896	–	–	–	–	–	–	–	–	45,896	–	46,521
Fair value of share options granted	–	–	2,282	–	–	–	–	–	–	–	2,282	–	2,282
Recognition of put option liability arising from acquisition of a subsidiary	–	–	–	(212,556)	–	–	–	–	–	–	(212,556)	–	(212,556)
Put option liability movement	–	–	–	–	–	–	–	–	–	(5,155)	(5,155)	–	(5,155)
Share of reserve of joint ventures and associates	–	–	–	(1,886)	–	–	–	–	–	–	(1,886)	–	(1,886)
Capital injection from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	123,284	123,284
Dividends paid to equity holders of the Company													
– 2018 final	–	–	–	–	–	–	–	–	–	(62,885)	(62,885)	–	(62,885)
– 2019 interim	–	–	–	–	–	–	–	–	–	(60,069)	(60,069)	–	(60,069)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(30,046)	(30,046)
	625	45,896	2,282	(214,450)	–	(6,032)	–	(70,061)	1,697	180,271	(60,397)	124,519	64,747
At 31 December 2019	40,596	1,838,778	3,467	(445,002)	115	26,736	10,699	(255,302)	70,479	3,704,895	4,954,865	769,744	5,765,205
Representing:													
Share capital	40,596	–	–	–	–	–	–	–	–	–	–		
Reserves	–	1,838,778	3,467	(445,002)	115	26,736	10,699	(255,302)	70,479	3,640,770	4,890,740		
2019 final dividend proposed	–	–	–	–	–	–	–	–	–	64,125	64,125		
	40,596	1,838,778	3,467	(445,002)	115	26,736	10,699	(255,302)	70,479	3,704,895	4,954,865		

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	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 shareholders 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		

The accompanying notes on pages 137 to 234 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 31 December 2019

	Note	2019 US$'000	2018 US$'000
Cash flows from operating activities			
Cash generated from operations	40(a)	**388,195**	305,446
Interest received		**16,635**	16,080
Tax paid		**(51,566)**	(55,717)
Net cash generated from operating activities		**353,264**	265,809
Cash flows from investing activities			
Dividends received from joint ventures		**73,727**	64,728
Dividends received from associates		**161,640**	102,534
Dividends received from a listed financial asset at fair value through profit or loss		**1,149**	–
Dividends received from listed and unlisted financial assets at fair value through other comprehensive income		**2,008**	2,266
Net cash paid for purchase of subsidiaries	42	**(13,255)**	–
Purchase of property, plant and equipment, right-of-use assets/land use rights and intangible assets		**(242,462)**	(312,824)
Investments in joint ventures		**–**	(59,761)
Investments in associates		**(81,106)**	–
Investments in a financial asset at fair value through profit or loss		**(129,212)**	(68,632)
Repayment of loans to joint ventures		**1,316**	35,299
Proceeds from disposal of property, plant and equipment and intangible assets		**1,636**	6,385
Proceeds from disposal of a subsidiary and an associate		**52,442**	–
Net cash used in investing activities		**(172,117)**	(230,005)

CONSOLIDATED CASH FLOW STATEMENT

	Note	2019 US$'000	2018 US$'000
Cash flows from financing activities			
Loans drawn down		**771,075**	721,073
Loans repaid		**(309,344)**	(514,222)
Loans from a non-controlling shareholder of a subsidiary		**43,711**	43,711
Principal of lease liabilities (2018: Repayment of loans from a fellow subsidiary)		**(19,110)**	(13,471)
Repayment of loans from non-controlling shareholders of subsidiaries		**(98,014)**	(57,135)
Repayment of loan from a joint venture		**(14,510)**	(42,622)
Loan from a joint venture		**17,412**	32,784
Dividends paid to equity holders of the Company		**(76,090)**	(64,773)
Dividends paid to non-controlling shareholders of subsidiaries		**(30,046)**	(36,921)
Payment of lease interest		**(18,617)**	–
Interest paid		**(75,416)**	(63,118)
Other incidental borrowing costs paid		**(2,954)**	(2,830)
Capital injection from non-controlling shareholders of subsidiaries		**–**	5,662
Proceeds from partial disposal of a subsidiary		**–**	8,780
Decrease/(increase) in restricted bank balance		**33,389**	(57,341)
Net cash generated from/(used in) financing activities		**221,486**	(40,423)
Net increase/(decrease) in cash and cash equivalents		**402,633**	(4,619)
Cash and cash equivalents at 1 January		**543,015**	560,067
Exchange differences		**(7,701)**	(12,433)
Cash and cash equivalents at 31 December		**937,947**	543,015
Analysis of cash and cash equivalents			
Time deposits, bank balances and cash		**927,194**	543,015
Cash and cash equivalents of subsidiaries reclassified as assets classified as held for sale	21	**10,753**	–
		937,947	543,015

The accompanying notes on pages 137 to 234 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 Co., Ltd. and China COSCO SHIPPING Corporation Limited ("COSCO SHIPPING"), state-owned enterprises established in the PRC, respectively.

These consolidated financial statements have been approved for issue by the Board of Directors on 26 March 2020.

2 Basis of preparation

The consolidated financial statements for the year ended 31 December 2019 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 for certain financial assets and liabilities (including derivative instruments) and investment properties measured 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 STANDARD, INTERPRETATION, AMENDMENTS AND IMPROVEMENTS TO EXISTING STANDARDS

In 2019, the Group has adopted the following new standard, interpretation, amendments and improvements to existing standards issued by the HKICPA which are mandatory for the financial year ended 31 December 2019:

New standard, interpretation and amendments

HKAS 19 Amendment	Plan Amendment, Curtailment or Settlement
HKAS 28 Amendment	Long-term Interests in Associates and Joint Ventures
HKFRS 9 Amendment	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments

2 Basis of preparation (Continued)

2.1 ADOPTION OF NEW STANDARD, INTERPRETATION, AMENDMENTS AND IMPROVEMENTS TO EXISTING STANDARDS (CONTINUED)

Annual Improvements 2015–2017 Cycle

HKAS 12 Amendment	Income Taxes
HKAS 23 Amendment	Borrowing Costs
HKFRS 3 Amendment	Business Combination
HKFRS 11 Amendment	Joint Arrangements

Except for the impact disclosed below, the adoption of these 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) Adoption of HKFRS 16

The Group has adopted HKFRS 16 from 1 January 2019. HKFRS 16 establishes new accounting requirements on leases which lead to the recognition of lease transactions in lessees' financial statements. HKFRS 16 focuses on whether an arrangement contains a lease or a service agreement and introduces a substantial change to lessee accounting. The previous distinction between operating and finance leases is eliminated for lessee. A right-of-use asset (representing the right to use the leased asset over the lease term) and a lease liability (representing the obligation to pay rentals) are recognised for all leases. The lessor accounting largely remains unchanged.

In accordance with the transition provisions of HKFRS 16, the Group has applied the modified retrospective approach to adopt HKFRS 16. The modified retrospective approach applies the requirements of the standard retrospectively with the cumulative effects of initial application recorded in opening equity on 1 January 2019, and with no restatement of the comparative period. The comparative information continues to be reported under the accounting policies prevailing prior to 1 January 2019.

The Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the Group's lease liabilities on 1 January 2019 was 3.9%. For leases previously classified as finance leases under HKAS 17, the Group transferred the carrying amounts (immediately before transition) of the underlying assets and obligations, previously grouped for financial statements presentation purposes under property, plant and equipment, borrowings, and loans from a fellow subsidiary to right-of-use assets and lease liabilities on 1 January 2019. In addition, land use rights and prepaid operating lease payments included in other non-current assets are grouped as part of the right-of-use assets with effect from 1 January 2019.

2 Basis of preparation (Continued)

2.2 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(a) Adoption of HKFRS 16 (Continued)

In applying HKFRS 16 for the first time, the Group has applied the following practical expedients permitted by the standard:

- Grandfather the definition of a lease for existing contracts at the date of initial application;
- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Use of recognition exemption to leases with a remaining lease term of less than 12 months as at 1 January 2019;
- Use of recognition exemption to leases for which the underlying asset is of low value;
- Exclude of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and
- Use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Set out below is a reconciliation of the operating lease commitments disclosed at 31 December 2018 to lease liabilities recognised on 1 January 2019:

	US$'000
Operating lease commitments disclosed as at 31 December 2018	1,245,640
Operating lease commitments regarding leases not yet commenced	(55,080)
Undiscounted operating lease commitments	1,190,560
Discounted using the lessee's incremental borrowing rate of at the date of initial application	698,962
Finance lease liabilities recognised as at 31 December 2018	17,488
Short-term leases recognised on a straight-line basis as expense	(40)
Low-value leases recognised on a straight-line basis as expense	(11,828)
Adjustments relating to changes in the index or rate affecting variable payments	422
Lease liabilities recognised as at 1 January 2019	705,004
Of which are:	
Current lease liabilities	32,776
Non-current lease liabilities	672,228
	705,004

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied or at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31 December 2018.

2 Basis of preparation (Continued)

2.2 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(b) Effect on adoption of HKFRS 16

(i) Consolidated balance sheet on 1 January 2019

As explained above, HKFRS 16 was adopted without restating comparative information. The resulting reclassifications and adjustments arising from the new accounting policies for leases are therefore not reflected in the comparative balances, but are recognised in the opening consolidated balance sheet on 1 January 2019. The following table shows the impact on adoption.

	As at 31 December 2018 (As originally presented) US$'000	Impact on initial adoption of HKFRS 16 US$'000	As at 1 January 2019 (Restated) US$'000
Consolidated balance sheet (extract)			
Non-current assets			
Property, plant and equipment	3,057,069	(38,650)	3,018,419
Right-of-use assets	–	965,231	965,231
Land use rights	262,507	(262,507)	–
Associates	2,578,830	(51,163)	2,527,667
Other non-current assets	54,991	(42,060)	12,931
Current assets			
Trade and other receivables	235,421	(2,527)	232,894
Equity			
Reserves	5,125,241	(109,979)	5,015,262
Non-controlling interest	654,438	(9,213)	645,225
Non-current liabilities			
Lease liabilities	–	672,228	672,228
Long term borrowings	2,283,529	(473)	2,283,056
Loans from a fellow subsidiary	8,870	(8,870)	–
Current liabilities			
Trade and other payables and contract liabilities	565,209	(7,899)	557,310
Current portion of lease liabilities	–	32,776	32,776
Current portion of long term borrowings	87,824	(246)	87,578

2 Basis of preparation (Continued)

2.2 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(b) Effect on adoption of HKFRS 16 (Continued)

(ii) Consolidated income statement for the year ended 31 December 2019

	Before adoption of HKFRS 16 US$'000	Impact on adoption of HKFRS 16 US$'000	As reported US$'000
Consolidated income statement			
Revenue	1,027,658	–	1,027,658
Cost of sales	(755,545)	611	(754,934)
Gross profit	272,113	611	272,724
Administrative expenses	(122,844)	(1,154)	(123,998)
Other operating income	94,345	–	94,345
Other operating expenses	(30,561)	–	(30,561)
Operating profit	213,053	(543)	212,510
Finance income	12,415	–	12,415
Finance costs	(92,766)	(16,097)	(108,863)
Operating profit (after finance income and costs)	132,702	(16,640)	116,062
Share of profits less losses of			
– joint ventures	86,646	(287)	86,359
– associates	187,621	(6,526)	181,095
Profit before income tax	406,969	(23,453)	383,516
Income tax expenses	(33,566)	–	(33,566)
Profit for the year	373,403	(23,453)	349,950
Profit attributable to:			
Equity holders of the Company	328,316	(20,299)	308,017
Non-controlling interests	45,087	(3,154)	41,933
	373,403	(23,453)	349,950

2 Basis of preparation (Continued)

2.3 NEW STANDARD AND AMENDMENTS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019 AND HAVE NOT BEEN EARLY ADOPTED BY THE GROUP

The HKICPA has issued the following new standard and amendments to existing standards which are not yet effective for the year ended 31 December 2019:

		Effective for accounting periods beginning on or after
New standard and amendments		
HKAS 1 and HKAS 8 Amendment	Definition of Material	1 January 2020
HKAS 39, HKFRS 7 and HKFRS 9 Amendment	Interest Rate Benchmark Reform	1 January 2020
HKFRS 3 Amendment	Definition of a Business	1 January 2020
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 17	Insurance contract	1 January 2021
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

The Group has not early adopted the above new standard and amendments to existing standards and will apply these standard and amendments as and when they become effective. The Group has already commenced an assessment of the related impact of these new standard and amendments to the existing standards to the Group. These new standard and amendments to the existing standards are not expected to have a material impact on the consolidated financial statements of the Group.

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.

3 Summary of significant accounting policies (Continued)

3.1 GROUP ACCOUNTING (CONTINUED)

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

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

(c) Subsidiaries

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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.

Non-controlling interest put options are put options over non-controlling interests accounted for using the present access method. Written put options in respect of which the Group does not have an unconditional right to avoid the delivery of cash, are recognised as financial liabilities.

Under this method, the non-controlling interest is not derecognised when the financial liability in respect of the put option is recognised, as the non-controlling interest still has present access to the economic benefits associated with the underlying ownership interest.

Non-controlling interest put options are initially recognised at the present value of expected future cash flows and subsequently re-measured at the present value of expected future cash flows with any changes in value (accretion and interest) through equity.

3 Summary of significant accounting policies (Continued)

3.1 GROUP ACCOUNTING (CONTINUED)

(e) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as joint ventures, associates or financial assets. In addition, any amounts previously recognised in other comprehensive income ("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.

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

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

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 other comprehensive income 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.

Investment in an associate or a joint venture acquired from the Group's contribution of a non-monetary asset is the cost of the asset contributed adjusted by the gain or loss recognised (to the extent of additional interest acquired), any transaction costs and contingent consideration.

3 Summary of significant accounting policies (Continued)

3.1 GROUP ACCOUNTING (CONTINUED)

(f) Joint ventures/associates (Continued)

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.

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.

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 Summary of significant accounting policies (Continued)

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 fair value through profit or loss ("FVPL"), are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as fair value through other comprehensive income ("FVOCI"), are recognised in OCI.

(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.

3 Summary of significant accounting policies (Continued)

3.3 FOREIGN CURRENCY TRANSLATION (CONTINUED)

(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.

3.4 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.

Freehold land with unlimited useful life is not depreciated.

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:

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 Summary of significant accounting policies (Continued)

3.5 LEASES

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is lessee. The new policy is described below and the impact of the change in note 2.2.

Until 31 December 2018, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to decide on whether to exercise an extension option (or not to exercise a termination option). Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

3 Summary of significant accounting policies (Continued)

3.5 LEASES (CONTINUED)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Some concession leases contain variable payment terms that are linked to revenue or throughput generated from a port. For individual ports, lease payments are on the basis of variable payment terms with a wide range of percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for port operations. Variable lease payments that depend on revenue or throughput are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the ownership of the underlying asset is transferred by the end of the lease term or if the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mainly comprise IT equipment.

3 Summary of significant accounting policies (Continued)

3.5 LEASES (CONTINUED)

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

The accounting policies applicable to the Group as a lessor are not different from those under HKAS 17.

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 Summary of significant accounting policies (Continued)

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.

(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

Concession primarily resulted from the entering of agreement for the right to construct, operate, manage and develop container terminals. Concession is 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 Summary of significant accounting policies (Continued)

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.

3.9 INVESTMENTS AND OTHER FINANCIAL ASSETS

(a) Classification

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.

3 Summary of significant accounting policies (Continued)

3.9 INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

(c) Measurement (Continued)

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 measure 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.

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

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.

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 Group 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 29. Movements in the hedging reserve in shareholders' equity are shown in note 29. 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.

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 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.

3.16 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 Summary of significant accounting policies (Continued)

3.17 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.

3.18 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.

3.19 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.

3.20 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)

3.20 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.

3 Summary of significant accounting policies (Continued)

3.21 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)

3.22 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 obligations, 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.

(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.

3.23 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.

3.24 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.

3.25 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)

3.26 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.

3.27 ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

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.

4 Financial risk management (Continued)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

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$3,172,000 (2018: increased/decreased by US$4,484,000) as a result of the translation of those Non-Functional Currency Items.

(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 14) or financial asset at FVPL (note 15). 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/lease liabilities, long term and short term borrowings (collectively "Interest Bearing Liabilities"). Borrowings are primarily issued at variable rates which therefore expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Generally, the Group raises long term and short term borrowings at floating rates as well as fixed rates, based upon the capital market conditions and the Group's internal requirements. Interest rate swaps with financial institutions are used to achieve the optimum ratio between fixed and floating rates and to manage the related interest rate exposure.

With all other variables held constant, if the interest rate had increased/decreased by 50 basis-points, the corresponding increase/decrease in net finance costs (representing interest expenses on Interest Bearing Liabilities net of interest income on the Interest Bearing Assets) would have been approximately US$3,652,000 (2018: US$3,641,000).

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 rate of the swaps range between 0.61% and 1.22% (2018: 0.61% and 1.22%) and the variable rates of the loan are between 1.5% and 2.25% (2018: 1.5% and 2%) above the 6-month EURIBOR.

4 Financial risk management (Continued)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(a) Market risk (Continued)

(iii) Cash flow and fair value interest rate risk (Continued)

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:

	2019 US$'000	2018 US$'000
Interest rate swaps		
Carrying amount (liabilities)	**12,087**	10,504
Notional amount	**272,523**	278,293
Maturity date	**2022–2024**	2022–2024
Hedge ratio	**1.1**	1.1
Change in fair value of outstanding hedging instruments since 1 January	**(935)**	(1,225)
Change in value of hedged item used to determine hedge effectiveness	**935**	1,225

(b) Credit risk

(i) Risk management

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.

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 months 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.

4 Financial risk management (Continued)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (Continued)

(i) Risk management (Continued)

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 2019, approximately 64% (31 December 2018: 55%) of the Group's bank balances were placed with state-owned and listed banks. Management considers theses balances are subject to low credit risk.

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

(c) Liquidity risk

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

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

	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 2019				
Bank and other borrowings	**602,735**	**347,858**	**1,830,974**	**517,332**
Lease liabilities	**45,271**	**36,110**	**121,254**	**1,160,040**
Loans from non-controlling shareholders of subsidiaries	**92,854**	**15**	**514**	**–**
Trade and other payables	**494,279**	**–**	**–**	**–**
Derivative Financial Instruments	**3,210**	**3,116**	**5,761**	**–**
Put option liability	**–**	**–**	**–**	**280,000**
At 31 December 2018				
Bank and other borrowings	272,045	300,036	1,485,887	757,257
Loans from non-controlling shareholders of a 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	–

4 Financial risk management (Continued)

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 2019, the net debt-to-total equity ratio is 34.0% (2018: 32.2%).

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.

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 2019 and 2018:

As at 31 December 2019

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
Financial assets at FVOCI	**143,680**	**–**	**29,695**	**173,375**
Derivative financial instruments				
– interest rate swap	**–**	**12,087**	**–**	**12,087**
Put option liability	**–**	**–**	**217,711**	**217,711**

As at 31 December 2018

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial asset 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

4 Financial risk management (Continued)

4.3 FAIR VALUE ESTIMATION (CONTINUED)

(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.

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 2019, 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 of 20% is applied to compute the fair value on top of market price/book multiples. While the fair value of the put option liability is determined based on discounted cash flow prepared by management discounted at a post-tax rate of 9.25%. These financial assets at FVOCI and put option liability are included in level 3.

The movements in financial instruments included in level 3 are as follows:

i) Unlisted financial assets at FVOCI

	2019 US$'000
At 1 January	**30,186**
Translation differences	**(491)**
At 31 December	**29,695**

ii) Put option liability

	2019 US$'000
At 1 January	**–**
Addition	**212,556**
Remeasurement	**5,155**
At 31 December	**217,711**

4 Financial risk management (Continued)

4.3 FAIR VALUE ESTIMATION (CONTINUED)

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

The valuation technique and inputs used in the fair value measurements within Level 3 are summarised as follows:

Description	Fair value at		Valuation techniques	Unobservable inputs
	31 December 2019 US$'000	31 December 2018 US$'000		
Unlisted equity security:				
Port industry	**29,695**	30,186	Market multiples	price/book multiples (i), discount for lack of marketability (ii)
Put option liability	**217,711**	–	Discounted cash flow	Discount rate, revenue growth rate and operating margin

(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.

(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.

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.

5 Critical accounting estimates and judgements (Continued)

(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 11.

(c) ACQUISITION OF A SUBSIDIARY

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

(d) 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 16).

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.

(e) 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:

	2019 **US$'000**	2018 US$'000
Terminal operations income related to rendering of port and related services	**1,027,658**	1,000,350

6 Revenues and segment information (Continued)

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, right-of-use assets, investment properties, intangible assets, inter-segment loans, other receivables and prepayments and cash and cash equivalents.

(a) OPERATING SEGMENTS

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

Segment assets

	Terminals and related businesses US$'000	Others US$'000	Elimination US$'000	Total US$'000
At 31 December 2019				
Segment assets	**9,741,724**	**1,281,322**	**(546,528)**	**10,476,518**
Segment assets include:				
Joint ventures	**1,278,125**	**–**	**–**	**1,278,125**
Associates	**2,752,908**	**–**	**–**	**2,752,908**
Financial assets at FVOCI	**173,375**	**–**	**–**	**173,375**
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

6 Revenues and segment information (Continued)

(a) OPERATING SEGMENTS (CONTINUED)

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 2019				
Revenues – total sales	**1,027,658**	**–**	**–**	**1,027,658**
Segment profit/(loss) attributable to equity holders of the Company	**354,025**	**(46,008)**	**–**	**308,017**
Segment profit/(loss) attributable to equity holders of the Company includes:				
Finance income	**1,196**	**35,754**	**(24,535)**	**12,415**
Finance costs	**(82,952)**	**(50,420)**	**24,509**	**(108,863)**
Share of profits less losses of				
– joint ventures	**86,359**	**–**	**–**	**86,359**
– associates	**181,095**	**–**	**–**	**181,095**
Income tax (expenses)/credit	**(40,081)**	**6,515**	**–**	**(33,566)**
Depreciation and amortisation	**(186,549)**	**(3,511)**	**–**	**(190,060)**
Other non-cash expenses	**(984)**	**–**	**–**	**(984)**
Additions to non-current assets	**(397,500)**	**(2,117)**	**–**	**(399,617)**
Additions arising from business combinations	**(164,391)**	**–**	**–**	**(164,391)**

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 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)

(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.

	2019 US$'000	2018 US$'000
Terminals and related businesses		
– Mainland China (excluding Hong Kong)	**467,532**	459,860
– Europe	**554,525**	540,490
– Others	**5,601**	–
	1,027,658	1,000,350

(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, right-of-use assets, 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, Peru, Turkey, the Netherlands, Italy, Egypt, Hong Kong, Singapore and Taiwan.

	2019 US$'000	2018 US$'000
Mainland China (excluding Hong Kong)	**5,208,350**	5,270,666
Europe	**1,585,630**	1,246,419
Others	**1,771,115**	1,147,244
	8,565,095	7,664,329

7 Property, plant and equipment

	Land and 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 2019	1,990,931	6,344	1,361,625	441,846	3,800,746
Adjustment for change in accounting policies (note 2.2)	–	–	(82,063)	10,688	(71,375)
Restated opening cost	1,990,931	6,344	1,279,562	452,534	3,729,371
Exchange differences	(35,162)	(87)	(24,478)	(4,069)	(63,796)
Additions	3,725	126	14,776	285,625	304,252
Acquisition of subsidiaries (note 42)	116,869	–	124	33,216	150,209
Transfer to assets classified as held for sale (note 21)	(171,543)	(153)	(72,318)	(28,802)	(272,816)
Disposals	(381)	(285)	(7,140)	–	(7,806)
Transfers	202,829	42	168,102	(357,985)	12,988
At 31 December 2019	2,107,268	5,987	1,358,628	380,519	3,852,402
Accumulated depreciation					
At 1 January 2019	327,437	3,966	412,274	–	743,677
Adjustment for change in accounting policies (note 2.2)	–	–	(32,725)	–	(32,725)
Restated opening accumulated depreciation	327,437	3,966	379,549	–	710,952
Exchange differences	(6,303)	(57)	(6,860)	–	(13,220)
Depreciation charge for the year	54,437	365	76,326	–	131,128
Transfer to assets classified as held for sale (note 21)	(46,942)	(124)	(38,516)	–	(85,582)
Disposals	(87)	(285)	(6,416)	–	(6,788)
Transfers	(16,709)	–	7,382	–	(9,327)
At 31 December 2019	311,833	3,865	411,465	–	727,163
Net book value					
At 31 December 2019	1,795,435	2,122	947,163	380,519	3,125,239

7 Property, plant and equipment (Continued)

	Land and 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:

(a) As at 31 December 2019, certain other property, plant and equipment with an aggregate net book value of US$296,323,000 (2018: US$83,094,000) were pledged as security for banking facilities granted to the Group (note 24(g)).

(b) During 2019, the Group transferred from right-of-use assets with an aggregate net book value of US$23,121,000 to other property, plant and equipment at the time of expiry of finance lease and transferred land and buildings outside Hong Kong with an aggregate net book value of US$806,000 to investment properties. During 2018, the Group transferred buildings outside Hong Kong with an aggregate net book value of US$1,973,000 to investment properties 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.

(c) During the year, interest expenses of US$22,598,000 (2018: US$6,887,000) was capitalised in construction in progress (note 32).

(d) As at 31 December 2018, terminal buildings and equipment under finance leases with net book value of approximately US$49,338,000 were accounted for as property, plant and equipment, and the balance of approximately US$16,769,000 in respect of such finance lease arrangements was included in loans from a fellow subsidiary (note 25(b)).

From 2019, right-of-use assets are presented as a separate item in consolidated balance sheet, see note 10. Refer to note 2.2 for details of the change in accounting policies.

(e) As at 31 December 2019, a freehold land amounted US$100,475,000 (2018: nil) included in land and buildings outside Hong Kong.

8 Investment properties

	2019 US$'000	2018 US$'000
At 1 January	**17,871**	8,410
Exchange differences	**(229)**	(574)
Disposal	**(74)**	–
Transfer to assets classified as held for sale (note 21)	**(8,808)**	–
Transfer from property, plant and equipment and land use rights (note 7&9)	**806**	10,035
At 31 December	**9,566**	17,871

Notes:

(a) The Group measured its investment properties at fair value. The investment property amounted to US$5,086,000 as at 31 December 2019 was revalued on an open market value basis by China Tong Cheng Assets Appraisals Company Limited, independent professional property valuer 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. The berths and certain buildings situated in PRC were transferred to assets classified as held for sale as at 31 December 2019. For minimum lease payments receivable on leases of investment properties, refer to note 39.

(c) In 2019 and 2018, the valuations for PRC berths, buildings and office units are derived using income capitalisation method. The valuation for the Hong Kong residential property is derived using direct comparison method in 2019 (2018: market 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 2019, capitalisation rate of 7.5% and 7.75% (2018: 7.5%) are used in income capitalisation method for PRC berths, buildings and office units. In 2018, 2% is used in the income capitalisation method for the Hong Kong residential property.

Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration. As at 31 December 2019, unit price of HK$26,000 per square feet is used in the direct comparison method (2018: nil).

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:

	2019 US$'000	2018 US$'000
At 1 January	**262,507**	278,706
Adjustment for change in accounting policy (note (b))	**(262,507)**	–
Restated at 1 January	**–**	278,706
Exchange differences	**–**	(13,266)
Additions	**–**	12,066
Transfer to investment properties (note 8)	**–**	(8,062)
Amortisation	**–**	(6,937)
At 31 December	**–**	262,507

Notes:

(a) 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.

(b) Land use rights were reclassified to right-of-use assets from 1 January 2019 following the adoption of HKFRS 16.

10 Leases

(a) AMOUNTS RECOGNISED IN THE CONSOLIDATED BALANCE SHEET

The consolidated balance sheet shows the following amounts relating to leases:

	31 December 2019 US$'000	1 January 2019 US$'000
Right-of-use assets		
Concession	**698,805**	642,004
Buildings	**4,203**	11,115
Plant and machineries	**15,240**	49,605
Land use rights (note (ii))	**219,601**	262,507
	937,849	965,231
Lease liabilities		
Current	**36,425**	32,776
Non-current	**733,948**	672,228
	770,373	705,004

Notes:

(i) In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under HKAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings and loans from a fellow subsidiary. For adjustments recognised on adoption of HKFRS 16 on 1 January 2019, please refer to note 2.2.

(ii) The Group has land lease arrangement with mainland China government.

(iii) As at 31 December 2019, certain concession and land use rights with aggregate net book value of US$46,546,000 (2018: US$46,580,000) were pledged as security for banking facilities granted to the Group (note 24(g)).

Additions to the right-of-use assets during the 2019 financial year were US$74,169,000, where US$73,537,000 related to concession arrangement with a fellow subsidiary.

10 Leases (Continued)

(b) AMOUNTS RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

The consolidated income statement shows the following amounts relating to leases:

	Note	2019 US$'000
Depreciation charge of right-of-use assets		
Concession		23,490
Buildings		5,093
Plant and machineries		2,393
Land use rights		6,354
	31	37,330
Interest expense (included in finance cost)	32	16,697
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)		4,175
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)		1,225
Expense relating to variable lease payments not included in lease liabilities (included in cost of sales)		70,005

The total cash outflow for leases in 2019 was US$113,132,000.

(c) THE GROUP'S LEASING ACTIVITIES AND HOW THESE ARE ACCOUNTED FOR

The Group leases various concession, buildings, plant and machineries and land use rights. Rental contracts are typically made for fixed periods of 12 months to 50 years, but may have extension options as described in (e) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(d) VARIABLE LEASE PAYMENTS

Some of the concession agreements consist of variable payments based on the performance of the entity. Variable lease payments based on revenue or throughput are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

A 1% increase in revenue or throughput relating to concession in the Group with such variable lease arrangements would increase total lease payments by approximately US$616,000 and US$91,000 respectively.

(e) EXTENSION AND TERMINATION OPTIONS

Extension and termination options are included in a number of concession rights across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

11 Intangible assets

	Computer software		Computer systems under development		Concession		Customer relationships		Goodwill		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	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	**22,029**	19,161	**1,621**	2,441	**250,672**	265,430	**48,022**	47,367	**131,790**	136,446	**454,134**	470,845
Exchange differences	**(380)**	(1,846)	**(43)**	(82)	**(4,113)**	(19,563)	**–**	655	**(2,629)**	(4,656)	**(7,165)**	(25,492)
Additions	**7,561**	2,424	**9,386**	4,831	**4,249**	1,889	**–**	–	**–**	–	**21,196**	9,144
Acquisition of subsidiaries (note 42)	**–**	–	**–**	–	**–**	–	**–**	–	**40,074**	–	**40,074**	–
Disposals	**(38)**	(9)	**(2)**	–	**(1,334)**	(354)	**–**	–	**–**	–	**(1,374)**	(363)
Transfer to assets classified as held for sale (note 21)	**(504)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(504)**	–
Transfers	**–**	2,299	**–**	(5,569)	**–**	3,270	**–**	–	**–**	–	**–**	–
At 31 December	**28,668**	22,029	**10,962**	1,621	**249,474**	250,672	**48,022**	48,022	**169,235**	131,790	**506,361**	454,134
Accumulated amortisation												
At 1 January	**9,598**	8,883	**–**	–	**16,457**	9,474	**4,268**	629	**–**	–	**30,323**	18,986
Exchange differences	**(154)**	(1,379)	**–**	–	**(222)**	(7,387)	**(89)**	(134)	**–**	–	**(465)**	(8,900)
Amortisation for the year	**3,048**	2,100	**–**	–	**14,966**	14,405	**3,588**	3,773	**–**	–	**21,602**	20,278
Disposals	**(37)**	(6)	**–**	–	**(396)**	(35)	**–**	–	**–**	–	**(433)**	(41)
Transfer to assets classified as held for sale (note 21)	**(298)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(298)**	–
At 31 December	**12,157**	9,598	**–**	–	**30,805**	16,457	**7,767**	4,268	**–**	–	**50,729**	30,323
Net book value												
At 31 December	**16,511**	12,431	**10,962**	1,621	**218,669**	234,215	**40,255**	43,754	**169,235**	131,790	**455,632**	423,811

IMPAIRMENT TEST FOR GOODWILL

Goodwill is allocated to the Group's CGUs that are expected to benefit from business combination which primarily arises from acquisition of terminal operations. 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 2019 and 2018, the recoverable amount of the Group is determined based on value-in-use calculations. These calculations use 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. Cash flow projections of CGU with significant amount of goodwill in Spain are based on long-range financial forecasts using an estimated average revenue growth rate of 3.3% (2018: 3.3%) and average operating margin of 25.4% (2018: 24.6%) up to 2052, the expected operation period, except for certain years where certain concession expire under the current agreement. Future cash flows are discounted at a post-tax rate of 8% (equivalent to a pre-tax rate of 10.6%) (2018: post-tax rate of 8% (equivalent to a pre-tax rate of 10.4%)).

Assuming discount rate increased by 50 basis points, total impairment charge of US$9,758,000 would be recognised for the goodwill in terminals and related business segment at 31 December 2019 (2018: nil).

12 Joint ventures

	2019 US$'000	2018 US$'000
Investment in joint ventures (including goodwill on acquisitions) (note a)	**1,135,366**	1,126,491
Equity loan to a joint venture (note b)	**142,759**	142,759
	1,278,125	1,269,250
Loans to a joint venture (note c)	**23,113**	23,812

Notes:

(a) The carrying amount of goodwill on acquisitions of joint ventures amounted to US$66,343,000 (2018: US$66,143,000), 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 (2018: US$31,435,000) and US$34,795,000 (2018: US$34,594,000).

(b) The balance is equity in nature, unsecured, interest free and has no fixed terms of repayment.

(c) As at 31 December 2018, balance of US$800,000 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 balance was reclassified as current as at 31 December 2019. The remaining balance as at 31 December 2019 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.

(d) There is no joint venture that is individually material to the Group as at 31 December 2019. 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
2019	**1,278,125**	**86,359**	**7**	**86,366**
2018	1,269,250	90,969	190	91,159

(e) There are no contingent liabilities relating to the Group's interest in joint ventures.

(f) Details of the principal joint ventures as at 31 December 2019 are set out in note 46 to the consolidated financial statements.

13 Associates

	2019 US$'000	2018 US$'000
Investment in associates (including goodwill on acquisitions) (note c)	**2,707,908**	2,533,830
Equity loan to an associate (note e)	**45,000**	45,000
	2,752,908	2,578,830
Loans to associates (note d)	**147,121**	150,269

Notes:

(a) Qingdao Port International Co., Ltd. ("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 Sigma and Wattrus. As at 31 December 2019, the quoted market price of the Group's interest in QPI amounted US$854,258,000 (2018: nil).

Set out below are the summarised consolidated financial information for QPI as at and for the year ended 31 December 2019 and 2018, after fair-value adjustments upon acquisition, which is accounted for using the equity method:

Summarised consolidated balance sheet

	QPI 2019 US$'000	QPI 2018 US$'000
Non-current assets	**4,711,572**	4,429,353
Current assets	**2,851,715**	2,676,047
Non-current liabilities	**(1,183,467)**	(915,747)
Current liabilities	**(1,563,823)**	(1,903,092)

Summarised consolidated statement of comprehensive income

	QPI 2019 US$'000	QPI 2018 US$'000
Revenues	**1,764,957**	1,750,668
Profit attributable to equity holders for the year	**549,934**	539,766
Group's share of profits of the associate	**94,512**	95,747

13 Associates (Continued)

(a) **Reconciliation of summarised financial information**

Reconciliation of summarised financial information presented to the carrying amount of the Group's interest in the associates.

Summarised consolidated financial information

	QPI	
	2019	2018
	US$'000	US$'000
Attributable to equity holders		
Opening net assets	**3,931,502**	3,605,291
Profit for the year	**549,934**	539,766
Other comprehensive income/(loss)	**7,106**	(22,664)
Capital injection	**65,928**	–
Other reserves for the year	**222,452**	1,082
Dividends	**(357,613)**	–
Exchange difference	**(69,930)**	(191,973)
Closing net assets	**4,349,379**	3,931,502
Interest in the associate at 17.12% to 18.46% (2018:18.41%)	**803,606**	723,790
Fair value adjustment	**90,679**	102,631
Goodwill	**211,056**	227,736
Carrying amount	**1,105,341**	1,054,157

Set out below are the summarised consolidated financial information for Sigma and Wattrus Group as at and for the year ended 31 December 2019 and 2018, after fair-value adjustments upon acqusitions, which is accounted for using the equity method:

Summarised balance sheet

	Sigma and Wattrus Group	
	2019	2018
	US$'000	US$'000
Non-current assets	**3,698,319**	3,819,566
Current assets	**963,331**	929,414
Non-current liabilities	**(267,219)**	(239,585)
Current liabilities	**(535,400)**	(668,489)

Summarised statement of comprehensive income

	Sigma and Wattrus Group	
	2019	2018
	US$'000	US$'000
Revenues	**963,976**	926,575
Profit attributable to equity holders for the year	**251,518**	253,460
Group's share of profits of associates	**51,687**	52,086

13 Associates (Continued)

(a) **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	
	2019	2018
	US$'000	US$'000
Capital and reserves attributable to equity holders	**2,903,981**	2,900,574
Group's effective interest	**20.55%**	20.55%
Group's share of capital and reserves attributable to equity holders	**596,768**	596,068
Adjustment to cost of investment	**46,860**	46,860
Carrying amount	**643,628**	642,928

(b) In August 2019, 31.073% equity interests in Tianjin Five Continents International Container Terminal Co., Ltd. and 24.5% equity interests in Tianjin Orient Container Terminals Co., Ltd. were disposed to Tianjin Port Container Terminal Co., Ltd. ("TCT") and 16.01% equity interests in TCT were exchanged in return.

In December 2019, the Group stepped up its 4.34% equity interests in Beibu Gulf Port Co., Ltd. from a financial asset at FVPL to a 10.65%, in which the Group has significant influence, associate at a total consideration of RMB890,528,000 (approximate to US$129,212,000).

In December 2019, Nanjing Port Longtan Container Co., Ltd. was disposed of at a consideration of approximately RMB366,123,000 (equivalent to US$52,273,000).

(c) The carrying amount of goodwill on acquisitions of associates amounted to US$277,851,000 (2018: US$299,359,000) which 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$211,056,000 (2018: US$227,736,000), US$20,669,000 (2018: US$20,669,000), US$16,624,000 (2018: US$16,624,000), US$15,846,000 (2018: US$16,172,000), US$7,523,000 (2018:US$7,523,000) and nil (2018: US$4,533,000) respectively.

(d) A balance of US$94,106,000 (2018: US$96,045,000) is unsecured, which bears interest at the aggregate of 2.0% per annum and EURIBOR (2018: 2.0% per annum and EURIBOR), and is repayable in 2024. A balance of US$15,059,000 (2018:US$15,486,000) is unsecured, bears interest at 2.5% per annum above 10-year EURIBOR ICE swap rate (2018: 2.5% per annum above 10-year EURIBOR ICE swap rate) and has no fixed terms of repayment. A balance of US$37,956,000 (2018: US$38,738,000) is unsecured, bears interest at the aggregate of 3.75% per annum and EURIBOR (2018: 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**	**Total comprehensive income**
	US$'000	US$'000	US$'000	US$'000
2019	**1,003,938**	**34,896**	**(365)**	**34,531**
2018	881,745	53,650	(1,689)	51,961

(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 2019 are set out in note 47 to the consolidated financial statements.

14 Financial assets at fair value through other comprehensive income

(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.

(b) EQUITY INVESTMENTS AT FVOCI

Equity investments at FVOCI comprise the following individual investments:

	2019 US$'000	2018 US$'000
Non-current assets		
Listed shares (note i)		
Qinhuangdao Port Co., Ltd.	**8,304**	10,801
Guangzhou Port Holdings Company Limited	**135,376**	142,276
	143,680	153,077
Unlisted investments (note ii)	**29,695**	30,186
	173,375	183,263

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 2019, a financial asset at FVOCI with a fair value of US$35,686,000 (2018: US$37,504,000) was pledged as security for banking facilities granted to the Group (note 24(g)).

(iv) Financial assets at FVOCI are denominated in the following currencies:

	2019 US$'000	2018 US$'000
Hong Kong dollar	**8,304**	10,801
Renminbi	**164,308**	171,684
Euro	**763**	778
	173,375	183,263

(v) Movements of the financial assets at FVOCI during the year are as follows:

	2019 US$'000	2018 US$'000
At 1 January	**183,263**	276,553
Addition	**–**	713
Fair value loss recognised in OCI	**(7,195)**	(84,137)
Exchange differences	**(2,693)**	(9,866)
At 31 December	**173,375**	183,263

15 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.

Financial asset mandatorily measured at FVPL includes the following:

	2019 **US$'000**	2018 US$'000
PRC listed equity security	**–**	72,771

During the year, fair value gain on equity investment at FVPL of US$24,383,000 (2018: US$4,283,000) was recognised in other operating income.

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). In December 2019, the Group further acquired 6.31% equity interests in Beibu Gulf Port Co., Ltd. at a total consideration of approximately RMB890,528,000 (equivalent to approximately US$129,212,000). The Group obtained significant influence with its representative in the board of Beibu Gulf Port Co., Ltd. and it became an associate of the Group since then.

16 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:

	2019 **US$'000**	2018 US$'000
At 1 January	**13,024**	25,162
Exchange differences	**2,765**	1,996
(Credited)/charged to consolidated income statement	**(17,465)**	6,267
Credited to reserves	**(1,609)**	(20,401)
Acquisition of subsidiaries (note 42)	**42,995**	–
At 31 December	**39,710**	13,024

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 2019, the Group has unrecognised tax losses of US$107,391,000 (31 December 2018: US$104,885,000) to carry forward. Except for the tax losses of US$24,117,000 (31 December 2018: US$22,187,000) of the Group which will be expired between 2020 and 2024 (31 December 2018: between 2019 and 2023), all other tax losses have no expiry dates.

As at 31 December 2019, undistributed earnings from subsidiaries of US$589,654,000 (2018: Nil) which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the Group is able to control the timing of distributions from the subsidiaries and is not expected to distribute these profits in the foreseeable future.

16 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	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1 January	**44,710**	47,385	**54,830**	58,193	**30,014**	51,376	**4,813**	8,387	**134,367**	165,341
Exchange differences	**69**	(1,789)	**33**	(26)	**216**	(2,063)	**(1)**	(1)	**317**	(3,879)
(Credited)/charged to consolidated income statement	**(2,653)**	(886)	**(20,643)**	(3,337)	**6,096**	703	**(2,809)**	(3,573)	**(20,009)**	(7,093)
Acquisition of subsidiaries (note 42)	**44,443**	–	**–**	–	**–**	–	**–**	–	**44,443**	–
Credited to reserve	**–**	–	**–**	–	**(1,163)**	(20,002)	**–**	–	**(1,163)**	(20,002)
At 31 December	**86,569**	44,710	**34,220**	54,830	**35,163**	30,014	**2,003**	4,813	**157,955**	134,367

DEFERRED INCOME TAX ASSETS

	Tax losses		Future deductible finance costs		Others		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1 January	**61,046**	74,800	**32,616**	36,078	**27,681**	29,301	**121,343**	140,179
Exchange differences	**(1,235)**	(3,149)	**(1,307)**	(1,472)	**94**	(1,254)	**(2,448)**	(5,875)
Charged to consolidated income statement	**(974)**	(10,605)	**(941)**	(1,990)	**(629)**	(765)	**(2,544)**	(13,360)
Acquisition of subsidiaries (note 42)	**1,070**	–	**–**	–	**378**	–	**1,448**	–
Credited to reserve	**–**	–	**–**	–	**446**	399	**446**	399
At 31 December	**59,907**	61,046	**30,368**	32,616	**27,970**	27,681	**118,245**	121,343

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:

	2019	2018
	US$'000	US$'000
Deferred income tax assets	**95,333**	94,648
Deferred income tax liabilities	**135,043**	107,672

16 Deferred income tax (Continued)

DEFERRED INCOME TAX ASSETS (CONTINUED)

The amounts shown in the consolidated balance sheet include the following:

	2019 US$'000	2018 US$'000
Deferred income tax assets to be recovered after more than 12 months	**74,347**	75,837
Deferred income tax liabilities to be settled after more than 12 months	**97,191**	45,194

17 Other non-current assets

Other non-current assets of the Group in 2018 mainly represent prepaid operating lease payments, which included the unamortised upfront concession fee incurred in respect of the concession agreement with Piraeus Port Authority S.A. for the concession of Piers 2 and 3 of the Piraeus Port in Greece for a term of 35 years (the "Concession"). The Concession commenced on 1 October 2009. The relevant balances were reclassified to right-of-use assets upon the adoption of HKFRS 16 on 1 January 2019.

18 Inventories

Inventories of the Group mainly include consumable parts for terminal operations at their carrying amount.

19 Trade and other receivables

	2019 US$'000	2018 US$'000
Trade receivables (note a)		
– third parties	**56,478**	86,941
– fellow subsidiaries (note b)	**15,914**	15,857
– non-controlling shareholders of subsidiaries (note b)	**11,365**	4,798
– a joint venture (note b)	**319**	10
– related companies (note b)	**6,346**	8,152
	90,422	115,758
Bills receivables (note a)	**8,927**	10,493
	99,349	126,251
Less: provision for impairment (note a)	**(895)**	(2,398)
	98,454	123,853
Deposits and prepayments	**15,850**	8,755
Other receivables	**92,890**	73,748
Loan to a joint venture (note c)	**784**	800
Amounts due from		
– fellow subsidiaries (note b)	**380**	3,979
– non-controlling shareholders of subsidiaries (note b)	**2,058**	3,783
– joint ventures (note d)	**464**	4,459
– associates (note d)	**16,152**	15,945
– related companies (note b)	**–**	99
	227,032	235,421

19 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 receivables based on invoice date and issuance date respectively is as follows:

	Expected loss rate	Gross carrying amount 31 December 2019 US$'000	Loss allowance 31 December 2019 US$'000
Within 30 days	**0.2%**	**58,835**	**128**
31-60 days	**0.1%**	**26,118**	**25**
61-90 days	**0.1%**	**8,734**	**12**
Over 90 days	**12.9%**	**5,662**	**730**
		99,349	**895**

	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

As at 31 December 2019, trade receivables of US$895,000 (2018: US$2,398,000) were impaired. The amount of the provision was US$895,000 (2018: US$2,398,000) as at 31 December 2019.

Movements on the provision for impairment of trade receivables are as follows:

	2019 US$'000	2018 US$'000
At 1 January	**(2,398)**	(3,161)
Exchange differences	**44**	117
Reversal of/(provision for) impairment of trade receivables	**525**	(825)
Write back of provision for impairment of trade receivables	**713**	89
Receivables written off during the year as uncollectible	**–**	1,382
Transfer to assets classified as held for sale	**221**	–
At 31 December	**(895)**	(2,398)

(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 2019, balance of US$784,000 (2018: US$800,000) is secured, denominated in Euro, bears interest at 5.5% per annum above 3 months EURIBOR and repayable within twelve months.

(d) The amounts receivable mainly represented dividend and interest receivable from joint ventures and associates.

19 Trade and other receivables (Continued)

(e) The carrying amounts of trade and other receivables are denominated in the following currencies:

	2019 US$'000	2018 US$'000
US dollar	**43,576**	3,809
Renminbi	**91,590**	114,771
Hong Kong dollar	**2,447**	7,060
Euro	**80,624**	104,010
Other currencies	**8,795**	5,771
	227,032	235,421

(f) The carrying amounts of trade and other receivables approximate their fair values.

20 Financial instruments by category

	2019 US$'000	2018 US$'000
Financial assets as per balance sheet		
Financial assets at FVOCI	**173,375**	183,263
Financial asset at FVPL	**–**	72,771
Financial assets at amortised cost		
Loans to a joint venture	**23,897**	24,612
Loans to associates	**147,121**	150,269
Trade and other receivables	**181,139**	186,833
Cash and cash equivalents	**937,947**	543,015
Restricted bank deposits	**30,285**	63,674
Total	**1,493,764**	1,224,437
Financial liabilities as per balance sheet		
Financial liabilities at amortised cost		
Borrowings	**2,916,450**	2,479,903
Loans from non-controlling shareholders of subsidiaries	**93,168**	139,870
Loans from a fellow subsidiary	**–**	16,769
Loans from a joint venture	**32,253**	32,784
Loan from an associate	**17,201**	14,570
Lease liabilities	**774,440**	–
Trade and other payables	**450,021**	362,589
Financial liabilities at FVPL		
Derivative financial instruments	**12,087**	10,504
Other financial liability		
Put option liability	**217,711**	–
Total	**4,513,331**	3,056,989

21 Assets classified as held for sale/liabilities directly associated with assets classified as held for sale

On 18 September 2019, the Company entered into agreements in respect of the disposal of COSCO Ports (Yangzhou) Limited ("CP (Yangzhou)") and Win Hanverky Investments Limited ("Win Hanverky") together with their equity investments. The disposals completed on 10 February 2020 with details set out in note 43. Assets and liabilities of the disposal entities were reclassified as assets classified as held for sale and liabilities directly associated with asset classified as held for sale as at 31 December 2019.

	2019 US$'000
Assets classified as held for sale	
Non-current assets	
Property, plant and equipment	**158,432**
Property under development	**28,802**
Investment properties	**8,808**
Right-of-use assets	**42,983**
Intangible assets	**206**
Other non-current assets	**12,374**
Current assets	
Inventories	**784**
Trade and other receivables	**8,548**
Current income tax recoverable	**221**
Cash and cash equivalents	**10,753**
	271,911
Liabilities directly associated with assets classified as held for sale	
Current liabilities	
Trade and other payables	**18,491**
Current income tax liabilities	**271**
Lease liabilities	**4,067**
	22,829

22 Share capital

	2019 US$'000	2018 US$'000
Issued and fully paid:		
3,161,958,830 ordinary shares (2018: 3,113,125,479 ordinary shares) of HK$0.10 each	**40,596**	39,971

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 2019	**3,113,125,479**	**39,971**
Issue of scrip dividend for 2018 final (note a)	**48,402,618**	**619**
Issue of scrip dividend for 2019 interim (note b)	**430,733**	**6**
At 31 December 2019	**3,161,958,830**	**40,596**
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

Notes:

(a) During the year ended 31 December 2019, 48,402,618 (2018: 353,517) new shares were issued by the Company at HK$7.454 (2018: HK$7.340) per share for the settlement of 2018 final (2018: 2017 final) scrip dividend.

(b) During the year ended 31 December 2019, 430,733 (2018: 55,659,242) new shares were issued by the Company at HK$6.464 (2018: HK$7.526) per share for the settlement of 2019 interim (2018: 2018 interim) scrip dividend.

23 Share-based payment

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.

23 Share-based payment (Continued)

Movements of the share options are set out below:

			For the year ended 31 December 2019 Number of share options						
Category	Note	**Exercise price HK$**	**Outstanding at 1 January 2019**	**Granted during the year**	**Exercised during the year**	**Transfer (to)/from other categories during the year**	**Forfeited during the year**	**Outstanding at 31 December 2019**	**Exercisable period**
Directors	(i)(ii)	**7.27**	**5,400,000**	**–**	**–**	**(1,800,000)**	**–**	**3,600,000**	19.6.2020-18.6.2023
Continuous contract employees	(i)(ii)	**7.27**	**46,015,948**	**–**	**–**	**(2,692,607)**	**(1,150,598)**	**42,172,743**	19.6.2020-18.6.2023
	(i)(ii)	**8.02**	**851,966**	**–**	**–**	**–**	**–**	**851,966**	29.11.2020-28.11.2023
	(i)(iii)	**8.48**	**–**	**848,931**	**–**	**–**	**–**	**848,931**	29.3.2021-28.3.2024
	(i)(iii)	**7.27**	**–**	**666,151**	**–**	**–**	**–**	**666,151**	23.5.2021-22.5.2024
	(i)(iii)	**7.57**	**–**	**1,273,506**	**–**	**–**	**–**	**1,273,506**	17.6.2021-16.6.2024
Others	(i)(ii)	**7.27**	**–**	**–**	**–**	**4,492,607**	**–**	**4,492,607**	19.6.2020-18.6.2023
			52,267,914	**2,788,588**	**–**	**–**	**(1,150,598)**	**53,905,904**	

			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
	(i)(ii)	8.02	–	851,966	–	–	–	851,966	29.11.2020-28.11.2023
			–	54,335,166	–	–	(2,067,252)	52,267,914	

23 Share-based payment (Continued)

Notes:

(i) No outstanding options were vested and exercisable as at 31 December 2019 (2018: Nil). 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) The share options were granted on 29 March 2019, 23 May 2019 and 17 June 2019 under the 2018 Share Option Scheme at an exercise price of HK$8.48, HK$7.27 and HK$7.57 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%.

(iv) No share options were exercised under the 2018 Share Option Scheme during the year (2018: Nil).

(v) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2019		2018	
	Average exercise price per share HK$	**Number of share options**	Average exercise price per share HK$	Number of share options
At 1 January	**7.28**	**52,267,914**	–	–
Granted during the year	**7.78**	**2,788,588**	7.28	54,335,166
Forfeited during the year	**7.27**	**(1,150,598)**	7.27	(2,067,252)
At 31 December	**7.31**	**53,905,904**	7.28	52,267,914

(vi) 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 29 March 2019 – 848,931 share options (outstanding as at 31 December 2019)	1.395	8.48	8.48	30.18%	4 years	4.30%	1.44%
Granted on 23 May 2019 – 666,151 share options (outstanding as at 31 December 2019)	1.154	7.16	7.27	29.94%	4 years	4.30%	1.68%
Granted on 17 June 2019 – 1,273,506 share options (outstanding as at 31 December 2019)	1.187	7.45	7.57	29.84%	4 years	4.30%	1.60%

24 Borrowings

	2019 US$'000	2018 US$'000
Long term borrowings		
Secured		
– bank loans	**981,998**	967,800
– loans from COSCO SHIPPING Finance Co., Ltd. ("COSCO SHIPPING Finance")	**8,142**	10,491
	990,140	978,291
Unsecured		
– bank loans	**1,347,383**	1,057,406
– loans from COSCO SHIPPING Finance	**–**	36,207
– notes	**299,098**	298,730
	1,646,481	1,392,343
Finance lease obligations	**–**	719
	2,636,621	2,371,353
Amounts due within one year included under current liabilities	**(228,957)**	(87,824)
	2,407,664	2,283,529
Short term borrowings		
Secured		
– bank loan	**–**	39,340
Unsecured		
– bank loans	**279,829**	69,210
	279,829	108,550

24 Borrowings (Continued)

Notes:

(a) The maturity of long term borrowings is as follows:

	2019 US$'000	2018 US$'000
Bank loans		
Within one year	**228,957**	50,864
Between one and two years	**264,221**	231,164
Between two and five years	**1,372,437**	1,041,751
Over five years	**463,766**	701,427
	2,329,381	2,025,206
Loans from COSCO SHIPPING Finance		
Within one year	**–**	36,714
Between one and two years	**1,720**	1,708
Between two and five years	**5,178**	5,245
Over five years	**1,244**	3,031
	8,142	46,698
Finance lease obligations		
Within one year	**–**	246
Between one and two years	**–**	254
Between two and five years	**–**	219
	–	719
Notes (note b)		
Between two and five years	**299,098**	298,730
	2,636,621	2,371,353

(b) Details of the notes as at 31 December 2019 and 2018 are as follows:

	2019 US$'000	2018 US$'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	**1,611**	1,436
– notes issuance cost	**1,777**	1,584
	299,098	298,730

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 arrears 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.

24 Borrowings (Continued)

(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 2019				
Total borrowings	**228,957**	**1,942,654**	**465,010**	**2,636,621**
At 31 December 2018				
Total borrowings	87,824	1,579,071	704,458	2,371,353

(d) The carrying amounts of the long term borrowings and short term borrowings are denominated in the following currencies:

	2019 US$'000	2018 US$'000
US dollar	**1,163,246**	721,698
Renminbi	**577,486**	560,147
Euro	**829,024**	853,360
Hong Kong dollar	**346,694**	344,698
	2,916,450	2,479,903

The effective interest rates per annum at the balance sheet date were as follows:

	2019				2018			
	US$	**RMB**	**Euro**	**HK$**	US$	RMB	Euro	HK$
Bank loans, loans from COSCO SHIPPING Finance	**3.7%**	**4.6%**	**1.8%**	**3.5%**	3.0%	4.2%	1.9%	3.5%
Finance lease obligations	**N/A**	**N/A**	**N/A**	**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

(e) The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amounts		**Fair values**	
	2019 US$'000	2018 US$'000	**2019 US$'000**	2018 US$'000
Bank loans, loans from COSCO SHIPPING Finance	**2,108,566**	1,984,326	**2,101,450**	1,926,938
Finance lease obligations	**–**	473	**–**	427
Notes	**299,098**	298,730	**298,713**	298,284
	2,407,664	2,283,529	**2,400,163**	2,225,649

The fair values of the Group's non-current borrowings are determined based on cash flows discounted using borrowing rate of ranging from 1.0% to 4.4% (2018: 1.0% to 4.8%) per annum.

24 Borrowings (Continued)

(f) The carrying amounts of short term borrowings approximate their fair values.

(g) As at 31 December 2019, bank loans and a loan from COSCO SHIPPING Finance of US$990,140,000 (2018: US$1,017,631,000) granted to subsidiaries of the Company were secured by certain other property, plant and equipment of the Group (note 7(a)), certain concession and land use rights of the Group (note 10(a)(iii)), the Company's interests in subsidiaries and a financial asset at FVOCI (note 14(b)(iii)).

(h) Finance lease obligations were included in borrowings until 31 December 2018, and reclassified to lease liabilities on 1 January 2019 upon adoption of HKFRS 16.

(i) For the year ended 31 December 2019, the Group entered bank borrowings of Euro18,000,000 (2018: RMB270,000,000 and Euro7,000,000) with US$23,301,000 (2018: US$48,500,000 and US$9,000,000) pledged as restricted deposits as security respectively.

25 Loans from non-controlling shareholders of a subsidiary and loans from a fellow subsidiary

(a) LOANS FROM NON-CONTROLLING SHAREHOLDERS OF A SUBSIDIARY

As at 31 December 2019, balance of US$484,000 (2018: US$685,000) was unsecured, bore interest at 3% (2018: from 3.25% to 4.50%) above the 6 months EURIBOR, and repayable on or before July 2023.

(b) LOANS FROM A FELLOW SUBSIDIARY

As at 31 December 2018, balance of US$16,769,000 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, and bear interest at 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 as at 31 December 2018 (note 7(d)). The carrying value of the loan was not materially different from its fair value. The relevant balances were reclassified to lease liabilities upon adoption of HKFRS 16 on 1 January 2019.

26 Other long term liabilities

	2019 US$'000	2018 US$'000
Deferred income	**29,107**	32,031
Others	**5,928**	4,849
	35,035	36,880

27 Trade and other payables and contract liabilities

	2019 US$'000	2018 US$'000
Trade payables (note a)		
– third parties	**47,191**	51,767
– fellow subsidiaries (note b)	**3,474**	6,326
– non-controlling shareholders of subsidiaries (note b)	**1,456**	2,184
– joint ventures (note b)	**146**	179
– an associate (note b)	**103**	470
– related companies (note b)	**2,474**	1,878
	54,844	62,804
Accruals	**32,518**	49,210
Other payables	**266,784**	166,178
Contract liabilities (note c)	**11,369**	6,890
Dividend payable	**11**	10
Loans from a fellow subsidiary (note 25(b))	**–**	7,899
Loans from a joint venture (note d)	**32,253**	32,784
Loan from an associate (note f)	**17,201**	14,570
Loans from non-controlling shareholders of subsidiaries (note e)	**92,684**	139,185
Amounts due to (note b)		
– fellow subsidiaries	**1,870**	2,125
– non-controlling shareholders of subsidiaries	**76,376**	83,498
– joint ventures	**1,047**	45
– an associate	**6**	11
	586,963	565,209

Notes:

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

	2019 US$'000	2018 US$'000
Within 30 days	**36,662**	41,202
31-60 days	**4,958**	8,285
61-90 days	**3,034**	3,780
Over 90 days	**10,190**	9,537
	54,844	62,804

(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.

27 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:

	2019 **US$'000**	2018 US$'000
Contract liabilities		
– expected volume discounts	**2,874**	2,167
– receipts in advance from customers	**8,495**	4,723
	11,369	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.

	2019 **US$'000**	2018 US$'000
Revenues recognised that were included in the contract liabilities balance at the beginning of the year	**4,653**	–

(d) Loans from a joint venture of US$32,253,000 (2018: US$32,784,000) are unsecured, bear interest at 2.30% 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$49,681,000 (2018: US$49,681,000) is interest free. Balance of US$43,003,000 (2018: US$43,711,000 and US$43,711,000) bears interest at 4.35% per annum (2018: 4.35% and 4.75% per annum respectively). As at 31 December 2018, balance of US$2,082,000 bear interest at 0.30% above 1-year US dollar London Interbank Offered Rate ("LIBOR") per annum and was repaid in August 2019.

(f) Loan from an associate of US$17,201,000 (2018: US$14,570,000) is unsecured, bears interest at 2.30% 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:

	2019 **US$'000**	2018 US$'000
US dollar	**86,390**	80,106
Renminbi	**293,591**	366,608
Euro	**94,589**	96,112
Hong Kong dollar	**21,913**	19,745
Other currencies	**90,480**	2,638
	586,963	565,209

(h) The carrying amounts of trade and other payables and contract liabilities approximate their fair values.

28 Put option liability

During the year, the Group recognised a financial liability of US$212,556,000 in relation to the put option granted to the non-controlling shareholder of COSCO SHIPPING Ports Chancay Peru S.A. ("CSP Chancay Terminal") to sell 40% interests in CSP Chancay Terminal to the Group. Such put option is exercisable any time during a 5-year period from the commercial operation date at the lower of fair market value and price caps set for each of the 5 consecutive years after the commencement of the terminal operation. As at 31 December 2019, the carrying amount of the put option liability is US$217,711,000.

29 Derivative financial instruments

	2019 US$'000	2018 US$'000
Interest rate swaps	**12,087**	10,504
Less: non-current portion	**(8,878)**	(7,358)
Current portion	**3,209**	3,146

At 31 December 2019, the Group had interest rate swap agreements in place with a total notional amount of US$272,523,000 (2018: US$278,293,000). 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% (2018: 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 2018	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)
Add: Change in fair value of cash flow hedge recognised in OCI, net of tax	(273)
Share of OCI of an associate	(157)
At 31 December 2019	(874)

30 Other operating income

	2019 US$'000	2018 US$'000
Management fee and other service income	**7,410**	7,910
Dividend income from a listed financial asset at FVPL	**1,149**	–
Dividends income from listed and unlisted financial assets at FVOCI	**2,008**	1,966
Reversal of provision for impairment of trade receivables	**525**	–
Rental income from		
– investment properties	**815**	624
– buildings	**57**	49
Gain on disposal of property, plant and equipment	**172**	723
Gain on disposal of a subsidiary and an associate	**28,299**	–
Gain on remeasurement of equity investments	**6,861**	–
Government subsidies	**10,473**	15,295
Exchange gain, net	**920**	1,793
Fair value gain on a financial asset at FVPL	**24,383**	4,283
Others	**11,273**	4,732
	94,345	37,375

31 Operating profit

Operating profit is stated after charging the followings:

	2019 US$'000	2018 US$'000
Charging:		
Amortisation of		
– land use rights	–	6,937
– intangible assets (note a)	21,602	20,278
– other non-current assets (note 17)	–	1,689
Depreciation		
– right-of-use assets	37,330	–
– property, plant and equipment	131,128	118,219
Loss on disposal of property, plant and equipment	1,583	531
Loss on deemed disposal of an associate	22,553	–
Auditor's remuneration		
– current year	1,376	1,378
– under/(over) provision in prior year	2	(73)
Provision for impairment of trade receivables	–	825
Provision for inventories	396	275
Rental expenses under leases of		
– land and buildings leased from third parties	694	994
– buildings leased from a fellow subsidiary	–	2,007
– land and buildings leased from non-controlling shareholders of subsidiaries	2,734	3,105
– plant and machinery leased from third parties	2,606	1,405
– Concession from a fellow subsidiary (note b)	60,315	64,548
– concession from third parties (note b)	9,065	13,529
Total staff costs (including directors' emoluments and retirement benefit costs)		
– wages, salaries and other benefits	310,961	262,417
– share option expenses (note c)	2,282	1,185
	313,243	263,602

Notes:

(a) Amortisation of intangible assets is included in administrative expenses in the consolidated income statement.

(b) For the year ended 31 December 2019, the amounts represents variable lease payments linked to revenues/throughput.

(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 and 2019. Details of the share options are set out in note 23 to the consolidated financial statements.

32 Finance income and costs

	2019 US$'000	2018 US$'000
Finance income		
Interest income on		
– bank balances and deposits	**5,816**	6,055
– deposits with COSCO SHIPPING Finance	**1,929**	1,067
– loans to joint ventures and associates	**4,670**	5,220
	12,415	12,342
Finance costs		
Interest expenses on		
– bank loans	**(79,288)**	(57,978)
– notes wholly repayable within five years	**(13,125)**	(13,125)
– loans from COSCO SHIPPING Finance	**(1,397)**	(1,343)
– loans from a fellow subsidiary	**–**	(1,207)
– loans from non-controlling shareholders of subsidiaries (note 25(a) and note 27(e))	**(3,737)**	(4,519)
– loans from a joint venture (note 27(d))	**(761)**	(911)
– loan from an associate (note 27(f))	**(334)**	(352)
– finance lease obligations	**–**	(16)
– lease liabilities	**(26,749)**	–
Amortised amount of		
– discount on issue of notes	**(175)**	(193)
– transaction costs on bank loans and notes	**(2,941)**	(2,434)
	(128,507)	(82,078)
Less: amount capitalised in construction in progress (note 7(c))	**22,598**	6,887
	(105,909)	(75,191)
Other incidental borrowing costs and charges	**(2,954)**	(2,831)
	(108,863)	(78,022)
Net finance costs	**(96,448)**	(65,680)

33 Income tax expenses

	2019 US$'000	2018 US$'000
Current income tax		
– Hong Kong profits tax	**(2,030)**	(157)
– Mainland China taxation	**(39,144)**	(40,704)
– Overseas taxation	**(12,224)**	(18,972)
– Over provision in prior years	**2,367**	58
	(51,031)	(59,775)
Deferred income tax credit/(charge) (note 16)	**17,465**	(6,267)
	(33,566)	(66,042)

Hong Kong profits tax was provided at a rate of 16.5% (2018: 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.

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

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:

	2019 US$'000	2018 US$'000
Profit before income tax	**383,516**	439,966
Less: Share of profits less losses of joint ventures and associates	**(267,454)**	(292,452)
	116,062	147,514
Aggregate tax at domestic rates applicable to profits in respective territories concerned	**47,554**	67,117
Income not subject to income tax	**(4,664)**	(19,901)
Expenses not deductible for income tax purposes	**1,614**	759
Over provision in prior years	**(2,367)**	(58)
Utilisation of previously unrecognised tax losses	**(524)**	(942)
Effect on deferred tax balance resulting from a change in tax rate	**357**	10,433
Tax losses not recognised	**4,718**	2,067
(Release of)/provision for withholding income tax upon distribution of profits and payment of interest	**(13,156)**	6,964
Others	**34**	(397)
Income tax expenses	**33,566**	66,042

Except for the income tax of US$1,163,000 (2018:US$20,002,000) relating to the deferred tax reversed on the fair value loss on financial assets at FVOCI in 2019, and US$447,000 (2018: US$354,000) deferred tax asset relating to the cash flow hedges, there was no income tax relating to components of OCI for the year ended 31 December 2019 and 2018.

34 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.

	2019	2018
Profit attributable to equity holders of the Company	**US$308,017,000**	US$324,583,000
Weighted average number of ordinary shares in issue	**3,135,085,181**	3,067,491,368
Basic earnings per share	**US9.82 cents**	US10.58 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 2019, 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.

	2019	2018
Profit attributable to equity holders of the Company	**US$308,017,000**	US$324,583,000
Weighted average number of ordinary shares in issue	**3,135,085,181**	3,067,491,368
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	**3,135,085,181**	3,070,104,472
Diluted earnings per share	**US9.82 cents**	US10.57 cents

35 Dividends

	2019 US$'000	2018 US$'000
Interim dividend paid of US1.900 cents (2018: US2.212 cents) per ordinary share	**60,069**	67,623
Final dividend proposed of US2.028 cents (2018: US2.020 cents) per ordinary share	**64,125**	62,885
Additional dividend paid on shares issued due to issue of scrip dividend before the closure of register of members		
– 2018 interim	**–**	8
	124,194	130,516

Note:

At a meeting held on 26 March 2020, the directors recommended the payment of a final dividend of HK15.7 cents (equivalent to US2.028 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 2020.

36 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$22,096,000 (2018: US$18,913,000). Contributions totaling US$1,066,000 (2018: US$2,251,000) were payable to the retirement benefit schemes as at 31 December 2019 and were included in trade and other payables. No forfeited contributions were available as at 31 December 2019 and 2018 to reduce future contributions.

37 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:

	2019 US$'000	2018 US$'000
Fees	**216**	216
Salaries, housing and other allowances	**2,107**	2,089
Bonuses	**573**	442
Contributions to retirement benefit schemes	**2**	2
	2,898	2,749

Directors' fees disclosed above include US$216,000 (2018: US$216,000) paid to independent non-executive directors.

As at 31 December 2019, three directors (2018: four directors) of the Company had 3,600,000 (2018: 5,400,000) 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.

For the year ended 31 December 2019, no share option was exercised (2018: Nil).

Details and movements of share options granted during the year are set out in note 23 to the consolidated financial statements.

The directors' emoluments are analysed as follows:

		Year ended 31 December 2019								
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. FENG Boming	i	–	223	–	9	–	–	–	–	232
Mr. ZHANG Dayu	ii	–	379	113	21	–	–	–	–	513
Mr. DENG Huangjun		–	261	115	21	–	–	–	–	397
Mr. ZHANG Wei (張煒)		–	–	–	–	–	–	–	–	–
Mr. CHEN Dong		–	–	–	–	–	–	–	–	–
Dr. WONG Tin Yau, Kelvin		–	353	102	22	–	2	–	–	479
Dr. FAN HSU Lai Tai, Rita		50	–	–	–	–	–	–	–	50
Mr. Adrian David LI Man Kiu		56	–	–	–	–	–	–	–	56
Mr. LAM Yiu Kin		40	–	–	–	–	–	–	–	40
Prof. CHAN Ka Lok		37	–	–	–	–	–	–	–	37
Mr. HUANG Xiaowen	iii	–	–	–	–	–	–	–	–	–
Mr. ZHANG Wei (張為)	iv	–	521	122	10	–	–	–	–	653
Mr. FANG Meng	iii	–	280	121	7	–	–	–	–	408
Mr. WANG Haimin	v	–	–	–	–	–	–	–	–	–
Mr. FAN Ergang	vi	33	–	–	–	–	–	–	–	33
		216	2,017	573	90	–	2	–	–	2,898

37 Directors' and management's emoluments (Continued)

(a) DIRECTORS' EMOLUMENTS (CONTINUED)

The directors' emoluments are analysed as follows: (Continued)

		Year ended 31 December 2018								
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. FENG Boming	i	–	–	–	–	–	–	–	–	–
Mr. DENG Huangjun		–	252	107	18	–	–	–	–	377
Mr. ZHANG Wei (張煒)		–	–	–	–	–	–	–	–	–
Mr. CHEN Dong		–	–	–	–	–	–	–	–	–
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. LAM Yiu Kin		40	–	–	–	–	–	–	–	40
Prof. CHAN Ka Lok		37	–	–	–	–	–	–	–	37
Mr. HUANG Xiaowen	iii	–	–	–	–	–	–	–	–	–
Mr. ZHANG Wei (張為)	iv	–	742	112	18	–	–	–	–	872
Mr. FANG Meng	iii	–	668	111	18	–	–	–	–	797
Mr. WANG Haimin	v	–	–	–	–	–	–	–	–	–
Mr. FAN Ergang	vi	33	–	–	–	–	–	–	–	33
Mr. XU Zunwu	vii	–	–	–	–	–	–	–	–	–
		216	2,015	442	74	–	2	–	–	2,749

Note:

(i) Re-designated from a Non-executive Director to an Executive Director and appointed as Chairman of the Board on 13 September 2019

(ii) Appointed as an Executive Director and Managing Director on 13 September 2019

(iii) Resigned on 25 April 2019

(iv) Resigned on 13 September 2019

(v) Resigned on 13 March 2020

(vi) Resigned on 20 March 2020

(vii) Resigned on 23 May 2018

The above analysis includes four (2018: four) directors whose emoluments were among the five highest in the Group.

37 Directors' and management's emoluments (Continued)

(b) MANAGEMENT'S EMOLUMENTS

Details of the aggregate emoluments paid to one (2018: one) individual whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2019 US$'000	2018 US$'000
Salaries, share options and other allowances	**319**	317
Bonuses	**103**	111
Contributions to retirement benefit schemes	**2**	2
	424	430

The emoluments of the highest paid individuals fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands		
US$319,107-US$382,928 (HK$2,500,001-HK$3,000,000)	**–**	–
US$382,929-US$446,750 (HK$3,000,001-HK$3,500,000)	**1**	1
	1	1

(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, no directors waived or agreed to waive any 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.

38 Capital commitments

The Group has the following significant capital commitments as at 31 December 2019 and 2018:

	2019 US$'000	2018 US$'000
Contracted but not provided for		
– Investments (note)	**337,742**	385,859
– Other property, plant and equipment	**300,068**	400,960
	637,810	786,819

The Group's share of capital commitments of the joint ventures themselves not included in the above are as follows:

	2019 US$'000	2018 US$'000
Contracted but not provided for	**5,179**	13,146

Note:

The capital commitments in respect of investments of the Group as at 31 December 2019 and 2018 are as follows:

	2019 US$'000	2018 US$'000
Contracted but not provided for		
Investments in:		
– Antwerp Gateway NV	**50,384**	51,304
– Tianjin Port Euroasia International Container Terminal Co., Ltd.	**100,629**	102,285
– Vado	**13,578**	13,858
– Others	**111,205**	155,446
	275,796	322,893
Terminal projects in:		
– Shanghai Yangshan Port Phase II	**57,338**	58,282
– Others	**4,608**	4,684
	61,946	62,966
	337,742	385,859

39 Operating lease arrangements/commitments

(a) OPERATING LEASE ARRANGEMENTS – WHERE THE GROUP IS THE LESSOR

As at 31 December 2019 and 2018, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	2019 US$'000	2018 US$'000
Buildings, leasehold land and land use rights		
– not later than one year	**358**	488
– between 1 and 2 years	**153**	268
– between 2 and 3 years	**109**	109
– between 3 and 4 years	**107**	109
– between 4 and 5 years	**6**	109
– later than five years	**18**	176
	751	1,259
Investment properties		
– not later than one year	**486**	477
– between 1 and 2 years	**288**	387
– between 2 and 3 years	**288**	386
– between 3 and 4 years	**288**	368
– between 4 and 5 years	**288**	368
– later than five years	**7,083**	5,318
	8,721	7,304
Plant and machinery		
– not later than one year	**1,425**	1,530
– between 1 and 2 years	**1,427**	1,530
– between 2 and 3 years	**1,427**	1,530
– between 3 and 4 years	**1,427**	1,530
– between 4 and 5 years	**1,427**	1,530
– later than five years	**20,948**	22,293
	28,081	29,943
	37,553	38,506

39 Operating lease arrangements/commitments (Continued)

(b) OPERATING LEASE COMMITMENTS – WHERE THE GROUP IS THE LESSEE

As at 31 December 2019 and 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2019 US$'000	2018 US$'000
Buildings, leasehold land and land use rights		
– not later than one year	–	18,989
– later than one year and not later than five years	–	66,975
– later than five years	–	409,163
	–	495,127
Plant and machinery		
– not later than one year	–	1,230
– later than one year and not later than five years	–	3,605
– later than five years	–	10,003
	–	14,838
Concession		
– not later than one year	–	11,760
– later than one year and not later than five years	–	63,794
– later than five years	–	660,121
	–	735,675
	–	1,245,640

The contingent rental expenses relating to operating leases for the year ended 31 December 2018 are US$60,333,000.

From 1 January 2019, the Group has recognised right-of-use assets and lease liabilities for leases under operating lease commitments, except for short-term and low-value leases, see note 3.5 and note 10 for further information.

40 Notes to the consolidated cash flow statement

(a) RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2019 US$'000	2018 US$'000
Profit before income tax	**383,516**	439,966
Depreciation and amortisation	**190,060**	147,123
Interest expenses	**102,793**	72,564
Amortised amount of		
– discount on issue of notes	**175**	193
– transaction costs on bank loans and notes	**2,941**	2,434
Other incidental borrowing costs and charges	**2,954**	2,831
Gain on disposal of a subsidiary and an associate	**(28,299)**	–
Gain on remeasurement of equity investments	**(6,861)**	–
Loss on deemed disposal of an associate	**22,553**	–
Provision for impairment of trade receivables and other receivables	**38**	818
Provision for inventories	**396**	275
Loss/(gain) on disposal of property, plant and equipment, net	**1,411**	(192)
Dividends income from a listed financial asset at FVPL	**(1,149)**	–
Dividends income from listed and unlisted financial assets at FVOCI	**(2,008)**	(1,966)
Fair value gain on a financial asset at FVPL	**(24,383)**	(4,283)
Write back of provision for impairment of trade receivables	**(1,353)**	(91)
Interest income	**(12,415)**	(12,342)
Share-based payment expense	**2,282**	–
Share of profits less losses of		
– joint ventures	**(86,359)**	(90,969)
– associates	**(181,095)**	(201,483)
Operating profit before working capital changes	**365,197**	354,878
Decrease/(increase) in inventories	**310**	(3,171)
Decrease/(increase) in trade and other receivables	**22,766**	(32,703)
Decrease/(increase) in amounts due from fellow subsidiaries	**3,593**	(618)
Decrease in amounts due from associates	**634**	4,281
Increase in amounts due from joint ventures	**(4,889)**	(287)
Decrease/(increase) in amounts due from non-controlling shareholders of subsidiaries	**2,011**	(897)
Decrease in amount due from a related company	**99**	278
Increase/(decrease) in trade and other payables and contract liabilities	**7,157**	(8,048)
(Decrease)/increase in amounts due to fellow subsidiaries	**(2,483)**	523
Decrease in amounts due to non-controlling shareholders of subsidiaries	**(5,401)**	(6,382)
Decrease in other long term liabilities	**(799)**	(2,408)
Cash generated from operations	**388,195**	305,446

40 Notes to the consolidated cash flow statement (Continued)

(b) MAJOR NON-CASH TRANSACTIONS

	2019 US$'000	2018 US$'000
Acquisition of 16.01% equity interests in an associate by contribution of 24.5% equity interests and 31.073% equity interests in two associates respectively (note 13(b))	**81,181**	–

(c) ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2019 US$'000	2018 US$'000
Total time deposits, bank balances and cash (note i)	**957,479**	606,689
Restricted bank deposits included in current assets	**(30,285)**	(63,674)
	927,194	543,015
Representing:		
Time deposits with original maturity of three months or less	**231,344**	213,921
Bank balances and cash	**343,454**	216,402
Balances placed with COSCO SHIPPING Finance (note iii)	**352,396**	112,692
	927,194	543,015

Notes:

(i) As at 31 December 2019, cash and cash equivalents of US$141,853,000 (2018: US$118,440,000) 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:

	2019 US$'000	2018 US$'000
US dollar	**458,648**	226,682
Renminbi	**302,102**	185,239
Euro	**152,552**	78,174
Hong Kong dollar	**11,253**	51,181
Other currencies	**2,639**	1,739
	927,194	543,015

(iii) Balances placed with COSCO SHIPPING Finance, a fellow subsidiary of the Group, bear interest at prevailing market rates.

40 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	Lease liabilities	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance as at 1 January 2019 as originally presented	2,479,903	139,870	16,769	47,354	10,504	–	2,694,400
Adoption of HKFRS 16	(719)	–	(16,769)	–	–	705,004	687,516
Restated balance as at 1 January 2019	2,479,184	139,870	–	47,354	10,504	705,004	3,381,916
Changes from financing cash flows							
Loans drawn down	771,075	–	–	–	–	–	771,075
Loans repaid	(309,344)	–	–	–	–	–	(309,344)
Loans from a non-controlling shareholder of a subsidiary	–	43,711	–	–	–	–	43,711
Repayment of loans from non-controlling shareholders of subsidiaries	–	(98,014)	–	–	–	–	(98,014)
Loan from a joint venture	–	–	–	17,412	–	–	17,412
Repayment of loan from a joint venture	–	–	–	(14,510)	–	–	(14,510)
Principal of lease liabilities	–	–	–	–	–	(19,110)	(19,110)
Payment of lease interest	–	–	–	–	–	(18,617)	(18,617)
Other changes							
Addition of lease liabilities	–	–	–	–	–	73,102	73,102
Acquisition of subsidiaries (note 42)	–	–	–	–	–	14,580	14,580
Transfer to assets classified as for sale	–	–	–	–	–	(4,066)	(4,066)
Finance cost of lease liabilities	–	–	–	–	–	26,749	26,749
Fair value loss of cash flow hedge	–	–	–	–	935	–	935
Foreign exchange adjustments	(22,802)	7,601	–	(802)	648	(9,164)	(24,519)
Other non-cash movements	(1,663)	–	–	–	–	1,895	232
	437,266	(46,702)	–	2,100	1,583	65,369	459,616
Balance as at 31 December 2019	2,916,450	93,168	–	49,454	12,087	770,373	3,841,532

40 Notes to the consolidated cash flow statement (Continued)

(d) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	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
	145,554	(24,245)	(13,839)	(10,572)	1,142	98,040
Balance as at 31 December 2018	2,479,903	139,870	16,769	47,354	10,504	2,694,400

41 Related party transaction

The Group is controlled by COSCO SHIPPING Holdings which owns 48.84% of the Company's shares as at 31 December 2019. 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.

41 Related party transaction (Continued)

(a) SALES/PURCHASES OF GOODS, SERVICES AND INVESTMENTS

	2019 US$'000	2018 US$'000
Management fee and service fee income from (note i)		
– joint ventures	**5,165**	4,148
– associates	**1,342**	1,101
– an investee company	**191**	139
Terminal handling and storage income received from (note ii, xiii)		
– fellow subsidiaries	**231,488**	196,074
– non-controlling shareholders of subsidiaries	**96,999**	93,669
Container handling and logistics service fees to non-controlling shareholders of subsidiaries (note iii, xiii)	**(5,776)**	(6,042)
Electricity and fuel expenses paid to (note iv, xiii)		
– fellow subsidiaries	**(4,509)**	(3,130)
– non-controlling shareholders of subsidiaries	**(9,497)**	(9,437)
Finance lease charges paid to a fellow subsidiary (note v, xiii)	**–**	(1,146)
Handling, storage and maintenance expenses to (note vi, xiii)		
– fellow subsidiaries	**(5,396)**	(3,429)
– non-controlling shareholders of subsidiaries	**(4,186)**	(4,330)
Rental expenses paid to (note vii, xiii)		
– fellow subsidiaries	**–**	(12,431)
– non-controlling shareholders of subsidiaries	**(3,455)**	(5,511)
Rental income received from non-controlling shareholders of subsidiaries (note viii)	**2,545**	991
Purchase of materials from a fellow subsidiary (note ix, xiii)	**(196)**	(244)
Insurance expenses paid to a fellow subsidiary (note x)	**(873)**	(702)
Concession fee to a fellow subsidiary (note xi, xiii)	**(60,315)**	(54,124)
Payments of lease liabilities to (note xii, xiii)		
– fellow subsidiaries	**(18,680)**	–
– non-controlling shareholders of subsidiaries	**(2,930)**	–

41 Related party transaction (Continued)

(a) SALES/PURCHASES OF GOODS, SERVICES AND INVESTMENTS (CONTINUED)

Notes:

(i) 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$22,078,000 (equivalent to US$2,817,000) (2018: HK$20,000,000 (equivalent to US$2,552,000)) 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.

(ii) 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 Greece, Belgium and Spain were charged at rates as mutually agreed.

(iii) The container handling and logistics service fees paid to non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(iv) Electricity and fuel expenses paid to fellow subsidiaries and non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(v) Finance lease charges paid to a fellow subsidiary were charged at rates as mutually agreed for the year ended 31 December 2018. Such payments are included under payments of lease liabilities for the year ended 31 December 2019.

(vi) Handling, storage and maintenance expenses paid to fellow subsidiaries and non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(vii) Rental expenses paid to fellow subsidiaries and non-controlling shareholders of subsidiaries were charged at rates as mutually agreed for the year ended 31 December 2018. Such rental payments (expect for short-term and low value leases) are included under payments of lease liabilities for the year ended 31 December 2019.

(viii) Rental income received from non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(ix) 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.

(x) Insurance expenses paid to a fellow subsidiary were charged at rates as mutually agreed.

(xi) For the year ended 31 December 2018, 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.. For the year ended 31 December 2019, the fixed annual fees are included under payments of lease liabilities.

(xii) The payments of lease liabilities paid to fellow subsidiaries and non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(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").

41 Related party transactions (Continued)

(b) KEY MANAGEMENT COMPENSATION

	2019 US$'000	2018 US$'000
Salaries, bonuses and other allowances	**3,647**	4,481
Contributions to retirement benefit schemes	**5**	6
Share-based payments	**574**	247
	4,226	4,734

Key management includes directors of the Company and three (2018: six) senior management members of the Group.

The emoluments of the senior management members fell within the following bands:

	Number of individuals 2019	Number of individuals 2018
Emolument bands		
US$127,643-US$255,286 (HK$1,000,001-HK$2,000,000)	**1**	2
US$255,287-US$319,107 (HK$2,000,001-HK$2,500,000)	**–**	–
US$319,108-US$382,928 (HK$2,500,001-HK$3,000,000)	**1**	3
US$382,929-US$446,750 (HK$3,000,001-HK$3,500,000)	**1**	1
	3	6

42 Business combinations

(a) ACQUISITION OF A SUBSIDIARY – CSP CHANCAY TERMINAL

On 10 May 2019, the Group subscribed shares representing 60% equity interests in CSP Chancay Terminal, which is currently engaged in the design, development and construction of terminal at Port of Chancay and will be engaged in its operation and management after the completion of construction, for a consideration of US$225,000,000. US$56,250,000 of the subscription consideration was settled in cash upon completion and US$168,750,000 is expected to be settled within 12 months. As at 31 December 2019, the Group has finalised the fair value of net assets and goodwill arising from the acquisition by an independent valuation.

Details of net asset acquired are as follows:

	US$'000
Purchase consideration	225,000
Fair value of net assets acquired shown as below	(184,926)
Goodwill	40,074

42 Business combinations (Continued)

(a) ACQUISITION OF A SUBSIDIARY – CSP CHANCAY TERMINAL (CONTINUED)

The assets and liabilities of the acquired terminal operation as at the date of acquisition were as follows:

	Fair value US$'000
Property, plant and equipment	134,394
Right-of-use assets	3,379
Other non-current assets	2,495
Deferred tax assets	1,448
Other receivables	168,773
Cash and cash equivalents	57,274
Deferred income tax liabilities	(43,204)
Loan from a shareholder	(11,888)
Lease liability	(3,786)
Trade and other payables	(675)
Total identifiable net assets acquired	308,210
Less: non-controlling interests	(123,284)
	184,926
Purchase consideration settled in cash	(56,250)
Cash and cash equivalents in acquired terminal operation	57,274
Net cash inflow on acquisition	1,024

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 CSP Chancay Terminal at its proportionate share of the acquired net identifiable assets.

(iv) Revenue and profit contribution

The acquired terminal operations contributed no revenue and net loss of approximately US$1,110,000 for the year ended 31 December 2019 since the date of acquisition. If the acquisitions had occurred on 1 January 2019, there is no impact on revenue whereas the Group's profit for the year ended 31 December 2019 would have decreased by approximately US$111,000.

(v) Acquisition-related costs

Acquisition-related costs of US$905,000 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.

42 Business combinations (Continued)

(b) ACQUISITION OF A SUBSIDIARY – VERBRUGGE TERMINALS ZEEBRUGGE NV (Now known as CSP ZEEBRUGGE CFS NV) ("CSP Zeebrugge CFS")

On 30 December 2019, the Group acquired 100% equity interests in CSP Zeebrugge CFS, a company engaged in terminal warehousing in Belgium, for a consideration of Euro13,757,213 (equivalent to approximately US$15,412,327).

Details of net assets acquired are as follows:

	US$'000
Purchase consideration	15,412
Fair value of net assets acquired shown as below	(15,412)
Goodwill	–

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	15,815
Right-of-use assets	10,803
Other receivables	11
Cash and cash equivalents	1,133
Lease liabilities	(10,794)
Deferred tax liabilities	(1,239)
Other payables	(297)
Current income tax liabilities	(20)
Total identifiable net assets acquired	15,412
Purchase consideration settled in cash	(15,412)
Cash and cash equivalents in acquired terminal warehousing operation	1,133
Net cash outflow on acquisition	(14,279)

Notes:

(i) Acquired receivables

There are no acquired trade receivables.

(ii) Revenue and profit contribution

The acquired terminal operations contributed no revenue nor profit for the year ended 31 December 2019 since the date of acquisition. If the acquisitions had occurred on 1 January 2019, there is no impact on revenue whereas the Group's profit for the period ended 31 December 2019 would have increased by approximately US$49,000.

(iii) 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.

43 Events after balance sheet date

On 10 February 2020, the Company completed the disposals of all the shares in CP (Yangzhou) together with its 51% interest in Yangzhou Yuanyang Terminal International Ports Co., Ltd. ("Yangzhou Yuanyang Terminal") and all the shares in Win Hanverky together with its 51% interest in Zhangjiagang Win Hanverky Container Terminal Co., Ltd. ("Zhangjiagang Terminal") and 4.59% interest in Yangzhou Yuanyang Terminal to Shanghai International Port Group (HK) Co., Limited ("SIPG (HK)") at considerations of approximately RMB316,039,000 (equivalent to approximately US$45,772,000) and approximately RMB380,774,000 (equivalent to approximately US$55,148,000) respectively. The aggregate sum of payables owing to the Company by the disposal entities of approximately US$29,967,000 were also transferred to SIPG (HK) on the same day at the same consideration. Any lower of the net asset values of Yangzhou Yuanyang Terminal and Zhangjiagang Terminal at completion, according to the post-closing audit, compared to that as at 31 March 2019 would be settled by the Company.

Upon completion of the disposals, CP (Yangzhou), Yangzhou Yuanyang Terminal, Win Hanverky and Zhangjiagang Terminal ceased to be subsidiaries of the Company. An after-tax disposal gain of approximately US$61,000,000 is expected to be recognised subject to the results of post-closing audit.

After the outbreak of Coronavirus Disease 2019 ("COVID-19 Outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the world and have affected the business and economic activities to some extent. With the increasing market uncertainty regarding the impact of COVID-19 Outbreak, the Group will pay close attention to the development of the COVID-19 Outbreak and evaluate the impact on its future financial position and operating results. As at the date on which the consolidated financial statements were authorised for issue, the Group was not aware of any material adverse effects on the 2019 consolidated financial statements as a result of the COVID-19 Outbreak.

44 Balance sheet and reserve movement of the Company

	Note	2019 US$'000	2018 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**75**	100
Subsidiaries		**5,791,276**	5,793,784
Amounts due from subsidiaries		**178,046**	185,025
		5,969,397	5,978,909
Current assets			
Other receivables		**28,922**	380
Amounts due from subsidiaries		**531,965**	937,724
Amounts due from a fellow subsidiary		**1**	1
Cash and cash equivalents		**385,848**	262,289
		946,736	1,200,394
Assets classified as held for sale		**127,482**	–
		1,074,218	1,200,394
Total assets		**7,043,615**	7,179,303

44 Balance sheet and reserve movement of the Company (Continued)

	Note	2019 US$'000	2018 US$'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**40,596**	39,971
Reserves	(a)	**4,517,084**	4,537,393
Total equity		**4,557,680**	4,577,364
LIABILITIES			
Non-current liabilities			
Loan from a subsidiary		**–**	296,610
Long term borrowings		**1,118,787**	852,411
		1,118,787	1,149,021
Current liabilities			
Bank loan		**120,000**	–
Other payables		**24,357**	32,623
Current income tax liabilities		**3,086**	–
Amounts due to subsidiaries		**1,116,252**	1,420,295
		1,263,695	1,452,918
Liabilities directly associated with assets classified as held for sale		**103,453**	–
		1,367,148	1,452,918
Total liabilities		**2,485,935**	2,601,939
Total equity and liabilities		**7,043,615**	7,179,303

On behalf of the Board

FENG Boming
Executive Director and Chairman of the Board

ZHANG Dayu
Executive Director and Managing Director

44 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 2019	**1,792,882**	**414,214**	**1,185**	**2,329,112**	**4,537,393**
Profit for the year	**–**	**–**	**–**	**54,467**	**54,467**
Issue of shares on settlement of scrip dividends	**45,896**	**–**	**–**	**–**	**45,896**
Fair value of share options granted	**–**	**–**	**2,282**	**–**	**2,282**
Dividends					
– 2018 final	**–**	**–**	**–**	**(62,885)**	**(62,885)**
– 2019 interim	**–**	**–**	**–**	**(60,069)**	**(60,069)**
At 31 December 2019	**1,838,778**	**414,214**	**3,467**	**2,260,625**	**4,517,084**
Representing:					
Reserves	**1,838,778**	**414,214**	**3,467**	**2,196,500**	**4,452,959**
2019 final dividend proposed	**–**	**–**	**–**	**64,125**	**64,125**
At 31 December 2019	**1,838,778**	**414,214**	**3,467**	**2,260,625**	**4,517,084**
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

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.

45 Details of subsidiaries

Details of the subsidiaries as at 31 December 2019 are as follows:

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest	
						2019	2018
2	Cheer Dragon Investment Limited	Hong Kong	Hong Kong	Investment holding	HK$3 divided into 3 ordinary shares	**66.67%**	66.67%
2, 3	China Shipping Terminal Development Co., Limited	PRC	PRC	Investment holding	RMB11,150,131,586	**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, 2, 4	COSCO Ports (Nanjing) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**–**	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 (Yangzhou) 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	COSCO SHIPPING Ports (ACT) Limited (formerly known as COSCO Ports (ACT) Limited)	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO SHIPPING Ports (Antwerp) NV (formerly known as COSCO Ports (Antwerp) NV)	Belgium	Belgium	Investment holding	Euro61,500 divided into 2 shares with no face value	**100.00%**	100.00%
1	COSCO SHIPPING Ports (Belgium) Limited (formerly known as COSCO Ports (Belgium) Limited)	Hong Kong	Hong Kong	Investment holding	HK$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%**	100.00%
1, 2	COSCO SHIPPING Ports (CHT) Limited (formerly known as Frosti International Limited)	British Virgin Islands	Hong Kong	Investment holding	2 ordinary shares of US$1 each	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Dalian) Limited (formerly known as COSCO Ports (Dalian) Limited)	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Dalian RoRo) Limited (formerly known as COSCO Ports (Dalian RoRo) Limited)	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%

45 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2019	Group equity interest 2018
1	COSCO SHIPPING Ports (Fangchenggang) Limited	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 ordinary shares	**100.00%**	–
1, 2	COSCO SHIPPING Ports (Greece) S.à r.l. (formerly known as 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 SHIPPING Ports (Istanbul) Limited (formerly known as COSCO Ports (Istanbul) Limited)	Hong Kong	Hong Kong	Investment holding	HK$1 divided into 1 ordinary share	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Jinjiang) Limited (formerly known as COSCO Ports (Quanzhou Jinjiang) Limited)	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO SHIPPING Ports (Nansha) Supply Chain Company Limited	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 ordinary shares	**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, 2	COSCO SHIPPING Ports (Ningbo) Limited (formerly known as 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 SHIPPING Ports (Port Said) Limited (formerly known as 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 SHIPPING Ports (Pudong) Limited (formerly known as COSCO Ports (Pudong) Limited)	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Quanzhou) Limited (formerly known as COSCO Ports (Quanzhou) Limited)	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO SHIPPING Ports (Rotterdam) Limited (formerly known as COSCO Ports (Rotterdam) Limited)	Hong Kong	Hong Kong	Investment holding	HK$1 divided into 1 ordinary share	**100.00%**	100.00%

45 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2019	Group equity interest 2018
1, 2	COSCO SHIPPING Ports (Singapore) Limited (formerly known as COSCO Ports (Singapore) Limited)	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**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%
	COSCO SHIPPING Ports (Spain) Holdings, S.L. (formerly known as Noatum Port Holdings, S.L.)	Spain	Spain	Investment holding	23,147,944 ordinary shares of Euro 1 each	**51.00%**	51.00%
	COSCO SHIPPING Ports (Spain) Terminals, S.L.U. (formerly known as Noatum Ports, S.L.U.)	Spain	Spain	Investment holding	36,250,000 ordinary shares of Euro 1 each	**51.00%**	51.00%
1, 2	COSCO SHIPPING Ports (Tianjin) Limited (formerly known as COSCO Ports (Tianjin) Limited)	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Tianjin Euroasia) Limited (formerly known as COSCO Ports (Tianjin North Basin) Limited)	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US $1	**100.00%**	100.00%
1	COSCO SHIPPING Ports (Vado) Limited	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 ordinary shares	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Xiamen) Limited (formerly known as 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 SHIPPING Ports (Yangshan) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1 each	**100.00%**	100.00%
1	COSCO SHIPPING Ports (Yantian) Limited (formerly known as Crestway International Limited)	British Virgin Islands	Hong Kong	Investment holding	50,000 ordinary shares of US$1 each	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Yingkou) Limited (formerly known as COSCO Ports (Yingkou) Limited)	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%

45 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2019	Group equity interest 2018
	COSCO SHIPPING Ports Chancay Peru S.A.	Peru	Peru	Operation of terminals	698,520,318 ordinary shares of Sol 1 each	**60.00%**	–
1	COSCO SHIPPING Ports Development Co., Limited (formerly known as 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%
1	COSCO SHIPPING Ports Finance (2013) Company Limited (formerly known as COSCO Pacific Finance (2013) Company Limited)	British Virgin Islands	Hong Kong	Financing	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports Finance (2018) Company	British Virgin Islands	British Virgin Islands	Financing	US$1 divided into 1 ordinary share	**100.00%**	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%
	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%**	100.00%
	CSP Abu Dhabi 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%
	CSP Iberian Bilbao Terminal, S.L. (formerly known as Noatum Container Terminal Bilbao, S.L.)	Spain	Spain	Operation of container terminals	30,694,951 ordinary shares of Euro 0.43 each	**39.51%**	39.51%
	CSP Iberian Rail Services, S.L.U. (formerly known as Noatum Rail Services, S.L.U.)	Spain	Spain	Provision of rail terminals services	7,160,000 ordinary shares of Euro 1 each	**51.00%**	51.00%
	CSP Iberian Valencia Terminal, S.A.U. (formerly known as 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%
	CSP Iberian Zaragoza Rail Terminal, S.L. (formerly known as Noatum Rail Terminal Zaragoza, S.L.)	Spain	Spain	Operation of rail terminals	3,000 ordinary shares of Euro 1 each	**30.60%**	30.60%

45 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2019	2018
	CSP Zeebrugge Terminal NV	Belgium	Belgium	Operation of container terminals	3,500,001 ordinary shares of Euro 10 each	**85.00%**	85.00%
1	Golden Creation Development Limited	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 ordinary shares	**100.00%**	–
2, 3	Guangzhou South China Oceangate Container Terminal Company Limited	PRC	PRC	Operation of container terminals	RMB1,928,293,400	**39.00%**	39.00%
2	Guangzhou Nansha CSP Supply Co., Ltd.	PRC	PRC	Logistics	RMB200,000,000	**100.00%**	–
2, 3	Jinjiang Pacific Ports Development Co., Ltd.	PRC	PRC	Operation of terminals	US$49,900,000	**80.00%**	80.00%
2, 3	Jinzhou New Age Container Terminal Co., Ltd.	PRC	PRC	Operation of terminals	RMB320,843,634	**51.00%**	51.00%
2, 3	Lianyungang New Oriental International Terminals Co., Ltd.	PRC	PRC	Operation of terminals	RMB470,000,000	**55.00%**	55.00%
	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%
1	Navigator Investco Limited	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 ordinary shares	**51.00%**	–
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%**	51.00%
1	Piraeus Container Terminal S.A.	Greece	Greece	Operation of container terminals	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	Rise Treasure Investment Limited	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 ordinary shares	**100.00%**	–
1	Sagtransinter, S.L.U.	Spain	Spain	Inactive	13,631,405 ordinary shares of Euro 1 each	**51.00%**	51.00%

45 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2019	Group equity interest 2018
2, 3	Shanghai China Shipping Terminal Development Co., Ltd.	PRC	PRC	Investment holding	RMB7,322,000,000	**100.00%**	100.00%
	Verbrugge Terminals Zeebrugge NV (Now known as CSP Zeebrugge CFS NV)	Belgium	Belgium	Operation of terminals	Euro4,062,000 divided into 81,895 ordinary shares	**100.00%**	–
1	Win Hanverky Investments Limited	Hong Kong	Hong Kong	Investment holding	HK$100,000 divided into 10,000 ordinary shares	**100.00%**	100.00%
2, 3	Wuhan CSP Terminal Company Limited (formerly known as CSP Wuhan Company Limited)	PRC	PRC	Operation of terminals	RMB280,000,000	**70.00%**	70.00%
2, 3	Xiamen Ocean Gate Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminals	RMB1,813,680,000	**70.00%**	70.00%
2, 3	Yangzhou Yuanyang International Ports Co., Ltd.	PRC	PRC	Operation of terminals	US$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 The subsidiary was disposed during the year.

46 Details of joint ventures

Details of the principal joint ventures as at 31 December 2019, 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 2019	2018
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 (note 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%

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.

47 Details of associates

Details of the associates as at 31 December 2019, 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 2019	2018
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%
Beibu Gulf Port Co., Ltd. (note vi)	PRC	Operation of terminals	RMB1,634,616,854	**10.65%**	–
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%
Fangchenggang Chista Terminal Co., Limited	PRC	Operation of container terminals	RMB10,000,000	**20.00%**	–
Guangxi New Corridor International Container Terminal Co., Ltd	PRC	Operation of container terminals	RMB10,000,000	**25.00%**	–
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. (note ii)	PRC	Operation of container terminals	RMB1,544,961,839	**–**	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	**18.46%**	18.41%
Qingdao Qianwan Intelligent Container Terminal Co., Ltd	PRC	Operation of container terminals	RMB642,000,000	**20.00%**	20.00%

47 Details of associates (Continued)

Name	Place of establishment operation	Principal activities	Issued share capital/ registered capital	Group equity interest 2019	2018
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 iii)	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 iv)	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. (note v)	PRC	Operation of container terminals	RMB1,145,000,000	**–**	28.00%
Tianjin Port Container Terminal Co., Ltd (note v)	PRC	Operation of container terminals	RMB2,408,312,700	**16.01%**	–
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) Nanjing Port Longtan Container Co., Ltd was disposed during the year.

(iii) 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 2019 and 2018.

(iv) 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 2019 and 2018.

(v) In August 2019, Tianjin Port Container Terminal Co., Ltd. merged with Tianjin Five Continents International Container Terminal Co., Ltd. and Tianjin Orient Container Terminals Co., Ltd.

(vi) As at 31 December 2019, the Group has attained significant influence in Beibu Gulf Port Co., Ltd. and accounted it as a 10.65% associate, in which the transfer of title of 92,518,231 shares (representing 5.66% interest) registration was completed on 9 January 2020.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	US$'000	US$'000	US$'000	US$'000	US$'000 (Restated)
Revenues	**1,027,658**	1,000,350	634,710	556,377	550,217
Operating profit after finance income and costs	**116,062**	147,514	409,290	57,365	111,987
Share of profits less losses of					
– joint ventures	**86,359**	90,969	86,531	112,081	118,133
– associates	**181,095**	201,483	150,037	88,161	103,006
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	**383,516**	439,966	645,858	324,529	499,922
Income tax expenses (note 5)	**(33,566)**	(66,042)	(94,709)	(48,545)	(45,210)
Profit for the year	**349,950**	373,924	551,149	275,984	454,712
Profit attributable to:					
Equity holders of the Company	**308,017**	324,583	512,454	247,031	429,313
Non-controlling interests	**41,933**	49,341	38,695	28,953	25,399
	349,950	373,924	551,149	275,984	454,712
Dividends	**124,194**	130,516	91,370	405,113	153,219
Basic earnings per share (US cents)	**9.82**	10.58	16.93	8.30	14.58
Dividend per share (US cents)	**3.928**	4.232	3.000	13.637	5.184

	As at 31 December				
	2019	2018	2017	2016	2015
	US$'000	US$'000	US$'000	US$'000	US$'000 (Restated)
Total assets	**10,476,518**	9,045,452	8,954,080	6,786,456	8,860,645
Total liabilities	**(4,711,313)**	(3,225,802)	(3,108,706)	(2,020,652)	(2,593,569)
Net assets	**5,765,205**	5,819,650	5,845,374	4,765,804	6,267,076

Notes:

1 The consolidated results of the Group for the two years ended 31 December 2019 and the assets and liabilities of the Group as at 31 December 2019 have been extracted from the audited consolidated financial statements of the Group as set out on pages 129 to 136 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.

HISTORICAL STATISTICS SUMMARY

Financial statistics		2010	2011	2012
Consolidated income statement	US$M			
Revenue				
Terminals		190.8	320.1	398.5
Container leasing, management, sale and related businesses		250.9	276.5	336.2
Container handling, transportation and storage		4.8	3.3	3.7
Elimination of inter-segment		–	(0.7)	(2.9)
Total		446.5	599.2	735.5
EBITDA		516.6	621.9	618.3
Depreciation & amortisation		(111.8)	(142.2)	(167.9)
EBIT		404.8	479.7	450.4
Interest expenses		(29.4)	(58.4)	(77.3)
Interest income		6.5	5.1	9.2
Profit before income tax		381.9	426.4	382.3
Operating profit after finance income and costs		90.4	126.1	159.3
Profit attributable to equity holders of the Company		361.3	388.8	342.2
Breakdown of profit attributable to equity holders of the Company				
Terminals and related businesses		119.9	184.9	189.0
Container leasing, management, sale and related businesses		96.3	116.5	139.5
Container manufacturing and related businesses		91.9	119.8	61.9
Logistics and related businesses		84.7	–	–
Other operations		–	–	–
Net corporate finance income/(costs)		(1.9)	(0.6)	(1.9)
Net corporate income/(expenses)		(29.6)	(31.8)	(46.3)
Total		361.3	388.8	342.2
Consolidated balance sheet				
Consolidated total assets		5,251.9	6,472.2	7,363.9
Consolidated total liabilities		1,758.0	2,592.0	3,146.5
Consolidated net assets		3,493.9	3,880.2	4,217.4
Consolidated total debts		1,558.8	2,168.0	2,601.7
Consolidated cash balances		524.3	581.1	849.3
Consolidated net debts		1,034.5	1,586.9	1,752.4
Per share data				
Capital and reserves attributable to the equity holders of the Company per share	US$	1.23	1.34	1.42
Basic earnings per share	US cents	14.17	14.34	12.51
Dividend per share	US cents	5.668	5.736	5.004
Net asset value per share	US$	1.29	1.43	1.51
Net asset value per share	HK$	10.015	11.115	11.732
Share price (as at 31 December)	US$	1.742	1.167	1.424
	HK$	13.54	9.07	11.04
Ratios				
P/E (as at 31 December)	Times	12.3	8.1	11.4
Dividend payout ratio	%	40.0	40.0	40.0
Return on total assets	%	7.3	6.6	4.9
Return on net assets	%	11.4	10.5	8.5
Return on equity holders of the Company	%	11.9	11.1	9.0
Net debt-to-equity ratio	%	29.6	40.9	41.6
Interest coverage	Times	14.0	8.3	5.9
Other information				
Total number of shares issued (as at 31 December)	M	2,711.5	2,711.8	2,786.1
Weighted average number of ordinary shares issued	M	2,550.4	2,711.8	2,735.1
Market capitalisation (as at 31 December)	US$M	4,723.5	3,166.4	3,968.5

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 2010 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 2010 to 2014. No separate disclosures of continuing operations and discontinued operations were made on the financial figures for the year 2010 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

2013	2014	2015 (Restated)	2016	2017	2018	**2019**
452.2	514.7	547.3	553.9	634.7	1,000.4	**1,027.7**
347.7	357.1	–	–	–	–	**–**
2.9	2.3	2.9	2.5	–	–	**–**
(4.2)	(4.0)	–	–	–	–	**–**
798.6	870.1	550.2	556.4	634.7	1,000.4	**1,027.7**
1,007.7	610.4	463.6	393.4	796.0	652.8	**670.1**
(190.5)	(211.7)	(98.0)	(98.5)	(106.8)	(147.1)	**(190.1)**
817.2	398.7	365.6	294.9	689.2	505.7	**480.0**
(84.5)	(72.5)	(54.7)	(52.1)	(56.0)	(78.0)	**(108.9)**
18.1	25.7	22.2	14.8	12.7	12.3	**12.4**
750.8	351.9	333.1	257.6	645.9	440.0	**383.5**
180.4	180.7	112.0	57.4	409.3	147.5	**116.1**
702.7	292.8	429.3	247.0	512.5	324.6	**308.0**
186.8	221.0	286.6	242.9	573.3	364.0	**354.0**
125.2	95.8	82.8	66.1	–	–	**–**
416.5	–	79.2	–	–	–	**–**
–	–	–	–	–	–	**–**
–	–	–	–	–	–	**–**
10.7	32.0	27.7	8.0	2.8	(10.4)	**(14.7)**
(36.5)	(56.0)	(47.0)	(70.0)	(63.6)	(29.0)	**(31.3)**
702.7	292.8	429.3	247.0	512.5	324.6	**308.0**
7,551.3	7,616.7	8,860.6	6,786.5	8,954.1	9,045.5	**10,476.5**
2,707.8	2,558.0	2,593.5	2,020.7	3,108.7	3,225.8	**4,711.3**
4,843.5	5,058.7	6,267.1	4,765.8	5,845.4	5,819.7	**5,765.2**
2,046.2	1,860.2	2,087.0	1,503.0	2,334.3	2,479.9	**2,916.5**
1,237.6	1,116.5	924.2	837.1	566.4	606.7	**957.5**
808.6	743.7	1,162.8	665.9	1,767.9	1,873.2	**1,959.0**
1.56	1.61	1.97	1.44	1.70	1.66	**1.58**
24.95	10.01	14.58	8.30	16.93	10.58	**9.82**
9.980	4.004	5.184	13.637 [note 1]	3.000	4.232	**3.928**
1.66	1.72	2.11	1.58	1.91	1.87	**1.82**
12.895	13.342	16.373	12.254	14.879	14.643	**14.200**
1.372	1.421	1.102	1.005	1.0448	0.9830	**0.8192**
10.64	11.02	8.54	7.79	8.13	7.70	**6.38**
5.5	14.2	7.6	12.1	6.17	9.29	**8.34**
40.0	40.0	40.0	40.0 [note 3]	40.0 [note 4]	40.0	**40.0**
9.4	3.9	5.2	3.2	6.5	3.6	**3.2**
15.5	5.9	7.6	4.5	9.7	5.6	**5.3**
16.5	6.3	8.1	4.8	10.7	6.3	**6.1**
16.7	14.7	18.6	14.0	30.2	32.2	**34.0**
9.9	5.9	7.1	5.9	12.5	6.6	**4.5**
2,912.3	2,940.4	2,966.6	3,016.0	3,057.1	3,113.1	**3,162.0**
2,816.2	2,924.9	2,945.4	2,976.4	3,027.4	3,067.5	**3,135.1**
3,996.4	4,178.3	3,268.9	3,029.6	3,194.0	3,060.3	**2,590.4**

HISTORICAL STATISTICS SUMMARY

Financial statistics		2010	2011	2012
Container throughput	TEU			
COSCO-HIT Terminal		1,535,923	1,625,819	1,683,748
Yantian Terminal		10,133,967	10,264,440	10,666,758
Shanghai Terminal		3,197,244	–	–
Zhangjiagang Win Hanverky Terminal		889,515	1,065,382	1,228,935
Qingdao Cosport Terminal		1,284,903	–	–
Dalian Port Container Co., Ltd.		–	–	–
Shanghai Pudong Terminal		2,450,176	2,388,156	2,151,297
Qingdao Qianwan Terminal		10,568,065	12,426,090	14,045,503
COSCO-PSA Terminal		1,091,639	1,106,262	1,232,954
Yangzhou Yuanyang Terminal		302,617	400,224	401,003
Yingkou Container Terminal		1,196,932	1,303,068	1,600,094
Nanjing Longtan Terminal		1,245,559	1,600,523	2,035,617
Dalian Port Terminal		1,668,418	1,900,204	2,216,353
Tianjin Five Continents Terminal		1,917,873	2,100,321	2,180,184
Antwerp Terminal		795,534	1,168,930	1,101,163
Quan Zhou Pacific Terminal		1,050,710	1,186,799	1,201,279
Guangzhou South China Oceangate Terminal		3,060,591	3,914,348	4,230,574
Ningbo Yuan Dong Terminal		1,704,588	2,145,653	2,402,554
Suez Canal Terminal		2,856,854	3,246,467	2,863,167
Jinjiang Pacific Terminal		313,585	314,101	358,836
Piraeus Terminal		684,881	1,188,148	2,108,090
Tianjin Euroasia Terminal		574,296	1,350,962	1,705,667
Xiamen Ocean Gate Terminal		–	–	271,449
Kao Ming Terminal		–	–	–
Taicang Container Terminal		–	–	–
Asia Container Terminals		–	–	–
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		–	–	–
Tianjin Container Terminal		–	–	–
Nangtong Tonghai Terminal		–	–	–
CSP Abu Dhabi Terminal		–	–	–
Total		48,523,870	50,695,897	55,685,225

2013	2014	2015 (Restated)	2016	2017	2018	**2019**
1,639,275	1,639,995	1,575,858	1,343,859	1,920,597	1,794,152	**1,688,454**
10,796,113	11,672,798	12,165,687	11,696,492	12,703,733	13,159,705	**13,069,120**
–	–	–	–	–	–	**–**
1,374,596	798,773	672,295	675,062	735,918	761,849	**657,849**
–	–	–	–	–	–	**–**
–	–	–	–	–	–	**–**
2,246,026	2,373,620	2,508,121	2,556,220	2,650,396	2,602,151	**2,550,390**
14,981,635	16,108,145	16,995,934	17,499,703	–	–	**–**
1,048,846	1,311,747	1,526,328	1,809,428	2,044,536	3,198,874	**5,011,091**
449,849	481,704	482,106	454,104	489,108	500,340	**500,599**
1,716,106	1,716,128	1,560,138	1,586,108	1,496,050	1,338,535	**1,200,159**
2,400,370	2,495,608	2,633,753	2,773,005	2,881,008	2,930,391	**3,000,506**
2,732,174	2,732,136	2,495,053	2,683,879	2,604,631	–	**–**
2,300,918	2,569,695	2,570,233	2,571,772	2,580,943	2,708,817	**1,906,220**
1,370,609	1,727,116	2,015,306	1,922,281	2,166,096	2,230,418	**2,109,308**
1,090,660	1,160,480	1,221,692	1,308,652	1,384,479	1,559,899	**1,588,589**
4,449,311	4,647,266	4,486,627	4,781,665	5,056,257	5,164,923	**5,624,830**
2,806,406	3,214,703	3,040,762	2,536,182	2,980,839	3,060,010	**3,010,164**
3,124,828	3,400,397	2,954,080	2,547,597	2,528,647	2,609,978	**3,161,084**
418,242	467,610	347,226	364,255	495,993	425,533	**498,846**
2,519,664	2,986,904	3,034,428	3,470,981	3,691,815	4,409,205	**5,158,626**
1,803,407	2,004,170	2,032,389	2,232,973	2,469,753	2,717,331	**2,860,127**
609,393	806,183	1,034,753	1,131,197	1,501,001	1,968,613	**2,061,341**
1,170,704	1,333,226	1,525,359	1,728,922	1,698,187	1,745,673	**1,635,045**
235,759	538,304	539,771	513,296	520,799	561,212	**403,307**
–	1,139,414	1,252,815	1,088,891	1,568,298	1,465,047	**1,378,737**
–	–	2,826,893	3,182,368	2,828,933	–	**–**
–	–	15,971	21,094	24,582	22,047	**22,006**
–	–	1,850,064	1,870,076	1,515,057	1,413,894	**1,180,410**
–	–	351,773	449,016	571,113	710,746	**770,037**
–	–	500,879	515,482	559,330	584,701	**617,257**
–	–	5,668,946	5,900,056	6,500,062	6,252,083	**6,160,365**
–	–	3,525,770	3,100,243	2,872,563	2,876,355	**2,819,448**
–	–	5,757,635	5,786,311	5,800,302	5,805,069	**5,708,189**
–	–	920.737	1,138,057	1,357,005	1,371,051	**1,638,621**
–	–	268,261	277,363	316,448	392,484	**483,601**
–	–	128,332	151,534	188,455	167,824	**204,068**
–	–	–	2,084,592	3,554,512	3,758,277	**3,765,904**
–	–	–	665,398	1,063,335	1,258,294	**1,281,850**
–	–	–	653,808	2,693,337	3,054,115	**2,792,987**
–	–	–	–	554,028	3,622,200	**3,585,276**
–	–	–	–	39,455	66,565	**54,430**
–	–	–	–	12,270,000	19,320,000	**21,010,000**
–	–	–	–	1,324,584	9,512,744	**8,525,291**
–	–	–	–	–	–	**2,568,105**
–	–	–	–	–	264,255	**1,135,840**
–	–	–	–	–	–	**386,258**
61,284,891	67,326,122	90,485,975	95,071,922	100,202,185	117,365,360	**123,784,335**

CORPORATE INFORMATION

Board of Directors

Mr. FENG Boming[1] *(Chairman)*
Mr. ZHANG Dayu[1] *(Managing Director)*
Mr. DENG Huangjun[1]
Mr. ZHANG Wei[2]
Mr. CHEN Dong[2]
Dr. WONG Tin Yau, Kelvin[1]
Dr. FAN HSU Lai Tai, Rita[3]
Mr. Adrian David LI Man Kiu[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

Place of Incorporation

Bermuda

Registered Office

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2 Church Street
Hamilton HM 11
Bermuda

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Fax: +852 2907 6088
Website: https://ports.coscoshipping.com

Auditor

PricewaterhouseCoopers
Certified Public Accountants and
Registered PIE Auditor
22nd Floor
Prince's Building
Hong Kong

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

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Branch Registrar and Transfer Office in Hong Kong

Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Listing Information/Stock Code

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Bloomberg: 1199HK
Reuters: 1199.HK

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