COSCO SHIPPING Ports Limited
中遠海運港口有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 1199)

CAPTURING STRATEGIC DEVELOPMENT OPPORTUNITIES
CONTINUING TO ENHANCE LEAN OPERATIONS

ANNUAL REPORT 2020

GROWTH

GLOBAL NETWORK

EXPLORE

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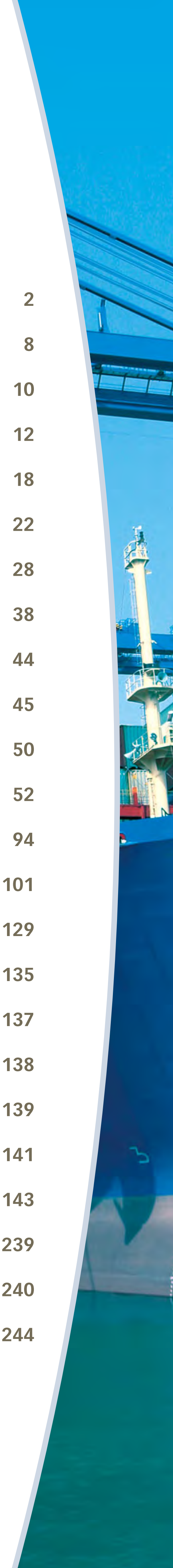


CORPORATE PROFILE

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 Mainland China, Southeast Asia, the Middle East, Europe, South America and the Mediterranean, etc. As at 31 December 2020, COSCO SHIPPING Ports operated and managed 357 berths at 36 ports globally, of which 210 were for containers, with an annual handling capacity of approximately 118 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

- In response to the novel coronavirus pneumonia epidemic (the "COVID-19 Epidemic"), COSCO SHIPPING Ports set up a leading group and a working group for pandemic prevention and control, and started the anti-epidemic work at its terminals; it also procured supplies via its global terminals to support the epidemic response in China

FEBRUARY

- Awarded "Best Shipping Port Operator (Ports sector) Hong Kong", "Best Investor Relations Company (Ports sector) Hong Kong", "Most Sustainable Company (Ports sector) Hong Kong" and "Best CSR Company (Ports sector) Hong Kong" by International Business Magazine
- Awarded "Best Port Operator Hong Kong" and "Best Investor Relations Company Hong Kong" by Finance Derivative Magazine

APRIL

- Awarded "Most Innovative Port Operator" by International Finance Magazine
- Awarded "Best Container Operator of the Year" and "Most Socially Responsible Port Operator" by Global Business Outlook Magazine
- Awarded "Best Port Operator" by Business Tabloid Magazine

MAY

- Xiamen Ocean Gate Terminal, together with COSCO SHIPPING, Dongfeng Corporation and China Mobile, published the "Achievements in the Construction of the Demonstration Project of 5G Smart Ports"
- Awarded "Winner – Compliance Team" and ranked as one of the "Highly recommended – Aviation, Shipping & Logistics Teams" by Chinese Business Law Journal
- In the Report on the "2020 HKIoD Corporate Governance Scorecard" announced by the Hong Kong Institute of Directors, COSCO SHIPPING Ports was one of the top 10 companies with the highest CGI scores

JUNE

- Piraeus Terminal celebrated its first tenth year anniversary. Over the past decade, the throughput of Piraeus Terminal increased from 680,000 TEU to 4.9 million TEU, making it a model of cooperation along the Belt and Road Initiative

JULY

- The construction of a new container terminal in Vado, Italy, was officially completed

AUGUST

- CSP Wuhan Yangluo sea, rail, road and air intermodal transportation project started phase two construction. Upon completion, the project will further leverage on the advantages of Hubei as an integrated sea-rail transportation hub

SEPTEMBER

- The first batch of 5G driverless container truck, a joint project of COSCO SHIPPING Ports with Dongfeng Corporation and China Mobile, was officially delivered

OCTOBER

- The "Vado Ligure Express Service" route under DIAMOND Line was officially launched. It serves as the fastest connection from the Far East to Vado Terminal via Piraeus Terminal, as well as a brand new and unique route for cargoes shipping from the Northwestern Europe, the Black Sea, the Adriatic Sea and the North Africa to the Northern Italy
- Awarded "Citation for Environment, Social and Governance Disclosure" and "Excellence Award for H Share & Red Chip Entries-Annual Reports Awards" by the Hong Kong Management Association
- Awarded "Best Investor Relations Company", "Asia's Best CEO (Investor Relations)" and "Best Investor Relations Professional" by Corporate Governance Asia Magazine
- Awarded "Inno ESG Prize" by Inno ESG
- Awarded "Corporate Website Bronze Prize" in 2020 Galaxy Awards

NOVEMBER

- CSP Abu Dhabi CFS completed phase one construction, and put into operation after formal acceptance by the local government authorities and will become the largest container freight station in the Middle East
- Awarded "Transportation and Logistics In-House Team of the Year" by Asian Legal Business Magazine, a well-recognised professional magazine
- Awarded "Best Mid-Cap ESG Report Commendation", "Best GRI Report Commendation", "Excellence in ESG Governance Commendation" and "Excellence in Environmental Positive Impact" by Alaya Consulting
- Awarded "Sustainability and Social Responsibility Reporting Awards (Special Mention)" by The Hong Kong Institute of Certified Public Accountants

DECEMBER

- COSCO SHIPPING Ports was accredited as the "Research and Development Center of Transport Industry of Automated Terminal Technology", becoming the first national-level research and development project undertaken by the Company and the first industrial research platform recognised by the competent national ministries since the establishment of COSCO SHIPPING
- CSP Chancay Terminal project was officially approved by the environmental impact assessment authority of the Peruvian government and will enter the full construction phase
- With the completion of operation for Athena vessel of KAX service, CSP Abu Dhabi Terminal accumulated a throughput of over one million TEU since its operation
- Awarded "Titanium Award in Environmental, Social and Governance" by The Asset Magazine

FINANCIAL HIGHLIGHTS

	2020	2019	Change
	US$	US$	%
Revenue	**1,000,629,000**	1,027,658,000	-2.6
Operating profit after finance income and finance costs	**135,857,000**	116,062,000	+17.1
Share of profit less losses of joint ventures and associates	**272,720,000**	267,454,000	+2.0
Profit attributable to equity holders of the Company	**347,474,000**	308,017,000	+12.8
	US cents	US cents	%
Basic earnings per share	**10.81**	9.82	+10.1
Dividend per share	**4.324**	3.928	+10.1
– Interim dividend	**2.068**	1.900	+8.8
– Second interim dividend (2019: Final dividend)	**2.256**	2.028	+11.2
Payout ratio	**40.0%**	40.0%	Not applicable
	US$	US$	%
Consolidated total assets	**11,224,345,000**	10,476,518,000	+7.1
Consolidated total liabilities	**4,847,119,000**	4,711,313,000	+2.9
Consolidated net assets	**6,377,226,000**	5,765,205,000	+10.6
Capital and reserves attributable to the equity holders of the Company	**5,550,204,000**	4,995,461,000	+11.1
Consolidated net debts	**1,706,228,000**	1,958,971,000	-12.9
	%	%	ppt
Return on equity holders of the Company [1]	**6.6**	6.5	+0.1
Return on total assets [1]	**3.2**	3.4	-0.2
Net debt-to-total-equity ratio	**26.8**	34.0	-7.2
Interest coverage [1]	**4.6 times**	4.7 times	Not applicable
Dividend yield	**6.2**	4.8	+1.4

Note:

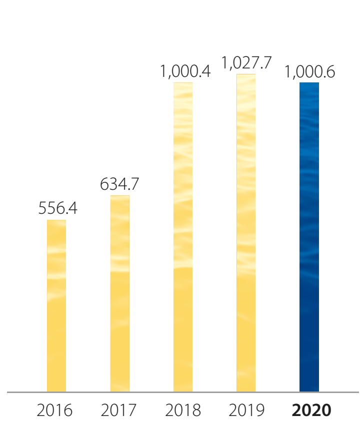
1. Excluding one-off dilution effect on equity interests in QPI of US$22,553,000.

FIVE-YEAR FINANCIAL SUMMARY

REVENUE

US$ **1,000.6** million

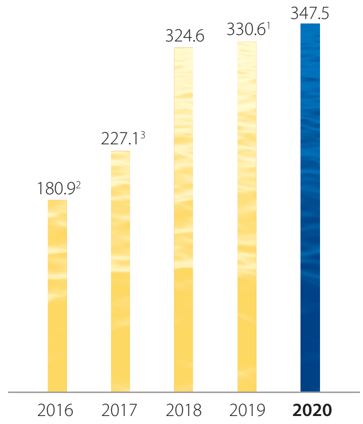
US$ million



ADJUSTED NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

US$ **347.5** million

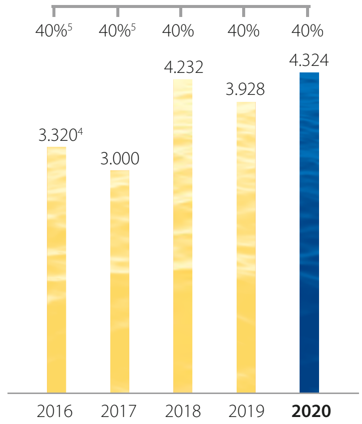
US$ million



DIVIDEND PER SHARE AND PAYOUT RATIO

US **4.324** cents

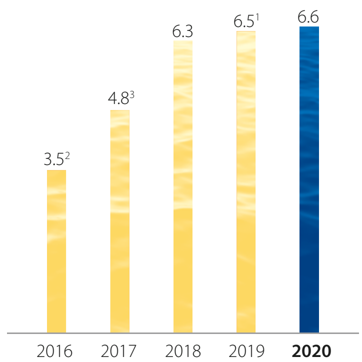
US cents



RETURN ON EQUITY HOLDERS OF THE COMPANY

6.6 %

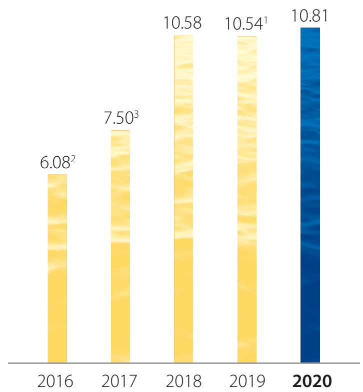
%



ADJUSTED EARNINGS PER SHARE

US **10.81** cents

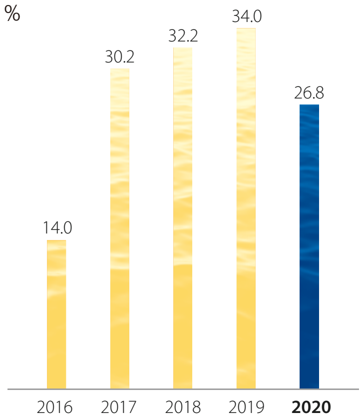
US cents



NET DEBT-TO-TOTAL-EQUITY RATIO

26.8 %

%



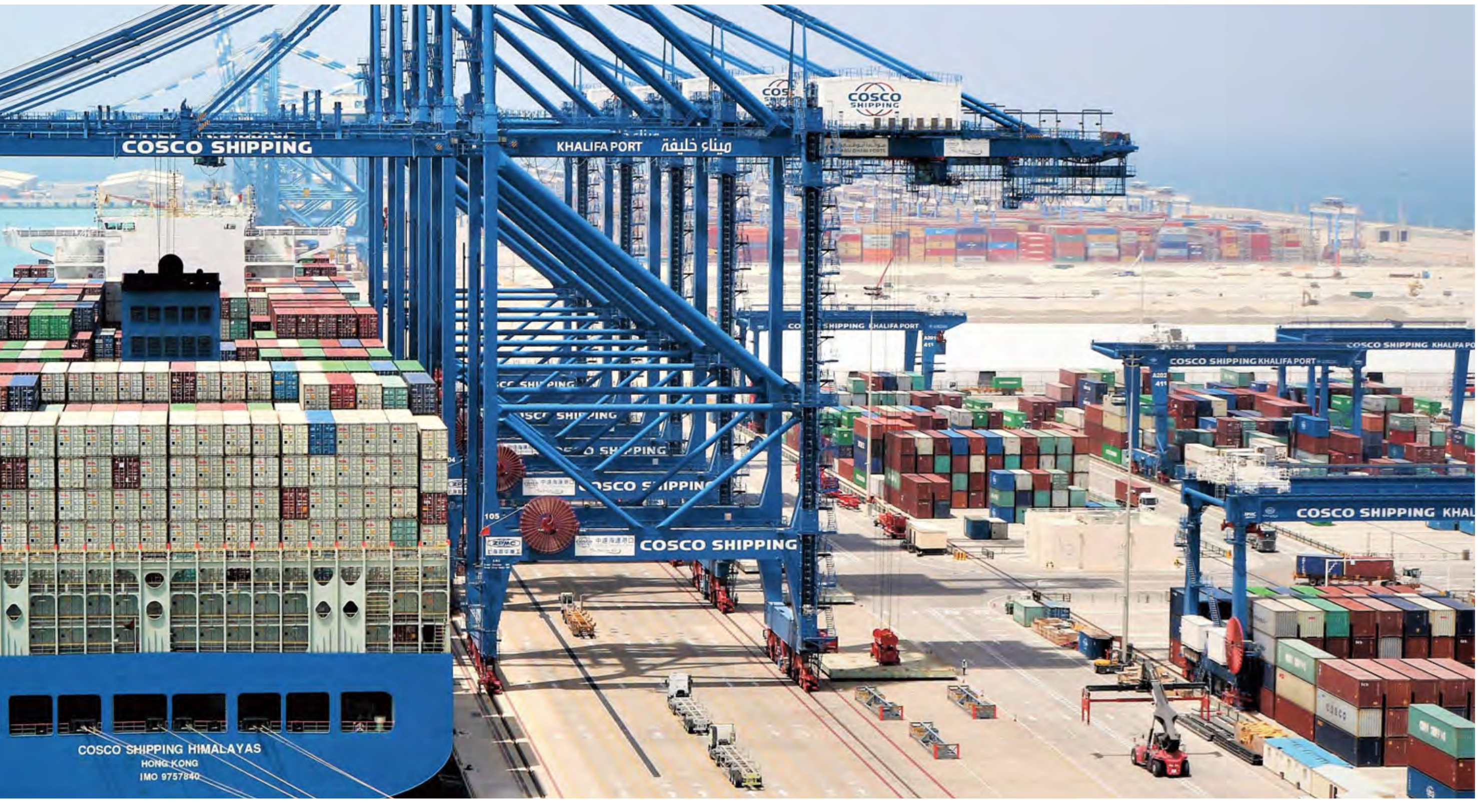
Notes:

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

CHAIRMAN'S STATEMENT

FENG Boming
Chairman

In 2020, COSCO SHIPPING Ports actively implemented its development strategy, which is driven by "Global Layout" and "Lean Operations" and supported by three major changes in the headquarters, namely "Information Technology and Digital Platform", "Support Center for Extension of Industrial Chain" and "Organisational Control and Talent System", in an effort to achieve the strategic goal of "Becoming a World-class Comprehensive Ports Operator". By optimising its global terminal portfolio, COSCO SHIPPING Ports aimed to realise its expansion strategy focused on project expansion and overseas investment. While improving its operation and control system based on lean operations and management control capacity, COSCO SHIPPING Ports kept promoting the quality and efficiency of its terminal asset portfolio. As at the end of 2020, the Group's terminal portfolio covered the five main port regions in Mainland China, as well as the key hub ports in Southeast Asia, the Middle East, Europe, South America and the Mediterranean, with a target handling capacity of 136 million TEU, helping us remain the largest container terminal operator in the world.



CAPITALISE ON GLOBAL GROWTH AND OPTIMISE TERMINAL ASSET PORTFOLIO

By capitalising on the global growth opportunities, the Group identified potential projects and tapped into strategic terminals in which it has controlling stake and highly profitable terminals in which it has a shareholding to build a balanced global terminal network. In particular, the Company consolidated its domestic port resources, thereby restructuring its terminals and improving the quality of assets. Meanwhile, it continued to optimise its existing terminal asset portfolio by strategically disposing of its shares in terminals of low strategic importance and weak financial attractiveness to increase its total asset value. The Group will continue to grasp the opportunities to expand its global terminal network and focus on emerging markets such as Southeast Asia, the Middle East and Africa to enhance the regional diversification of its terminal asset portfolio.

CONTINUE TO DEEPEN LEAN OPERATIONS TO IMPROVE THE QUALITY AND EFFICIENCY OF ASSETS

To achieve better quality and efficiency of its terminal asset portfolio, the Group continued to deepen the "Lean Operations" strategy which was carried out on three main fronts. Firstly, cost reduction. Starting with controlling cost per TEU, the Group established an integrated management system for finance and operation and cut cost in certain sessions and processes, to remarkably enhancing cost competitiveness. Secondly, revenue boost. The Company built a lean marketing system with account manager as its core to strengthen market insight and customer value analysis capabilities, hence continuously enhancing the overall management of commercial marketing. In addition, the Company continued to bring forward new ideas of operations. In vertical context, the Group gave full play to the

global terminal network by extending single terminal services to network marketing, in an attempt to provide shipping companies with a low-cost and highly-efficient package of terminal services and promote the growth of container volume and revenue. In horizontal context, the Group actively collaborated with other players to reduce costs and increase efficiency, and to have a greater bargaining power in the industry. In 2020, the Group made progress by having an increase of 45 new service routes to the terminals in which it has controlling stake. Thirdly, empowerment by headquarters. The Group set up its first COE (Center of Excellence) team for port operation and management, comprising the head office operation and management team, terminal operation and management team and external experts, which help diagnose problems, optimise processes, follow up the implementation of measures and evaluate operational procedures to improve the level of operational management.

ACCELERATE THE EXTENSION OF SUPPLY CHAIN TO INCREASE NEW EARNINGS GROWTH POINT

The Group continued to invent new business models, develop the supply chain business and accelerate the construction of ports extended supply chain platform. Based on its terminals, the Group developed supply chain warehousing services, gradually built up its logistics network with the supply chain platform as a link and expanded its service categories. These helped the Group better attract and retain customers, bring in new revenue growth points and form a leading service system for integrated logistics supply chain in the world.

ACTIVELY PROMOTING INFORMATION TECHNOLOGY TO ENHANCE OPERATING EFFICIENCY

The Group kept promoting technological innovation and accelerating information technology application. It unified its terminal operating systems and continued to apply Navis system at each terminal in which it has controlling stake for terminal automation construction. The Group actively advocated 5G smart ports. In 2020, it took the lead in applying for and obtaining the approval of the "Research and Development Center of Transport Industry of Automated Terminal Technology", becoming an industrial research and development center recognised by the Ministry of Transport. As the Group's demonstration port for 5G smart application, Xiamen Ocean Gate Terminal is actively carrying out research and development of driverless container truck system. The Group will continue to promote the system at the terminals in which it has controlling stake when applicable in the future.

CREATING VALUE FOR SUSTAINABLE DEVELOPMENT

COSCO SHIPPING Ports continues to adhere to the principle of sustainability in its business development, and strives to create long-term value for various stakeholders and give back to society while proactively facilitating the expansion of business. The Group has actively fulfilled its firm commitment to care for its people, put customers first, promote green development, achieve win-win cooperation, build up a harmonious business environment and invest in communities. The Group also upholds the values of honesty, integrity and compliance in operation and business cooperation in order to foster trust and build mutually beneficial relationships with its stakeholders and society.

DIVIDEND

The Board of Directors declared a second interim cash dividend of US2.256 cents per share. Together with the first interim dividend of US2.068 cents per share, it brings the total dividend for 2020 to US4.324 cents per share, representing a 40% payout ratio.

COSCO SHIPPING Ports has had a consistent dividend policy that balances the objective of appropriately rewarding shareholders through dividends and to support the future development. 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 corporate website (https://ports.coscoshipping.com).

PROSPECTS

In 2021, as the COVID-19 Epidemic is expected to be brought under control globally, we expect the global trade and economy to gradually recover, which will present new opportunities for the ports and shipping industry. We have been well prepared to seize opportunities arising from such a rebound in global demand.

Despite the uncertainties in global economic recovery, the Group is able to leverage on its ample cash on hand and cash flow to stabilise its financial position and facilitate sustainable development, thus laying a solid foundation for its global terminal network layout. The Group will carry on to seek such opportunities as mergers and acquisitions as well as disposals of global terminal assets for a wider global terminal network and an optimal terminal assets portfolio. While promoting the scale growth brought about by its global layout, the Group persists in deepening its lean operations. Among others, it will intensify

control over terminals, improve quality and efficiency of its assets and reduce costs. It will strengthen its marketing capabilities, enhance communication with shipping lines and proactively introduce more routes. We will pursue a development strategy that places equal emphasis on scale development and profit growth, and strive to create higher value and better returns for shareholders.

BOARD AND CORPORATE GOVERNANCE

COSCO SHIPPING Ports holds fast to the highest standard of corporate governance. The Board and its committees play an active role in uniting the Company in implementing its development strategy, and against a background of uncertain macroeconomy, tapping markets and improving the Company's operating efficiency. We will spare no effort to maintain a sound corporate governance structure that underpins global terminal business network and long-term growth.

On behalf of the Board, I would like to thank the Management and the staff for their continued dedication and contribution towards the Company 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.

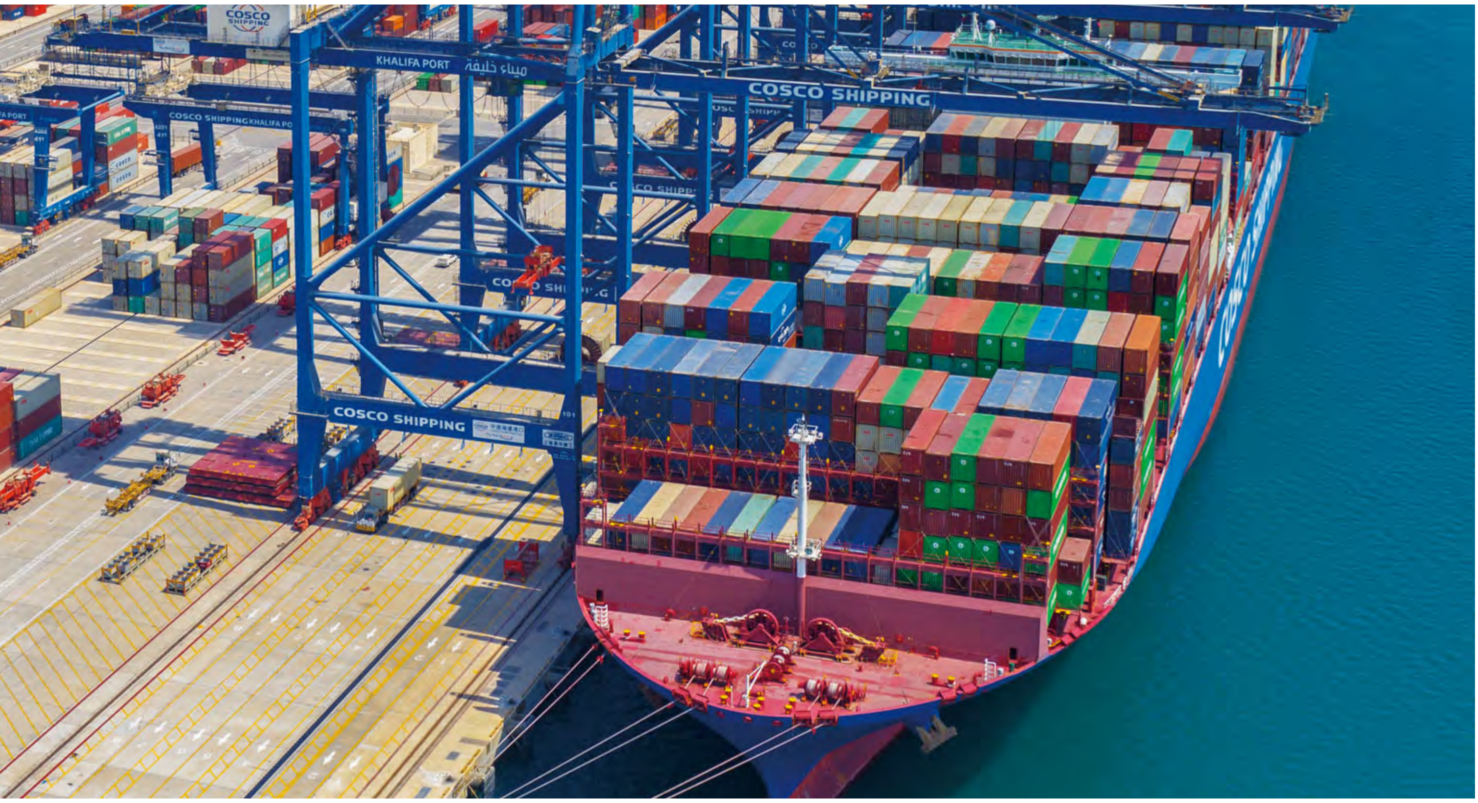
FENG Boming
Chairman
30 March 2021

MANAGING DIRECTOR'S REPORT

ZHANG Dayu
Managing Director

In 2020, the Group reported solid performance against the negative impact on world economy and trade under the global spread of the COVID-19 Epidemic. Revenue amounted to US$1,000.6 million, which represented a moderate decline of 2.6% from US$1,027.7 million for the previous year. Profit attributable to equity holders grew by 12.8% to US$347.5 million, while earnings per share advanced by 10.1% to US10.81 cents.

The Group's total throughput remained stable at 123.8 million TEU. Total throughput of the Group's terminals in Greater China dipped by 0.4% to 95.4 million TEU, accounting for 77.0% of the Group's total throughput. Total throughput of overseas terminals increased by 1.6% to 28.4 million TEU. In particular, Greater China saw a gradual recovery in throughput, as terminals of the region (excluding Nanjing Longtan Terminal, Yangzhou Yuanyang Terminal and Zhangjiagang Terminal) recorded a 4.0% year-on-year increase in their throughput.



OPTIMISING TERMINAL PORTFOLIO AND GLOBAL LAYOUT

With an eye on identifying projects with growth potential around the globe, the Group acquired 20% equity interests in Red Sea Gateway Terminal on 27 January 2021. Red Sea Gateway Terminal, strategically located in the Red Sea region and adjacent to major waterways, boasts an extensive coverage of container markets in the Middle East and East Africa. As such regions grow their maritime trade in the future, Red Sea Gateway Terminal will witness sustained growth in its container throughput.

In addition, the Group subscribed for 26% equity interests in Beibu Gulf Terminal in 2020. Beibu Gulf Terminal stands as a beneficiary from the promotion and implementation of the "New Land and Marine Routes for Western Regions (西部陸海新通道)" strategy by the PRC, as well as the economic development in Southwest China and Southeast Asia. The project provides an effective boost to the Group's competitive edge, terminal business and profitability.

The Group is an active participant in the restructuring of domestic ports and the strategic disposal of assets to optimise its terminal portfolio. Last year, the Group disposed of Yangzhou Yuanyang Terminal, Zhangjiagang Terminal and Jiangsu Petrochemical. Such transactions are conducive to value creation and enhancement for shareholders. The disposal of interests in port assets is a move of strategic planning in response to changes in regional industrial development. The Group will keep optimising its terminal portfolio in Yangtze River Delta, bolster the development of Nantong Tonghai Terminal and CSP Wuhan Terminal, and remain committed to developing hub ports in Yangtze River Delta.

ENHANCING SYNERGIES AND COOPERATION WITH SHIPPING ALLIANCES

Apart from continuously leveraging on its synergy with the parent company and the OCEAN Alliance, the Group has worked actively to expand other shipping company customers, with greater communication with major shipping companies and efforts to procure the shipping fleets of major shipping alliances to increase their calls at our terminals. Efforts have also been made to keep increasing the percentage of container volume from third-party customers and optimising our customer portfolio.

During the year, we further tapped into our synergies with COSCO SHIPPING Lines and OOCL, which recorded an uptick of 21.1% and 39.3% in their container volume in terminals which the Group has controlling stake in, respectively, compared to the previous year. Benefitting from the boost from 2M and THE Alliance, their combined container volume increased 2.2% year-on-year in terminals which the Group has controlling stake in.

As one of the world's largest ports operators, not only do we further capitalise on the synergies with our parent company and the OCEAN Alliance, we also capture every opportunity to work with major shipping companies and ports operators to deliver a win-win outcome. We also continue to increase our throughput, ramp up port operation capabilities rapidly and bolster customer service capabilities.

CONTINUOUSLY IMPROVING MANAGEMENT CAPABILITIES AND ACTIVELY DEVELOPING PORTS SUPPLY CHAIN PLATFORM

The Group persists in strengthening the control and management capabilities of its ports and terminals business, with unified management in place to integrate the performance of its terminals and elevate the value of its investment projects. In 2020, equity throughput increased to 38.5 million TEU from 29.5 million TEU in 2016. Of the amount, the equity throughput from the terminals in which the Group has controlling stake, increased to 14.3 million TEU from 10.0 million TEU in 2016, registering a compound annual growth rate of 9.3%.

As the Company keeps ramping up its control and management capabilities, terminals in which the Group has controlling stake are actively developing terminal extended business and high-end warehouse services. This aims to develop a ports supply chain platform that extends to both upstream and downstream industries and provide more value-added services to customers. Guangzhou South China Oceangate Terminal and Xiamen Ocean Gate Terminal are in the process of developing high-end warehouse services, which are expected to commence operation in 2022. In addition, the Company is developing terminal extended services at terminals in Nantong, Wuhan and other regions to further enhance profitability.

CSP Abu Dhabi CFS, approximately 10 kilometres away from CSP Abu Dhabi Terminal, covers an area of about 275,000 square metres with a storage area of 105,000 square metres, and is furnished with the latest facilities and information technology system. Successful completion of the first phase of the project signalled that the largest container freight station in the Middle East has taken shape. CSP Zeebrugge CFS stands adjacent to CSP Zeebrugge Terminal with railway connection to the terminals in the European interior. CSP Zeebrugge CFS has a utilisation rate of 100% and creates synergy with CSP Zeebrugge Terminal, seeking to offer customers more comprehensive services.

CONTINUING TO BUILD GLOBAL TERMINAL NETWORK LAYOUT

In 2020, we remained focused on building a global terminal network to provide efficient and high-quality services to shipping alliances. With prudent use of financial resources, the Group continues to identify new terminal projects and investment opportunities in Southeast Asia, the Middle East, Africa and South America. Our previously acquired greenfield project is also moving towards its harvesting period. With its utilisation rate on the rise, CSP Abu Dhabi Terminal recorded a throughput of 665,500 TEU in 2020, up by 72.3% year-on-year, as the terminal is stepping up its marketing efforts and actively working on route introduction.

CSP Chancay Terminal is under construction and is expected to be operational in 2022. It is the Company's first greenfield project in which it has controlling stake in South America. The Group works to develop the Port of Chancay into an important gateway port in the continent. 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.

EFFECTIVELY IMPLEMENTING ANTI-EPIDEMIC MEASURES

In 2020, the Company was challenged by the COVID-19 Epidemic in its operation and production. Accordingly, the Group worked on epidemic prevention and control in a practical manner. On one hand, we strove for effective prevention and control of the epidemic, and on the other hand, we made proper arrangements for production and operation during the epidemic prevention and control period. Despite the epidemic impact on the industry, the Group continued to shoulder its social responsibility, support the work of its employees and attach importance to their safety and health, in an effort to cope with the challenges brought by the epidemic.

PROSPECTS

In 2021, the world economy will remain under the negative impact of the COVID-19 Epidemic, with formidable challenges for global trade and macroeconomics. As such, global capital markets will display a cautious inclination.

The Group will continue with its strategy of lean operations, cost cutting and efficiency enhancement, and strengthen its terminal management capabilities, operational standards and risk management. The Company remains committed to optimising the layout of its global terminal network to meet the needs of shipping alliances with more comprehensive services. It will also seize development opportunities to strengthen its global terminal network.

ZHANG Dayu
Managing Director
30 March 2021

CORPORATE STRUCTURE

China COSCO SHIPPING Corporation Limited

46.22%

COSCO SHIPPING Holdings Co., Ltd.

Stock Code:
1919 (H Share)
601919 (A Share)

50.23%

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
19.79%	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
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

Overseas

20%	Antwerp Terminal
4.89%	Busan Terminal
49%	COSCO-PSA Terminal
40%	CSP Abu Dhabi Terminal
39.51%	CSP Bilbao Terminal
60%	CSP Chancay Terminal
51%	CSP Valencia Terminal
85.45%	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

10.65%	Beibu Gulf Port
26%	Beibu Gulf 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 authority groups, terminal operators and international liner companies to maximise synergies and value


COSCO SHIPPING
COSCO SHIPPING
COSCO SHIPPING PISCES
101


CMA CGM
APL

GLOBAL TERMINAL NETWORK

Total Throughput
123,824,575
TEU

OVERSEAS
23.0%

GREATER CHINA
77.0%

The Ports for ALL

Greater China
(Mainland China,
Hong Kong and Taiwan)

Terminal Coverage	22 Ports
Designed Container Berths	164
Designed Annual Handling Capacity	95,970,000 TEU

Overseas

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

Bohai Rim

23.2% Percentage of total designed annual handling capacity

67 Designed container berths

31,450,000 TEU
Designed annual handling capacity

Yangtze River Delta

11.5% Percentage of total designed annual handling capacity

24 Designed container berths

15,520,000 TEU
Designed annual handling capacity

Southeast Coast and Others

6.6% Percentage of total designed annual handling capacity

15 Designed container berths

9,000,000 TEU
Designed annual handling capacity

Pearl River Delta

18.9% Percentage of total designed annual handling capacity

34 Designed container berths

25,600,000 TEU
Designed annual handling capacity

Southwest Coast

10.6% Percentage of total designed annual handling capacity

24 Designed container berths

14,400,000 TEU
Designed annual handling capacity

Overseas

29.2% Percentage of total designed annual handling capacity

65 Designed container berths

39,600,000 TEU
Designed annual handling capacity

OPERATIONAL REVIEW

Market Review

In 2020, the COVID-19 Epidemic spread over the world brought great negative impact on the economy of all countries around the world. The World Economic Outlook released by the International Monetary Fund (IMF) in January 2021 estimated that the global economy would contract by 3.5% in 2020.

In spite of major uncertainties over the global economy and trade, China's imports and exports steadily increased in 2020. According to General Administration of Customs of the PRC, China's imports and exports reached RMB32 trillion in 2020, increased by 1.9% year-on-year. In particular, exports increased by 4.0% year-on-year to RMB18.6 trillion and imports decreased by 0.7% year-on-year to RMB13.4 trillion.

Overall Performance

Despite challenges casted over global trade, COSCO SHIPPING Ports continuously implemented lean operations strategy in 2020. Throughput was up 3.5% to 32,732,299 TEU in the fourth quarter of 2020 (4thQ2019: 31,615,221 TEU) mainly driven by throughput growth of the Pearl River Delta, Southwest Coast and Overseas regions. The total throughput of the Group remained stable at 123,824,575 TEU in 2020 (2019: 123,784,335 TEU).

The total throughput from terminal companies in which the Group has controlling stake decreased by 11.1% to 22,328,730 TEU (2019: 25,104,282 TEU), accounting for 18.0% of the Group's total. Excluding throughput of the disposed Yangzhou Yuanyang Terminal and Zhangjiagang Terminal, total throughput from terminal companies in which the Group has controlling stake decreased by 7.1% to 22,248,882 TEU (2019: 23,945,834 TEU). The total throughput from non-controlling terminals increased by 2.9% to 101,495,845 TEU (2019: 98,680,053 TEU), accounting for 82.0% of the Group's total. The Group's total equity throughput decreased by 3.1% to 38,456,239 TEU in 2020 (2019: 39,670,783 TEU).

	2020 (TEU)	2019 (TEU)	Change (%)
Total Throughput	**123,824,575**	**123,784,335**	**+0.0**
Throughput from terminals in which the Group has controlling stake	22,328,730	25,104,282	–11.1
Throughput from the Group's non-controlling terminals	101,495,845	98,680,053	+2.9
Equity Throughput	**38,456,239**	**39,670,783**	**–3.1**
Equity throughput from terminals in which the Group has controlling stake	14,261,352	16,056,895	–11.2
Equity throughput from the Group's non-controlling terminals	24,194,887	23,613,888	+2.5

Greater China

Total throughput of the Greater China region decreased by 0.4% to 95,380,835 TEU in 2020 (2019: 95,789,852 TEU) and accounted for 77.0% of the Group's total.

BOHAI RIM

Total throughput of the Bohai Rim region increased by 3.0% to 41,884,560 TEU in 2020 (2019: 40,659,612 TEU) and accounted for 33.8% of the Group's total. In particular, throughput of QPI grew by 4.8% to 22,010,000 TEU (2019: 21,010,000 TEU).

YANGTZE RIVER DELTA

Total throughput of the Yangtze River Delta region decreased by 27.0% to 14,768,442 TEU in 2020 (2019: 20,238,468 TEU) and accounted for 11.9% of the Group's total. The drop in throughput was mainly due to completion of the disposal of Nanjing Port Longtan Container Co., Ltd. ("Nanjing Longtan Terminal"), Yangzhou Yuanyang Terminal and Zhangjiagang Terminal by the Group. Excluding throughput of these three terminals, throughput of Yangtze River Delta region dropped by 8.7% to 14,688,593 TEU in 2020 (2019: 16,079,514 TEU). Benefitting from the strong recovery of domestic and foreign trade demand for the second half of the year, Nantong Tonghai Terminal made greater marketing efforts in increasing shipping service and introduced several new shipping services successfully with its throughput increased by 23.8% to 1,405,658 TEU (2019: 1,135,840 TEU). Thanks to the integrated operation of Chuanshan Port Area, the throughput of Ningbo Yuan Dong Terminal increased by 3.1% to 3,103,386 TEU (2019: 3,010,164 TEU). Shanghai Mingdong Terminal actively tapped domestic market in the second half of the year to drive container volume growth, seeing the throughput increased by 1.4% to 6,246,932 TEU (2019: 6,160,365 TEU).

SOUTHEAST COAST

Total throughput of the Southeast Coast region decreased by 5.8% to 5,445,662 TEU in 2020 (2019: 5,783,821 TEU) and accounted for 4.4% of the Group's total. Trade demand decreased significantly in the first half of the year regarding the impact of the epidemic. However, as container shipping market gradually recovered in the second half of the year, the throughput of Xiamen Ocean Gate Terminal increased steadily by 0.4% to 2,070,159 TEU (2019: 2,061,341 TEU).

PEARL RIVER DELTA

Total throughput of the Pearl River Delta region increased by 1.6% to 27,898,470 TEU in 2020 (2019: 27,469,330 TEU) and accounted for 22.5% of the Group's total. Benefitting from new foreign trade shipping services, the throughput of Guangzhou South China Oceangate Terminal increased by 2.3% to 5,753,628 TEU (2019: 5,624,830 TEU).

SOUTHWEST COAST

Total throughput of the Southwest Coast region increased by 228.6% to 5,383,701 TEU in 2020 (2019: 1,638,621 TEU) and accounted for 4.3% of the Group's total, which was mainly because the throughput of Beibu Gulf Port was included since January 2020 and the throughput of Beibu Gulf Port amounted to 3,362,302 TEU in 2020.

Overseas Region

Total throughput of the overseas region increased by 1.6% to 28,443,740 TEU in 2020 (2019: 27,994,483 TEU) and accounted for 23.0% of the Group's total. Due to the decrease in global economic demand impacted by the epidemic, the throughput of Piraeus Terminal decreased by 5.1% to 4,896,886 TEU (2019: 5,158,626 TEU). The throughput of CSP Spain Related Companies decreased by 5.5% to 3,387,820 TEU (2019: 3,585,276 TEU). Benefitting from new shipping services, the throughput of CSP Abu Dhabi Terminal increased by 72.3% to 665,500 TEU (2019: 386,258 TEU).

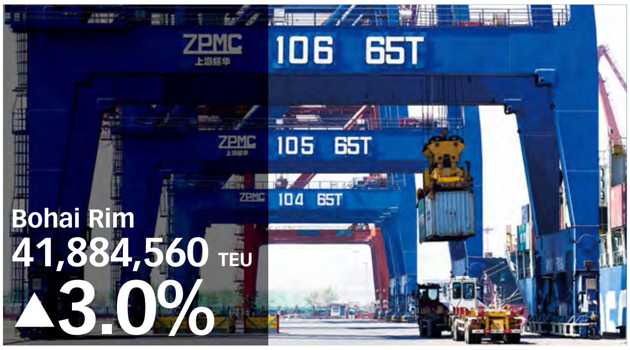
Prospects

Although the global macroeconomic condition is facing major challenges and countries around the world are still facing uncertainty brought by the COVID-19 Epidemic, COSCO SHIPPING Ports achieved continuous improvement in both throughput and earnings in the fourth quarter. Looking ahead to 2021, COSCO SHIPPING Ports will continue to improve its global terminal portfolio and realise the Company's scale expansion strategy by focusing on project development and overseas investment. The Company will also strengthen its operation and control system based on lean operations and management control capacities to enhance the quality and efficiency of the terminal portfolio, as well as dedicate its efforts to achieve the strategic goal of "becoming a customer centric and leading integrated ports operator in the world".

COSCO SHIPPING Ports will continue to capture opportunities such as asset merger and restructuring and sale of global terminals to expand the global terminal network. Acquisitions and disposals as well as accelerating expansion of supply chain extension projects help optimise the terminal portfolio. While promoting the growth in scale through its global network, the Group will continuously consolidate lean operations and strengthen management control capacity of the terminals. Moreover, the Group will actively improve the informatization and digitization, enhance asset quality and efficiency, maintain cost control effectively and strengthen marketing capabilities. The Group will also strengthen its communication and actively introduce routes with shipping companies to seek a development strategy that emphasises both full-scale development and profit growth, as well as strive to create greater value and bring better returns to its shareholders.

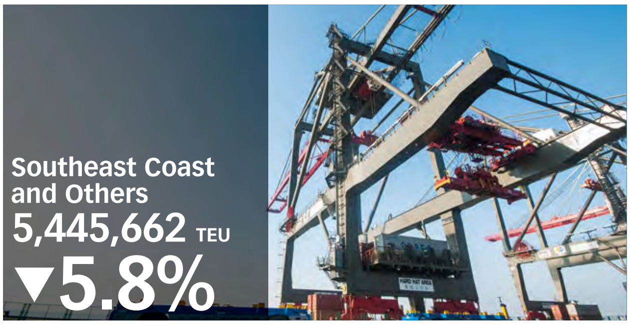
Greater China Total Throughput
95,380,835 TEU
▼0.4%

Overseas Total Throughput
28,443,740 TEU
▲1.6%



QPI	22,010,000	+4.8%
Dalian Container Terminal	4,981,782	-41.6%
Dalian Dagang Terminal	21,003	-4.6%
Tianjin Euroasia Terminal	3,060,267	+7.0%
Tianjin Container Terminal[1]	7,866,145	+206.3%
Yingkou Terminals[2]	2,600,520	+9.2%
Jinzhou New Age Terminal	722,981	-6.1%
Qinhuangdao New Harbour Terminal	621,862	+0.7%

Shanghai Pudong Terminal	2,443,406	-4.2%
Shanghai Mingdong Terminal	6,246,932	+1.4%
Ningbo Yuan Dong Terminal	3,103,386	+3.1%
Lianyungang New Oriental Terminal	1,089,116	-61.4%
Zhangjiagang Terminal[3]	48,008	-92.7%
Yangzhou Yuanyang Terminal[3]	31,841	-93.6%
Taicang Terminal	400,095	-0.8%
Nantong Tonghai Terminal	1,405,658	+23.8%



Xiamen Ocean Gate Terminal	2,070,159	+0.4%
Quan Zhou Pacific Terminal	1,332,207	-16.1%
Jinjiang Pacific Terminal	443,748	-11.0%
Kao Ming Terminal	1,599,548	-2.2%

Notes:

1. According to the merger agreement entered into on 30 June 2019, Tianjin Container Terminal as the surviving entity absorbed and merged with Tianjin Five Continents International Container Terminal Co., Ltd. ("FICT") and Tianjin Orient Container Terminal Co., Ltd. ("TOCT"). The throughput of FICT and TOCT was included in the throughput of Tianjin Container Terminal since September 2019. As such, the percentage change represents a comparison between the full year of 2020 and the period from September to December 2019.

2. Throughput of Yingkou Terminals was the total throughput of Yingkou Container Terminal and Yingkou New Century Terminal.

3. On 10 February 2020, the Company completed the sale of Zhangjiagang Terminal and Yangzhou Yuanyang Terminal and therefore their throughput were not included in the throughput of the Company since February 2020. As such, the percentage change represents a comparison between January 2020 and the full year of 2019.

Operational Review

Yantian Terminals	13,348,546	+2.1%
Guangzhou Terminals[4]	11,463,110	+1.1%
Hong Kong Terminals[5]	3,086,814	+0.6%

Qinzhou International Terminal[6]	1,599,524	-2.4%
Beibu Gulf Terminal[6]	421,875	N/A
Beibu Gulf Port[7]	3,362,302	N/A

Piraeus Terminal	4,896,886	-5.1%
CSP Zeebrugge Terminal	609,277	+26.0%
CSP Spain Related Companies	3,387,820	-5.5%
CSP Abu Dhabi Terminal[8]	665,500	+72.3%
COSCO-PSA Terminal	5,090,751	+1.6%
Vado Reefer Terminal	60,256	+10.7%
Euromax Terminal	2,454,617	-12.1%
Kumport Terminal	1,217,240	-5.0%
Suez Canal Terminal	3,783,388	+19.7%
Antwerp Terminal	2,270,425	+7.6%
Seattle Terminal	248,370	+21.7%
Busan Terminal	3,759,210	-0.2%

Notes:

4. Throughput of Guangzhou Terminals was the total throughput of Guangzhou South China Oceangate Terminal and Guangzhou Nansha Stevedoring Terminal.
5. Throughput of Hong Kong Terminals was the total throughput of COSCO-HIT Terminal and Asia Container Terminal.
6. On 30 November 2020, the Group completed the acquisition of equity interest in Beibu Gulf Terminal through injection of its equity interest in Qinzhou International Terminal into Beibu Gulf Terminal and cash consideration. As such, the percentage change represents a comparison between the period from January to November 2020 and the full year of 2019.
7. Throughput of Beibu Gulf Port was included since January 2020. Such throughput did not include throughput of Qinzhou International Terminal and Beibu Gulf Terminal, which had been separately listed out.
8. Throughput of CSP Abu Dhabi Terminal was included since April 2019. As such, the percentage change represents a comparison between the full year of 2020 and the period from April to December 2019.
9. Total throughput of bulk cargo, excluding the throughput of Beibu Gulf Port, for the year ended 31 December 2020 was 77,413,837 tons (2019: 78,092,660 tons), representing a decrease of 0.9%. Total throughput of automobile for the year ended 31 December 2020 was 750,112 vehicles (2019: 885,899 vehicles), representing a decrease of 15.3%. Throughput of reefer of Vado Reefer Terminal for the year ended 31 December 2020 was 386,091 pallets (2019: 398,566 pallets), representing a decrease of 3.1%.

TERMINAL PORTFOLIO* (As of 31 December 2020)

Terminal company	Share holdings	Target number of berths	Target designed annual handling capacity (TEU)	Depth (m)
Bohai Rim		67	31,450,000	
		3	780,000 vehicles	
		65	236,020,000 tons	
QPI	19.79%	24	10,000,000	N/A
		62	207,020,000 tons	N/A
Dalian Container Terminal	19%	18	9,500,000	17.8
Dalian Dagang Terminal	35%	1	100,000	9.1
Dalian Automobile Terminal	24%	3	780,000 vehicles	11
Tianjin Euroasia Terminal	30%	3	1,700,000	16
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		24	15,520,000	
		7	13,570,000 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
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

Note:

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

TERMINAL PORTFOLIO* (As of 31 December 2020)

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	11.6-15.1
		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		24	14,400,000	
Beibu Gulf Port [Note 1]	10.65%	18	10,800,000	N/A
		100	268,400,000 tons	N/A
Beibu Gulf Terminal [Note 2]	26%	6	3,600,000	15.1

Notes:

1. The target number of berths and the target designed annual handling capacity do not include Beibu Gulf Terminal.
2. If the indirect interest of 4.69% held through Beibu Gulf Port is counted, the Company directly and indirectly holds 30.69% in Beibu Gulf Terminal.

TERMINAL PORTFOLIO* (As of 31 December 2020)

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	14.5-19.5
Suez Canal Terminal	20%	8	5,000,000	17
Kumport Terminal	26%	6	2,100,000	15-16.5
CSP Zeebrugge Terminal	85.45%	3	1,300,000	17.5
Antwerp Terminal	20%	4	3,700,000	16
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	15.2
Euromax Terminal	35%	5	3,200,000	17.65
CSP Abu Dhabi Terminal	40%	3	2,500,000	18
Vado Reefer Terminal	40%	2	250,000	14.5
		2	600,000 pallets	14.1
CSP Valencia Terminal	51%	6	4,100,000	16
CSP Bilbao Terminal	39.51%	3	1,000,000	21
CSP Chancay Terminal	60%	2	1,000,000	16-18
		2	6,200,000 tons	14
Total		413		
Total number of container berths/ Target designed annual handling capacity		229	135,570,000	
Total number of bulk berths/ Target designed annual handling capacity		179	533,390,000 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 unified management and operating system to integrate terminal operations

FINANCIAL REVIEW

With the outbreak of the COVID-19 Epidemic in early 2020, related prevention and control measures continued throughout the world, which had an impact on business and economic activities. As the domestic terminals business performance gradually recovered in the second half of 2020 and the Group completed its strategic planning projects during the year, COSCO SHIPPING Ports recorded a profit attributable to equity holders of the Company of US$347,474,000 (2019: US$308,017,000), a 12.8% increase compared with last year.

2020 strategic planning projects included the one-off after-tax disposal gain of US$61,472,000 resulted from the disposal of the interests in Zhangjiagang Terminal and Yangzhou Yuanyang Terminal, and the one-off after-tax disposal gain of US$7,074,000 and US$9,896,000 resulted from the disposal of the interests in Jiangsu Yangtze Petrochemical Co., Ltd. ("Jiangsu Petrochemical") and Qinzhou International Terminal, respectively. The one-off profit and effect in 2019 included the after-tax gain of US$27,411,000 resulted from the disposal of COSCO Ports (Nanjing) Limited ("CP (Nanjing)") and its 16.14% stakes in Nanjing Longtan Terminal, the after-tax gain of US$4,544,000 on consolidation of Tianjin Container Terminal, and the one-off dilution effect on equity interests of US$22,553,000 in QPI according to the strategic planning projects.

In 2020, profit from terminals in which the Group has controlling stakes amounted to US$34,652,000 (2019: U$49,830,000), a 30.5% decrease compared with last year; profit from non-controlling terminals was US$274,841,000 (2019: US$294,793,000), a 6.8% decrease compared with last year. The decline in the profit from terminals in which the Group has controlling stakes was attributed to the lower profit due to the influence of greenfield terminals under construction which had not commenced operations (including CSP Chancay Terminal and CSP Wuhan Terminal etc.), as well as the throughput and revenue of the terminals just commenced operation (including CSP Abu Dhabi Terminal and Nantong Tonghai Terminal), which were to be improved and not yet sufficient to cover the operating costs and hence recorded a loss in the early stage of terminal development. Excluding the share of losses of greenfield terminals, the profit from terminals in which the Group has controlling stakes was US$58,751,000

(2019: US$70,149,000), a 16.2% decrease compared with last year. Profit from terminals in which the Group has controlling stakes was mainly attributable to Piraeus Terminal, Guangzhou South China Oceangate Terminal and Xiamen Ocean Gate Terminal. Under the impact of the epidemic, throughput of Piraeus Terminal in 2020 decreased by 5.1% compared with last year. In addition, following the completion and commencement of operation of the second phase of the western part of Pier 3 in the second half of 2019, depreciation expense increased and the profit recorded by Piraeus Terminal in 2020 was US$19,454,000 (2019: US$28,652,000), a 32.1% decrease compared with last year. Throughput of Guangzhou South China Oceangate Terminal in 2020 increased by 2.3% compared with last year, while the average total loan amount decreased which led to a decrease in finance costs, its profit amounted to US$19,065,000 for the year (2019: US$15,811,000), a 20.6% increase compared with last year. After including the amortization of the fair value at the consolidation level, CSP Spain Related Companies recorded a loss amounted to US$1,384,000 (2019: profit of US$3,629,000) for the year, mainly due to the impact of the epidemic and a 4.6% decrease in throughput which led to a decrease in revenue.

In respect of non-controlling terminals, in late 2019, COSCO SHIPPING Ports increased its shareholdings

in Beibu Gulf Port which became an associate of the Group thereafter. Its share of profit in 2020 was calculated according to the equity method while in 2019, it was included in gains from changes in fair value and dividends income. Due to adjustment to tax rates and the decrease of throughput, share of loss of Euromax Terminal amounted to US$3,089,000 (2019: profit of US$4,902,000) for the year. The share of profit of Kumport Terminal amounted to US$8,763,000 (2019: US$16,459,000) in 2020, due to the decrease in throughput compared with last year. In addition, addition of terminal equipment in the second half of 2019 led to an increase in depreciation compared with last year, as well as a decrease in share of profits due to foreign exchange losses. Furthermore, share of profit of Sigma Enterprises Limited and Wattrus Limited and their subsidiaries (collectively "Sigma and Wattrus Related Companies") amounted to US$48,070,000 (2019: US$51,687,000) for the year, a 7.0% decrease compared with last year, which was mainly due to the fact that Yantian Terminal Phase III's tax concession as a national high-tech enterprise ended in late 2019, the tax rate has increased from 15% to 25% in 2020. On the other hand, with a gradual increase in its shareholding in QPI in 2019, there was an increase in share of profit of QPI accordingly. Share of profit of QPI amounted to US$105,749,000 (2019: US$94,512,000) in 2020, an 11.9% increase compared with last year, which partially offset the decrease of profits of joint ventures and associates.

FINANCIAL ANALYSIS

REVENUES

Revenues of the Group in 2020 amounted to US$1,000,629,000 (2019: US$1,027,658,000), a 2.6% decrease compared with last year. The disposals of Zhangjiagang Terminal and Yangzhou Yuanyang Terminal were completed in early 2020 and COSCO SHIPPING Ports excluded their revenue in 2020, resulting in a decrease in revenue of US$49,476,000 in aggregate. In addition, the business volume of the terminals decreased mainly due to the epidemic, which in turn resulted in a decrement of revenue as compared with last year. In 2020, CSP Spain Related Companies recorded a revenue of US$268,783,000 (2019: US$278,301,000), a 3.4% decrease compared with last year. On the other hand, CSP Abu Dhabi Terminal officially commenced operation in the fourth quarter of 2019. It only recorded revenue for the fourth quarter in 2019 and CSP Abu Dhabi Terminal recorded a revenue of US$25,105,000 (2019: US$5,601,000) in 2020. Guangzhou South China Oceangate Terminal recorded a revenue of US$171,651,000 (2019: US$162,909,000) for the year, a 5.4% increase compared with last year,

and CSP Zeebrugge Terminal and Nantong Tonghai Terminal recorded revenue of US$30,618,000 and US$29,588,000 (2019: US$19,735,000 and US$21,463,000) respectively due to new business obtained, representing 55.1% and 37.9% increases respectively compared with last year which partially offset the decrease in revenue.

COST OF SALES

Cost of sales mainly comprised operating expenses of terminals in which the Group has controlling stakes. Cost of sales in 2020 was US$767,987,000 (2019: US$754,934,000), a 1.7% increase compared with last year. Although the disposal of Zhangjiagang Terminal and Yangzhou Yuanyang Terminal were completed in early 2020 and the costs of these terminals no longer included by COSCO SHIPPING Ports in 2020, leading to a decrease in expenses of US$30,719,000, the operating expenses of some terminals increased compared with last year, which led to an increase in overall operating expenses. These include CSP Abu Dhabi Terminal officially commenced operation in the fourth quarter of 2019, and US$37,708,000 (2019: US$11,809,000) was included in its annual cost of sales in 2020; CSP Zeebrugge Terminal and Nantong Tonghai Terminal recorded costs of US$27,952,000 and US$24,382,000 (2019: US$24,416,000 and US$18,307,000) respectively due to new business obtained; throughput of Guangzhou South China Oceangate Terminal increased compared with last year, recorded a cost of US$90,298,000 (2019: US$85,522,000) in 2020, a 5.6% increase compared with last year; Piraeus Terminal recorded a cost of US$202,476,000 (2019: US$199,377,000) in 2020, a 1.6% increase compared with last year, due to the increase in depreciation of right-to-use assets and fixed assets.

ADMINISTRATIVE EXPENSES

Administrative expenses in 2020 were US$120,182,000 (2019: US$123,998,000). Among which, following the completion of the disposal of Zhangjiagang Terminal and Yangzhou Yuanyang Terminal, COSCO SHIPPING Ports ceased to include the administrative expenses of those terminals in 2020 (2019: US$4,112,000). In addition, the administrative expenses in respect of epidemic prevention expenses recorded in 2020 amounted to US$645,000 (2019: Nil) due to the epidemic.

OTHER OPERATING INCOME/(EXPENSES), NET

Net other operating income in 2020 was US$123,357,000 (2019: US$63,784,000). In 2020, the one-off pre-tax gains in respect of the disposal of the interests in Zhangjiagang Terminal and Yangzhou Yuanyang Terminal, Jiangsu Petrochemical and Qinzhou International Terminal according to the Company's strategic planning were US$71,150,000, US$9,951,000 and US$9,896,000 respectively. In 2019, the one-off pre-tax gain of US$28,299,000 in respect of the disposal of CP (Nanjing) and its 16.14% stakes in Nanjing Longtan Terminal according to the strategic planning and the pre-tax gain of US$6,861,000 on consolidation of Tianjin Container Terminal were included. Gain from changes in fair value and dividend income of Beibu Gulf Port were not included in other operating income in 2020 (2019: US$25,532,000) as it became an associate after increasing its shareholding in late 2019. Furthermore, there was a one-off dilution effect on equity interests of US$22,553,000 in QPI in 2019.

FINANCE COSTS

The Group's finance costs in 2020 amounted to US$114,650,000 (2019: US$108,863,000), a 5.3%

increase compared with last year. The average balance of bank loans for the year amounted to US$2,853,105,000 (2019: US$2,773,877,000), a 2.9% increase compared with last year. The increase in finance costs was due to the fact that the finance costs of certain greenfield terminals were no longer capitalised after they commenced operation. Taking into account the capitalised interest, the average cost of bank borrowings in 2020 (including the amortization of transaction costs over bank loans and notes) was 3.24% (2019: 3.77%).

SHARE OF PROFITS LESS LOSSES OF JOINT VENTURES AND ASSOCIATES

The Group's share of profits less losses of joint ventures and associates in 2020 totalled US$272,720,000 (2019: US$267,454,000), a 2.0% increase compared with last year. Among which, with a gradual increase in its shareholding in QPI in 2019, there was an increase in share of profit of QPI in line with its shareholding. The share of profit of QPI in 2020 amounted to US$105,749,000 (2019: US$94,512,000), an 11.9% increase compared with last year. Share of associate's profit of Beibu Gulf Port in 2020 was included based on the equity method, while gain from changes in its fair value and its dividends income were included in other operating income in 2019. As a result of adjustment to tax rates and the decline in throughput, share of loss of Euromax Terminal of US$3,089,000 (2019: profit of US$4,902,000) was recorded for the year. Share of profit of Kumport Terminal in 2020 decreased to US$8,763,000 (2019: US$16,459,000), mainly attributable to a decrease in throughput compared with last year, an increase in depreciation due to addition of terminal equipment in the second half of 2019, and exchange loss. Furthermore, share of profit of Sigma and Wattrus Related Companies amounted to US$48,070,000 (2019: US$51,687,000), a 7.0% decrease compared with last year, which was mainly due to the fact that Yantian Terminal Phase III's tax concession as a national high-tech enterprise ended in late 2019, the tax rate has increased from 15% to 25% in 2020.

TAXATION

Taxation for the year amounted to US$34,967,000 (2019: US$33,566,000), a 4.2% increase compared with last year. Although tax expenses decreased resulting from a year-on-year drop in profit from terminals in which the Group has controlling stakes and the taxation of Zhangjiagang Terminal (2019: US$2,047,000) was excluded after its disposal, there were provisions for tax expenses of strategic planning projects in 2020 which resulted in an increase in tax expenses as compared with last year.

FINANCIAL POSITION

CASH FLOW

In 2020, the Group continued to receive steady cash flow income, its net cash generated from operating activities amounted to US$326,240,000 (2019: US$353,264,000) during the year. In 2020, the Group borrowed bank loans of US$744,277,000 (2019: US$771,075,000) and repaid loans of US$740,932,000 (2019: US$309,344,000).

During the year, US$224,428,000 (2019: US$242,462,000) was paid in cash by the Group for the expansion of berths and the purchase of property, plant and equipment. In addition, an amount of approximately US$56,738,000 was used to acquire circulating foreign shares in QPI representing 1.33% equity interests during the year (2019: approximately US$59,723,000 was used to acquire 1.34% equity interests). Approximately US$59,276,000 was received from a subsidiary of QPI for the disposal of part of the equity interest in COSCO SHIPPING Ports (Abu Dhabi) Limited. US$100,920,000 was received for the disposal of Zhangjiagang Terminal and Yangzhou Yuanyang Terminal, and the payables and entrusted loans due to the Company totalled approximately US$150,313,000, and RMB129,000,000 (equivalent to approximately US$18,207,000) of the disinvestment from Qingdao Qianwan Intelligent Container Terminal Co., Ltd was received. The acquisition of 26% equity interest of Beibu Gulf Terminal was made through injection of 40% equity interest in Qinzhou International Terminal into Beibu Gulf Terminal and a cash payment of RMB486,824,000 (equivalent to approximately US$74,006,000). During 2019, the Group acquired 60% equity interests in CSP Chancay Terminal, a subsidiary of the Company, at a consideration of US$225,000,000, of which US$56,250,000 was paid, and increased its shareholdings in Beibu Gulf Port at a consideration of US$129,212,000.

FINANCING AND CREDIT FACILITIES

As at 31 December 2020, the Group's total outstanding borrowings amounted to US$3,047,741,000

(31 December 2019: US$2,916,450,000) and cash balance amounted to US$1,341,513,000 (31 December 2019: US$957,479,000). Banking facilities available but unused amounted to US$813,455,000 (31 December 2019: US$969,830,000).

ASSETS AND LIABILITIES

As at 31 December 2020, the Group's total assets and total liabilities were US$11,224,345,000 (31 December 2019: US$10,476,518,000) and US$4,847,119,000 (31 December 2019: US$4,711,313,000), respectively. Net assets were US$6,377,226,000 (31 December 2019: US$5,765,205,000). Net current assets as at 31 December 2020 amounted to US$740,672,000 (31 December 2019: US$299,931,000). As at 31 December 2020, net asset value per share of the Company was US$1.92 (31 December 2019: US$1.82).

As at 31 December 2020, the net debt-to-total-equity ratio (excluding lease liabilities) was 26.8% (31 December 2019: 34.0%) and the interest coverage was 4.6 times (2019: 4.5 times).

As at 31 December 2020, certain assets of the Group with an aggregate net book value of US$340,672,000 (31 December 2019: US$378,555,000), together with the Company's restricted bank deposits and interest in subsidiaries, were pledged to secure bank loans and a loan from other financial institution, totalling US$1,052,879,000 (31 December 2019: US$990,140,000).

DEBT ANALYSIS

	As at 31 December 2020		As at 31 December 2019	
	US$	**(%)**	US$	(%)
By repayment term				
Within the first year	**299,449,000**	**9.8**	508,786,000	17.5
Within the second year	**658,312,000**	**21.6**	265,941,000	9.1
Within the third year	**430,725,000**	**14.1**	411,968,000	14.1
Within the fourth year	**799,512,000**	**26.3**	707,903,000	24.3
Within the fifth year and after	**859,743,000**	**28.2**	1,021,852,000	35.0
	3,047,741,000*	**100.0**	2,916,450,000*	100.0
By category				
Secured borrowings	**1,052,879,000**	**34.5**	990,140,000	34.0
Unsecured borrowings	**1,994,862,000**	**65.5**	1,926,310,000	66.0
	3,047,741,000*	**100.0**	2,916,450,000*	100.0
By denominated currency				
US dollar borrowings	**1,119,283,000**	**36.8**	1,163,246,000	39.9
RMB borrowings	**763,015,000**	**25.0**	577,486,000	19.8
Euro borrowings	**881,667,000**	**28.9**	829,024,000	28.4
HK dollar borrowings	**283,776,000**	**9.3**	346,694,000	11.9
	3,047,741,000*	**100.0**	2,916,450,000*	100.0

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

FINANCIAL GUARANTEE CONTRACTS

As at 31 December 2020 and 31 December 2019, 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 either Euro or Renminbi, the same currency of its borrowings, revenues and expenses, so as to provide a natural hedge against the foreign exchange volatility.

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 2020, 30.7% (31 December 2019: 37.0%) 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

(a) Acquisition of 20% equity interests in Red Sea Gateway Terminal Company Limited

On 27 January 2021, Sound Joyce Enterprises Limited (a wholly-owned subsidiary of the Company) (as purchaser), Saudi Industrial Services Company, City Island Holdings Limited, Xenel Industries Limited and Saudi Trade and Export Development Company Limited (together as Sellers), and Red Sea Ports Development Company entered into a share purchase agreement pursuant to which, the sellers have conditionally agreed to sell, and Sound Joyce Enterprises Limited has conditionally agreed to purchase shares which represent approximately 20.00% of the total issued share capital of Red Sea Gateway Terminal Company Limited ("RSGT") (the "RSGT Acquisition") at a consideration of US$140,000,000 in cash.

After completion of the RSGT Acquisition, RSGT will become an associate of the Company. As at the date of this report, the RSGT Acquisition was not completed.

(b) Acquisition of 34.99% equity interests in Tianjin Container Terminal

On 26 February 2021, COSCO SHIPPING Ports (Tianjin) Limited (a wholly-owned subsidiary of the Company) (as purchaser), Tianjin Port Holdings Co., Ltd. (as seller) and the Company entered into an equity transfer agreement in relation to the acquisition of 34.99% equity interests in Tianjin Container Terminal (the "TCT Acquisition") at a consideration of RMB1,348,371,228.15 in cash. The final consideration for the TCT Acquisition shall be adjusted upon completion of the transaction.

Together with the 16.01% equity interests in Tianjin Container Terminal currently held by the Group, the Company will have 51% in Tianjin Container Terminal after completion of the TCT Acquisition and Tianjin Container Terminal will become a subsidiary of the Company. As at the date of this report, the TCT Acquisition was not completed.

CORPORATE SUSTAINABLE DEVELOPMENT

The outbreak of the COVID-19 Epidemic has severely hit the global economy and society, impacting many aspects of economic activities and business operations. Amid difficult times, COSCO SHIPPING Ports strived to expand the market and optimise internal management by staying united with an aim to ensuring epidemic prevention and normal operations while proactively supporting local communities to overcome the hardships.

CARING FOR OUR PEOPLE

The Company has done a lot of work to fight the epidemic, ranging from setting up a special task force to coordinate the preventive measures of the headquarters and the terminals in which it has controlling stake, allocating protective items to support local employees, enhancing promotion of epidemic prevention measures to maintaining smooth communications with an aim to preventing the outbreak of the epidemic, safeguarding the health and safety of employees and the operations of the Company, and effectively curbing the epidemic.

CUSTOMERS FIRST

Amid the spread of the epidemic, the Company proactively solved problems for customers by maintaining close contact with them and mitigated the impact of port closures by coordinating the services of terminal companies in order to ensure smooth loading and unloading activities. Our operating results for the year remained steady thanks to effective marketing.

GREEN DEVELOPMENT

During the year, the Company proactively advocated the concept of green ports, including revising administrative measures to enhance ecological protection, pollution prevention and control, typhoon and flood control, and contingency plans and management of accidental environmental pollution, enhancing supervision and regulation as well as eliminating potential risks, so as to further improve the safety management system and promote green development.

WIN-WIN COOPERATION

The Company adhered to the principle of lean management by strengthening the strategic cooperation with business partners, and proactively facilitated technological innovation and transformation to explore the application of 5G technology with an aim to enhancing the synergy of resources allocation along the supply chain of the ports.

INVESTING IN COMMUNITIES

With the COVID-19 Epidemic running rampant all over the world, the Company was committed to fulfilling corporate social responsibility while maintaining normal operations by coordinating terminal companies to open up “green channels” to prioritise ships carrying anti-epidemic materials for direct berthing, handling and unloading, as well as donating anti-epidemic materials to the most impacted countries to combat the epidemic.

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, including releases monthly terminal throughput and quarterly results voluntarily, to fulfill more strict and transparent standards of disclosure.

In 2020, the Group has actively implemented the strategy of lean operations. We believe that it is the most important work of investor relations to let investors and shareholders understand the Company's business operation and development 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; answers investor's enquiries on time; actively arranges investor presentation, results announcement conference call and press conference to let investors have a better understanding of the Company's business operation; publishes sustainability report to enhance corporate governance.

STRENGTHENING COMMUNICATIONS WITH INVESTORS

As a leading global terminal operator, investors and analysts are quite interested 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 2020, the 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 2020, the Group held meetings with around 260 funds, and communicated with around 350 investors and analysts from China, the United Kingdom, the United States, Australia, Singapore, South Korea, Malaysia and etc. The Group actively arranged events and joined investor conferences to strengthen communications with shareholders, investors and analysts.

CONTINUE TO ENHANCE CORPORATE INFORMATION DISCLOSURE

The disclosure practice the Company implements is well above regulatory requirements. Since 1997, the Company has posted 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 has arranged 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 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 reports to reflect corporate culture, business operations and growth strategies.

Meanwhile, the Company also prepares an independent sustainability report. The headquarters and the terminals collected sustainability data in respect of employees and environmental protection to strengthen 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 the 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 2020; the Company received a number of awards in the field of investor relations offered by various organisations. In February 2020, the Company was awarded "Best Investor Relations Company Hong Kong 2020" from Finance Derivative Magazine for the second consecutive year and was also awarded "Best Investor Relations Company (Ports sector) Hong Kong" from International Business Magazine; in October, the Company was awarded by Corporate Governance Asia Magazine the "Best Investor Relations Company" for the ninth consecutive year, "Asia's Best CEO (Investor Relations)" for the second consecutive year and "Best Investor Relations Professional". 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 governance (ESG) are also highly recognised by the market in recent years. In April 2020, the Company was awarded "Most Socially Responsible Port Operator" from Global Business Outlook Magazine for the first time; in October, the Company was awarded "Inno ESG Prize" from Inno ESG for the second consecutive year; in November, the Company was awarded "Best Mid-Cap ESG Report Commendation", "Best GRI Report Commendation", "Excellence in ESG Governance Commendation" and "Excellence in Environmental Positive Impact" from Alaya Consulting. 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 by several times, and the Company's annual report was awarded "Citation for Environment, Social and Governance Disclosure" and "Excellence Award for H Share & Red Chip Entries – Annual Reports Awards" from The Hong Kong Management Association. Sustainability report was awarded "Sustainability and Social Responsibility Reporting Awards (Special Mention)" from HKICPA; in December, the Company was awarded "Titanium Award in Environmental, Social and Governance" by The Asset Magazine for the second consecutive year. The Company has been communicating with investors through the Company's website, and in October 2020, it was awarded "Corporate Website Bronze Prize" by 2020 Galaxy Awards.

INVESTOR RELATIONS EVENTS

Jan
- Goldman Sachs "Greater China Corporate Day"
- Daiwa Clients Group Meeting
- UBS "The 20th Greater China Seminar" Investor Forum

Mar
- 2019 Annual Results Announcement Investor Presentation
- 2019 Post Annual Results Roadshow

Apr
- 2020 First Quarter Post-results Conference call

May
- China Securities Clients Group Meeting

MARKET CAPITALISATION

As at 31 December	2016	2017	2018	2019	2020
Closing price (HK$)	7.79	8.13	7.70	6.38	5.39
Market capitalisation (in HK$ million)	23,495	24,854	23,971	20,173	17,869

SHARE PRICE PERFORMANCE

(HK$)	2019	2020
Highest	9.26	6.50
Lowest	6.06	3.35
Average	7.27	4.67
Closing price on 31 December	6.38	5.39
Monthly average trading volume (shares)	4,423,418	9,616,927
Monthly average trading value (in HK$ million)	32.75	44.24
Total number of shares issued (shares)	3,161,958,830	3,315,296,374
Market capitalisation on 31 December (in HK$ million)	20,173	17,869

Jun

- Goldman Sachs "Greater China Corporate Day"

Jul

- Daiwa "Auto/ Industrials Leaders Conference 2020"
- Mirae Asset Global Investment Clients Group Meeting

Aug

- 2020 Interim Results Announcement Investor Presentation
- 2020 Interim Results Roadshow

Sep

- Guotai Junan Securities "Investment conference between listed companies and institutional investors"

Oct

- 2020 Third Quarter Post-results Conference call

Nov

- Citi "15th annual China Investor Conference"
- Daiwa "The 15th Annual Investment Conference Hong Kong 2020"
- China Galaxy International Securities Clients Group Meeting

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.	Kevin ZHUO	shikai.zhuo@gtjas.com.hk
The Hongkong and Shanghai Banking Corporation Limited	Parash JAIN	parashjain@hsbc.com.hk
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

Company Name	Abbreviation
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
China COSCO SHIPPING Corporation Limited	COSCO SHIPPING
China COSCO SHIPPING Corporation Limited and its subsidiaries	COSCO SHIPPING Group
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 Holdings Co., Ltd.	COSCO SHIPPING Holdings
COSCO SHIPPING Lines Co., Ltd.	COSCO SHIPPING Lines
COSCO SHIPPING Ports Chancay PERU S.A.	CSP Chancay Terminal
COSCO SHIPPING Ports Limited	COSCO SHIPPING Ports or the Company
COSCO SHIPPING Ports Limited and its subsidiaries	the Group
COSCO SHIPPING Ports (Spain) Holding, S.L. and its subsidiaries	CSP Spain Related Companies
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
Guangxi Beibu Gulf International Container Terminal Co., Ltd	Beibu Gulf Terminal
Guangxi Qinzhou International Container Terminal Co., Ltd.	Qinzhou International Terminal
Guangzhou South China Oceangate Container Terminal Company Limited	Guangzhou South China Oceangate Terminal
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

Company Name	Abbreviation
Lianyungang New Oriental International Terminals Co., Ltd.	Lianyungang New Oriental 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 Single Member 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
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 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. In 2020, the Company was awarded with the following external recognitions:

- "Transportation and Logistics In-House Team of the Year" by Asian Legal Business Magazine, a well-recognised professional magazine
- "Winner – Compliance Team" and ranked as one of the "Highly recommended – Aviation, Shipping & Logistics Teams" by Chinese Business Law Journal
- "Best Shipping Port Operator (Ports sector) Hong Kong", "Best Investor Relations Company (Ports sector) Hong Kong" and "Most Sustainable Company (Ports sector) Hong Kong" and "Best CSR Company (Ports sector) Hong Kong" from International Business Magazine
- "Best Investor Relations Company Hong Kong" and "Best Port Operator Hong Kong" from Finance Derivative Magazine
- "Most Innovative Port Operator" by International Finance Magazine
- "Best Container Operator of the Year" and "Most Socially Responsible Port Operator" from Global Business Outlook Magazine
- "Best Port Operator" by Business Tabloid Magazine
- "Citation for Environment, Social and Governance Disclosure" and "Excellence Award for H Share & Red Chip Entries – Annual Reports Awards" from The Hong Kong Management Association
- "Best Investor Relations Company", "Asia's Best CEO (Investor Relations)" and "Best Investor Relations Professional" from Corporate Governance Asia Magazine
- "Inno ESG Prize" by Inno ESG
- "Corporate Website Bronze Prize" by 2020 Galaxy Awards
- "Best Mid-Cap ESG Report Commendation", "Best GRI Report Commendation", "Excellence in ESG Governance Commendation" and "Excellence in Environmental Positive Impact" by Alaya Consulting
- "Sustainability and Social Responsibility Reporting Awards (Special Mention)" from The Hong Kong Institute of Certified Public Accountants
- "Titanium Award in Environmental, Social and Governance" from The Asset Magazine

CORPORATE GOVERNANCE PRACTICES

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

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

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 2020, it has fully complied with the code provisions of the Corporate Governance Code.

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

CODE PROVISION A.1.8

Code provision A.1.8 of the Corporate Governance Code provides that a listed company should arrange appropriate insurance coverage for its directors. The Company has maintained appropriate arrangements for liability insurance 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 2020:

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 27 April 2020 and 27 October 2020, 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 2020. 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 30 March 2021 (the date on which the Board approved this report), the Board consisted of eleven members. Among them, four are executive directors, two are non-executive directors and five are independent non-executive directors, including 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] and Mr. YANG Liang Yee Philip[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 2020.

SEPARATION OF CHAIRMAN AND MANAGING DIRECTOR

To ensure independence, accountability and responsibility in Board functions, the posts of Chairman and Managing Director are separated and each plays a distinctive role. Mr. 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 five 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 five 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 2020 at quarterly intervals to approve the 2019 final results, 2020 interim results and 2020 first and third quarterly results of the Company. The average attendance rate was 86.14%. 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 2020 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 held in 2020

	No. of Board meetings attended/held	Attendance rate of Board meetings (%)	No. of general meeting(s) attended/held	Attendance rate of general meeting(s) (%)
Directors				
Mr. FENG Boming[1] (Chairman)	4/4	100	1/1	100
Mr. ZHANG Dayu[1] (Managing Director)	4/4	100	1/1	100
Mr. DENG Huangjun[1]	4/4	100	1/1	100
Mr. ZHANG Wei[2]	2/4	50	1/1	100
Mr. CHEN Dong[2]	1/4	25	1/1	100
Dr. WONG Tin Yau, Kelvin[1]	4/4	100	1/1	100
Dr. FAN HSU Lai Tai, Rita[3]	4/4	100	1/1	100
Mr. Adrian David LI Man Kiu[3]	4/4	100	1/1	100
Mr. LAM Yiu Kin[3]	4/4	100	1/1	100
Prof. CHAN Ka Lok[3]	4/4	100	1/1	100
Mr. YANG Liang Yee Philip[3] (appointed on 29 April 2020)	1/2	50	1/1	100
Ex-directors				
Mr. WANG Haimin[2] (resigned on 13 March 2020)	N/A	N/A	N/A	N/A
Mr. FAN Ergang[3] (resigned on 20 March 2020)	N/A	N/A	N/A	N/A

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

During the year ended 31 December 2020, 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 2020 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 2020. 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 2020:

Directors' Participation in Continuous Professional Development Programmes in 2020

	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)	✓	✓	✓
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]	✓	✓	✓
Mr. YANG Liang Yee Philip[3] (appointed on 29 April 2020)	✓	✓	✓
Ex-directors			
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

Note: 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 2020. No incidents of non-compliance were identified by the Company in 2020.

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 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 2020, the Executive Committee held a total of 25 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 2020, 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 2020 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 relevant 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 report on risk management and internal control
- 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 2020

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 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 2020:

- 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 a newly appointed director
- reviewed whether exercise conditions for share options granted in 2018 were fulfilled and the adjustment on the list of selected peer benchmark enterprises for annual appraisal
- reviewed and approved the arrangements for certain share options granted and unvested

Attendance Record of Remuneration Committee Members in 2020

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]	2/2	100
Mr. SHI Guoqiang (appointed on 18 December 2020)	N/A	N/A
Ex-member		
Mr. LI Yingwei (resigned on 18 December 2020)	0/2	0

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

Remuneration policy

The remuneration policy of the Company ensures the competitiveness and effectiveness of the Company's pay levels for attracting, retaining and motivating directors, senior management and employees. 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 executive directors, senior management and employees 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.

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 2020, 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 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 2020, Mr. YANG Liang Yee Philip was appointed as a director of the Company. In considering the 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 judgement, 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 2021, the Nomination Committee nominated and the Board recommended that Mr. ZHANG Wei, Mr. CHEN Dong and Mr. LAM Yiu Kin, being directors longest in office since their last re-election, retire by rotation at the forthcoming annual general meeting. All the retiring directors, being eligible, will offer themselves for re-election by shareholders of the Company.

Attendance Record of Nomination Committee Members in 2020

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]	2/2	100

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

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 adopted 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 (5)
2. Gender	Male (10)	Female (1)	
3. Ethnicity	Chinese (11)		
4. Age group	40–50 (3)	51–60 (5)	Over 60 (3)
5. Length of service (years)	Over 10 (2)	3–10 (7)	Less than 3 (2)
6. Skills, knowledge and professional experience Note 1	Terminal operation and management (6)	Accounting and financing (5)	Banking (1)
	Law (2)	Management and commercial (1)	Capital management and investor relations (1)
7. Academic background	University (11)		

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 and members of senior management and management). It reviews the corporate governance practices and disclosure systems of the Company and introduces relevant principles in this regard so as to enhance the standard of corporate governance of the Company.

In 2020 and early 2021, 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 2020

Name of Members	No. of meetings attended/held	Attendance rate (%)
Members		
Dr. WONG Tin Yau, Kelvin[1] (Chairman)	4/4	100
Ms. HUNG Man, Michelle	4/4	100
Mr. YU Danwei (appointed on 18 December 2020)	2/2	100
Ms. ZHOU Lan	4/4	100
Mr. LI Jie (appointed on 18 December 2020)	2/2	100
Mr. NG Wai Kei	4/4	100
Ex-members		
Mr. HUANG Chen (resigned on 18 December 2020)	0/2	0
Mr. LI Huadong (resigned on 18 December 2020)	0/2	0

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 22 October 2020 and 10 March 2021, i.e. during the year prior to the publication of the 2020 annual results announcement.

In order to enhance the management on environmental, social and governance matters of the Company, the Company extended the existing terms of reference of the Corporate Governance Committee to include environmental, social and governance matters and established the Environmental, Social and Governance Committee to replace the Corporate Governance Committee. The Environmental, Social and Governance Committee is chaired by Prof. CHAN Ka Lok, an independent non-executive director, with two members, namely Mr. FENG Boming, Chairman of the Board and Mr. YANG Liang Yee Philip, an independent non-executive director. The Environmental, Social and Governance Committee is responsible for introducing and proposing relevant principles concerning corporate governance so as to enhance the standard of corporate governance of the Company. The Committee is also responsible for opining on, overseeing, evaluating, and making recommendations to the Board on the development and implementation of corporate social responsibility and sustainable development measures by the Group.

6. Investment and Strategic Planning Committee

The Investment and Strategic Planning Committee, led by an executive director, comprises 13 members, including executive directors 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 2020

Name of Members	No. of meetings attended/held	Attendance rate (%)
Members		
Mr. FENG Boming[1] (Chairman)	2/2	100
Mr. ZHANG Dayu[2]	2/2	100
Mr. DENG Huangjun[3]	2/2	100
Mr. SHI Guoqiang (appointed on 18 December 2020)	N/A	N/A
Mr. YU Danwei (appointed on 18 December 2020)	N/A	N/A
Ms. ZHOU Lan	2/2	100
Mr. LI Jie (appointed on 18 December 2020)	N/A	N/A
Ms. HUANG Li	2/2	100
Mr. LI Wei	2/2	100
Ms. YAO Li	2/2	100
Mr. CHEN Dong	2/2	100
Ms. WANG Min (appointed on 18 December 2020)	N/A	N/A
Mr. XIE Manding (appointed on 18 December 2020)	N/A	N/A
Ex-members		
Mr. LI Yingwei (resigned on 18 December 2020)	0/2	0
Mr. HUANG Chen (resigned on 18 December 2020)	1/2	50
Mr. LI Huadong (resigned on 18 December 2020)	0/2	0

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

7. Risk Management Committee

The Risk Management Committee of the Company, led by an executive director, comprises eight members, including executive directors and members of senior management and management. 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 2020

Name of Members	No. of meetings attended/held	Attendance rate (%)
Members		
Mr. ZHANG Dayu[1] (Chairman)	4/4	100
Mr. DENG Huangjun[2]	4/4	100
Ms. HUNG Man, Michelle	4/4	100
Mr. YU Danwei (appointed on 18 December 2020)	N/A	N/A
Ms. ZHOU Lan	4/4	100
Mr. LI Jie (appointed on 18 December 2020)	N/A	N/A
Mr. CHEN Dong	3/4	75
Mr. ZHU Hanliang	4/4	100
Ex-members		
Mr. HUANG Chen (resigned on 18 December 2020)	2/4	50
Mr. LI Huadong (resigned on 18 December 2020)	0/4	0

1 Executive director, Managing Director
2 Executive director

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

Below sets out the responsibilities of the directors in relation to the financial statements, which should be read in conjunction with, but distinguished from, the Independent Auditor's Report on pages 129 to 134 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.

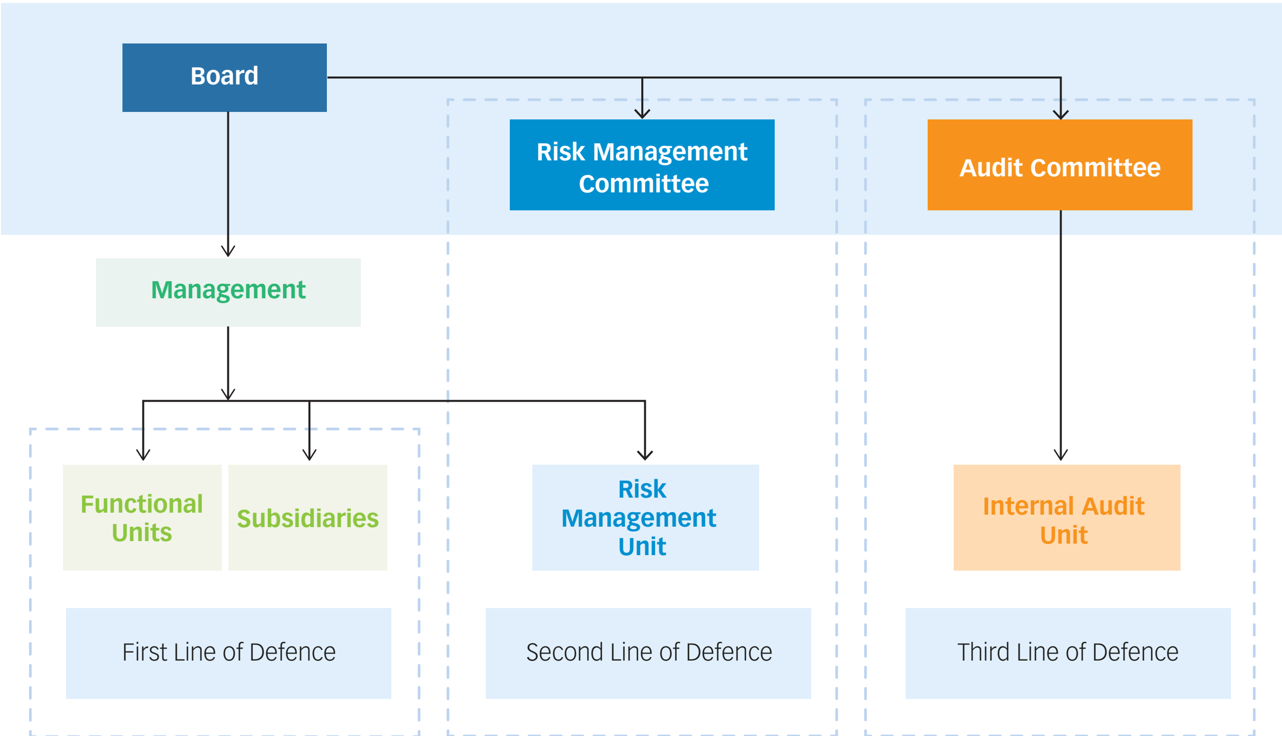
RISK MANAGEMENT AND INTERNAL CONTROL

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 reporting 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. The Company attaches great importance to risk assessment for 2021. Under the unified deployment of the management, the corporate management department of the Company formed a risk assessment project team with external experts to jointly conduct risk assessment. The specific implementation process is as follows:

The Company's management representatives and all department heads participated in the risk assessment. A profound and thorough analysis of the business involved in the future operation and development was carried out through interviews and questionnaires, and precautions were taken from all aspects with a view to formulating countermeasures against risks on a case-by-case basis. Each department of the Company carried out risk identification from the external environment and internal factors. The impact of external environmental refers to the impact on the development of the Company due to industry characteristics and changing market demand, external competition, market price fluctuation, national policy tendency or natural disasters, while the impact of internal factors refers to the impact of corporate governance structure, information system operation, human resources and business conditions on the development of the Company. Through daily information collection and the risk management measures, we analyzed the Company's single index and comprehensive index conducted and established the 2021 annual risk database of the Company. We have identified 72 key risks, and based on which we invited senior management of the Company, department heads and key personnel of the business to take part in risk investigations. 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 political landscape, risks relating to changes in international trade landscape, risks relating to epidemic prevention and control, risk relating to economic fluctuation, and risks relating to customer structure, and formulated corresponding countermeasures accordingly.

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
Risks Relating to Political Landscape	As a leading port operator in the world, the Company has a terminal portfolio covering five major coastal port groups in China, Southeast Asia, the Middle East, Europe, South America, etc. As of 30 September 2020, the Company operated 36 ports around the world. The political influence of the regions where the ports are located is particularly critical to the long-term and stable development of the Company. The causes of the political risks involved in major regions are as follows: • As for the Southeast Asia region, most of the countries in which are developing countries. In addition to the security risks to port investment brought by regional instability due to deepening political transformation in some Southeast Asian countries, differences of religion, tradition and language may also lead to various behaviours of the Company that are not adapted to or violate local customs. As Southeast Asia is mainly composed of developing countries, the legal system is immature, and the legal and regulatory system and enforcement environment are significantly different from China, we may be challenged by the fairness of judiciary and enforcement as well as the effectiveness of dispute settlement mechanism in the process of investment.	• Establish a risk warning management mechanism to classify, sort out and store a large amount of information through the overall monitoring of port construction along the line, and report such monitoring information to the management for decision-making in a timely and accurate manner. • Establish a robust indicator evaluation system to identify signs of various investment risks of port construction projects through analysis of monitoring information, determine whether the project is in a normal, warning or crisis state, and analyze the causes, process and development trend of various identified risk factors by technical means so as to identify the risk factors with great harm. • Attach great importance to the introduction of risk management professionals, strengthen the cultivation of investment risk management professionals, conduct targeted and systematic research on the risks relating to political landscape of ports along the line within the Company, and provide professional response and solutions for the management of the Company.	

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
	• As for the Middle East region, amidst the ever-changing political landscape of countries in this region, the future development trend is full of uncertainty. Except for a few Gulf Corporation Council (GCC) member countries, such as the United Arab Emirates, with lower social and political risks, most of the countries in the Middle East are high-risk areas for overseas investment due to their high social and political risks. As most of the countries lack comprehensive ancillary facilities around ports, the investment costs in ports are increasing in order to improve the ancillary equipment, which in turn improves the investment environment. Security risk is one of the most key risks in the Middle East. The variety of ethnic groups and religions and a number of historical problems among regions have resulted in social disorder. Continuous violent conflicts have brought grave challenges to port investment and construction projects. • As for Europe, the geopolitical situation in Europe is complicated, and Europe is the convergence of the interests of major powers as well as the intersection of conflicts. It is common for European governments to implement trade and investment protectionist policies, which may increase investment risks and costs of the Company.		

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
Risks Relating to Changes in International Trade Landscape	• The strategic restriction of the Sino-U.S. rivalry. As the United States is increasingly concerned about its ability to control Asia being limited and weakened by China's growing military capabilities, China, which has a different political system and a fast-growing economy, is considered to be its main competitor. In addition, the United States has strengthened its interaction with India, Japan, Vietnam, Australia and other countries in terms of international trade, resulting in a more complicated landscape of international trade. • India suspects strategic intentions of China. India is located in the central and northern part of the Indian Ocean, and holds the key node of the trade route between the Middle East and East Asia. China's initiative for the establishment of the 21st-century Maritime Silk Road is considered by some observers of India as China's act of plundering India's "inherent interests" in the Indian Ocean region, which poses a challenge to the dominance of India's regional order. Therefore, India's efforts to rally countries in the Indian Ocean region, such as Sri Lanka and the Maldives, to alienate China will impair the confidence of these countries in their connection with China and adversely affect their international trade with China.	• Regularly collect the risk event database of changes in international trade landscape, and suggests specific relevant departments to collect and sort out the relevant situations of risk event cases of the Company, domestic peers and foreign enterprises. • Regularly analyze the industrial policies, resource supply, market demand and other information of the countries where the foreign terminal companies in which the Group has controlling stakes are located, and report to the management for decision-making through a brief analysis of the changes in the trade landscapes of the countries where these companies are located, so as to make dynamic adjustment to the implementation of strategies. • Regularly develop targeted and differentiated products and ancillary services in response to the changes in the regional and national trade situation of the countries where we operate in order to satisfy the needs of major customers, and actively carry out continuous deployment and optimization of industry, supply chain and investment.	

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
	• With the successful signing of the Regional Comprehensive Economic Partnership (RCEP), the overall level of trade liberalization of goods has reached over 90%, which means that about one-third of the global economy has formed an integrated market and marks the further restructuring of the global industrial chain and value chain. The bilateral tariff concessions arrangement under the RCEP reached between China and Japan, both of which are the manufacturing and trading power in Asia, is conducive to the joint efforts of the two countries to promote the integration development of regional supply chain and value chain, which lays a solid foundation for the future promotion of the free trade agreement among China, Japan and South Korea, and in turn leads to a significant increase in the trade volume among RCEP members. As for non-RCEP members, however, this brings uncertainties to their trade volume. At present, there is certain positive impact on the Company's terminals portfolio and its layout in China, Southeast Asia and other regions. However, there may be excess capacity or over centralized distribution among some terminals in the Middle East, South America and Europe, which brings uncertainties to the Company's global port operation.		

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
Risks Relating to Epidemic Prevention and Control	On 31 January 2020, the World Health Organization (WHO) announced that COVID-19 mainly occurred in China has become a public health emergency with international concern. Although the port throughput experienced a short-term rebound due to the port congestion during Lunar New Year and the accelerated production when the Company resumed work, long-term factors such as continued sluggish international demand, the rising of protectionism of global trade, and intensified economic and trade frictions still exist in the medium and long run. At the foreign trade level, affected by the local epidemic development of overseas countries, the Purchasing Managers' Index (PMI) of the new export order index for export orders rose to 46.4% in March 2020, which fell again in April 2020, proving that overseas demand was weaker than domestic demand, which bought a negative impact for the Company's export income. In addition, the epidemic has affected the Company's port operations in terms of demand, supply, and process. Under the influence of the epidemic, the shrinking of production and consumption results in a rapid decline in freight demand. From the perspective of the supply, control of people flow has led to a shortage of labour in the port logistics chain. Affected by the spread of the epidemic and Chinese New Year, terminal and yard crane operators, truck drivers, customs, etc. were quarantined at home, and inspection and quarantine regulations led to a decrease in port logistics efficiency and an increase in costs.	• Make the best and full use of the series of policies and measures for burden relief and job stabilization promulgated by governments and departments at all levels, strengthen protection of fund, labour and logistics, appropriately reduce or exempt port charges and other administrative charges on the controllable conditions, and increase the market competitiveness of port operating unit price. • Pay close attention to the development of the epidemic and strengthen the monitoring and assessment of the port economy. Strengthen the connection among the Company's relevant departments and pay attention to the national and foreign epidemic development. Closely follow the resumption of work and production of foreign trade production enterprises in the local and port hinterlands during strict epidemic control period to ensure the logistics and transportation resources are matched with the capacity demand of upstream and downstream industrial chain enterprises. Strengthen the assessment of the extent of industry being affected and potential operational risks, and get well prepared to respond to the policies in a timely manner. • Port operating units strengthen the communication and coordination mechanism with competent industry authorities, intensify the information sharing and linkage mechanism, and implement policies in various aspects to promote the stable development of the industry.	

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
Risks Relating to Fluctuations in Economy	The risks relating to fluctuations in economy may mainly arise from internal and external influences. The internal influences mainly derive from the uncertainties of the macro leverage ratio, and the external influences derive from the uncertainties of overseas vaccines and the epidemic. In terms of internal influences, it was made clear that "it must maintain the basic stability of the macro leverage ratio" in the next stage according to the report of central bank on the implementation of monetary policy for the third quarter of 2020. There are three possibilities for "the basic stability", namely, "slight increase", "flat" and "slight fall". There are certain differences for the Company's credit environment in 2021 under the three scenarios, which bring uncertainties for the Company's financing, capital expenditures and accounts receivable management. Assuming that the central bank implements slight deleveraging measures, it would result in an all-around and endogenous credit contraction, the mapping of the economic level may see a rapid decline of domestic demand from a high level. Assuming that the leverage ratio is flat, the net financing of ordinary enterprises may slightly increase. In this scenario, the Company's credit risk and operating pressure in the year 2021 will be relatively eased. Assuming that the central bank implements a slight increase in leverage, it is expected to achieve credit expansion, and the mapping of the economic level will bring a certain degree of increase in domestic demand.	• 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. The Company may face a simultaneous decline in both domestic and overseas market demand, the re-occurrence of downward pressure on the economy, and increasing port investment and operational risks. Firstly, the Company shall hold a prudent attitude and 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 and to make a specific analysis for macroeconomic leverage conditions involving the major capital expenditures. Secondly, as one of the world's largest port operator, the Company improves the efficiency and effectiveness of terminal operations by continuing to strengthen the synergy within the COSCO SHIPPING Group and leveraging on its own business and resource advantages, so as to control the level of operating costs continuously to ensure that the Company maintains steady growth and stable development. At last, 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
	In terms of external influences, affected by overseas epidemics which weakened foreign production capacity, a large number of orders have been flowing into the domestic market. On the side of the demand, the developed economies represented by the United States rely on large-scale fiscal stimulus to maintain people's purchasing power. Therefore, under the circumstances of shrunk production capacity and strong demand, the increase of export market share in domestic surpassed the shrinking of total overseas demand, which is expected to bring significant growth of export. Once the overseas situation of the epidemic is effectively brought under control and the recovery phase begins, the recovery on the supply side is expected to be more elastic than the demand side, which may lead to a decrease in the domestic export market share and bring uncertainties to the performance growth of the Company.		

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
Risks Relating to Customer Structure	With the change of the global economy, the entire shipping industry is facing enormous challenges. Each major port around the world is under great pressure in overall global economic environment, and each terminal company in which the Group has controlling stakes should gradually upgrade its customer relationship management from customer information collection to the level of management concept. The importance of customer relationship management that each port operating unit attached is not the same, which is mainly reflected in the following aspects: the philosophy and corporate culture of "customer-oriented" needs to be improved; the customer service level of each terminal company in which the Group has controlling stakes lacks a unified standard, which results in an uneven impression of each customer on the overall image of the Company; the business philosophy also drives the staff of the Company to put emphasis on how to achieve deals and attract customers, but with less attention paid to after-sale value-added services; effective customer segmentation can be further improved; the basis of customer relationship management relies on customer information collection, however, each terminal company in which the Group has controlling stakes has not analyzed customer behaviours through collected customer information and identified different customers on this basis, and further formulated different marketing strategies for different customers to maximize corporate interests by appropriately identifying customer base with different needs, while the categories of the products/services (whose customer values should have been created on this basis and which can bring economic benefits to the Company) lack of variety. Each terminal company in which the Group has controlling stakes aims to develop the port industry and transportation industry by providing quality port logistics service, and focuses on each region's logistics transportation hub, the proximity of the location, however, leads to the overlap of supply of goods from surrounding ports. For instance, Nansha Port is facing fierce competition with the homogenization of surrounding ports such as Hong Kong Port and Shenzhen Port.	• Continuously enhance the corporate customer relationship management awareness. With the development of the overall national market economy and global economy, the corporate culture of "product/service-oriented" has limited the better and faster development of the entire industry to a certain extent. Therefore, in the future corporate culture construction, the Company will transform its corporate culture as appropriate, gradually into the corporate culture of "customer-oriented". To routinize customer management, it starts with an initiative from the Company's top leaders; secondly, the middle management of the Company needs to attach importance to it; lastly, the employees at the bottom level have thorough understanding and put into practice, and subsequently change their mindset and gain new understanding, and make adequate preparation for the effective development of the Company's customer management and corporate culture construction.	

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
		• Implement classification management of customer relationship. Customers are classified into levels according to their contributions to each terminal company in which the Group has controlling stakes. Each terminal operator needs to provide corresponding service as different customers make different contributions. Firstly, each terminal operator has to change the traditional concept of adopting the same service model and management model for all customers. Secondly, different customers have different needs, so each terminal operator has to allocate resources to serve different customers, implement different management models for them, and customize specific marketing methods for each type of customers. Finally, each terminal operator needs to continuously analyze the existing and potential customers and look into the internal characteristics of each customer, so as to better explore their potentials and improve the level of satisfaction. For example, each terminal operator manages customer relationship by means of hierarchical customer management, classifying customers into big customers, key customers, ordinary customers and small customers, etc., and focus on the maintenance of advantageous resources to promote core customers and key customers, improve customer loyalty and customer experience, continuously consolidate and maintain the relationship between enterprises and customers, and endeavor to provide better service to stabilize the customer base.	

The risk management and internal control report for 2020 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 2020.

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 (has been changed to the Environmental, Social and 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 2020 (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 2020, 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 year.

The audit projects for 2020 covered 11 terminals, including 5 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, etc. The audit carried out in non-controlling terminals focused on returns on investments, assets management and significant capital expenditures, etc. Furthermore, focusing on the Company's mission on "continuously promoting lean operations, deepening and improving cost control", special audit on operating cost control and overseas construction management had been carried out on terminal companies in which the Group has controlling stakes, which gave a positive effect in promoting lean operation of the Company.

During 2020, the Internal Audit Unit completed a total of 13 audit assignments. All the internal audit reports were reviewed and approved by the Audit Committee. All internal audit work scheduled for the year 2020 was completed. The management of 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 2020, the Company's management group and working group in charge of legal governance continued to coordinate and promote legal governance, with the Board and the Audit Committee hearing legal governance reports every half year. The Company also implemented the below measures in 2020 to strengthen legal governance and endeavor to establish a more prudent legal risks prevention and control system: (1) conducted regular checks and enhanced legal risks analysis and response in relation to the epidemic; (2) enhanced international sanctions compliance management by implementing the International Sanctions Compliance Management – Process Management Operational Regulations to prevent relevant legal risks; (3) improved major contract management and litigation management, amended relevant legal related internal regulations, conducted investigation on legal risks and formulated corresponding preventive and control measures; (4) continued to strengthen the legal risks prevention and control for investment and financing projects; and (5) continuously followed up key legal development status 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 2020, the remuneration paid or payable in respect of the audit, audit related and non-audit services provided by the auditor to the Company was as follows:

Nature of Service	**2020** **US$**	2019 US$
Audit services	**1,089,000**	1,002,000
Audit related services	**313,000**	275,000
Non-audit services:		
– Circular related services	**–**	246,000
– Financial advisory services	**99,000**	–
– Tax related services	**391,000**	176,000

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 2020)

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$331,529,637.4 comprising 3,315,296,374 shares of a par value of HK$0.1 each

Type of Shareholders (as at 31 December 2020)

Type of shareholders	No. of shares held	% of the total number of issued shares
China COSCO (Hong Kong) Limited and its subsidiary	1,665,229,935	50.23
Other corporate shareholders	1,644,562,157	49.60
Individual shareholders	5,504,282	0.17
Total	**3,315,296,374**	**100**

Location of Shareholders (as at 31 December 2020)

Location of shareholders[1]	No. of shareholders	No. of shares held
Hong Kong	504	3,315,287,374[2]
The People's Republic of China	1	4,000
United Kingdom	1	5,000
Total	**506**	**3,315,296,374**

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 2,039,790,347 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 2020.

KEY CORPORATE EVENT DATES

The following are the dates for certain key corporate events:

Event	Date
Payment of 2020 Interim Dividend	23 October 2020
2020 Annual Results Announcement	30 March 2021
2021 First Quarter Results Announcement	27 April 2021
Closures of Register of Members	
(a) for receiving the 2020 Second Interim Dividend	19 April 2021 to 22 April 2021
(b) for attending the 2021 Annual General Meeting	20 May 2021 to 25 May 2021
Payment of 2020 Second Interim Dividend	5 May 2021
Annual General Meeting	25 May 2021
2021 Interim Results Announcement	August 2021
2021 Third Quarter Results Announcement	October 2021

DIRECTORS AND SENIOR MANAGEMENT PROFILES

DIRECTORS

FENG Boming

Chairman of the Board,
Executive Director

Mr. FENG, aged 51, 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 from October 2016 to September 2019. Mr. FENG is the Chairman of the Executive Committee and the Investment and Strategic Planning Committee, and a member of the Nomination Committee, the Remuneration Committee and the Environmental, Social and Governance Committee of the Company. He is also an Executive Director of listed companies of COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings") and Orient Overseas (International) Limited, and a Non-executive Director of listed companies of COSCO SHIPPING International (Hong Kong) Co., Ltd., Qingdao Port International Co., Ltd. and Piraeus Port Authority S.A. He is also a Director of COSCO SHIPPING (Hong Kong) Co., Limited, COSCO SHIPPING Investment 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.), General Manager of COSCO Container Hong Kong Mercury Co., Ltd., General Manager of the Management and Administration Department of COSCO Holdings (Hong Kong) Co., Ltd., 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, General Manager of the Strategic and Corporate Management Department of China COSCO SHIPPING Corporation Limited, Non-executive Director of COSCO SHIPPING Holdings, Non-executive director of COSCO SHIPPING Energy Transportation Co., Ltd. and Non-executive director of COSCO SHIPPING Development Co., Ltd., and Director of COSCO SHIPPING Bulk Co., Ltd.
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 48, 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, General Manager of Overseas Business Department and Assistant General Manager of China Shipping Ports Development Co., Limited (now known as COSCO SHIPPING Ports Development Co., Limited), Deputy General Manager of Container Control Division of China Shipping Container Lines Company Limited (now known as COSCO SHIPPING Development Co., Ltd.), Managing Director of China Shipping Egypt Co., Ltd. and 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 59, 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 Section Manager of the Cost Section of Finance Department of Shanghai Ocean Shipping Co., Ltd., Deputy Manager of Finance Division of COSCO SHIPPING Lines Co., Ltd. ("COSCO SHIPPING Lines"), Manager of the Settlement Division, Deputy General Manager and General Manager of Finance and Accounting Department of COSCO SHIPPING Lines, Chief Financial Officer of COSCO SHIPPING Lines and Chief Financial Officer of COSCO SHIPPING Holdings. Mr. DENG graduated from Shanghai Maritime University, majoring in shipping accounting. He is a senior accountant.

ZHANG Wei
Non-executive Director

Mr. ZHANG, aged 54, has been a Non-executive Director of the Company since October 2016. He is also the Deputy Managing Director of COSCO SHIPPING Lines Co., Ltd. ("COSCO SHIPPING Lines"). Mr. ZHANG served as Deputy General Manager of Asia-Pacific Trade Division and Manager of Australia-New Zealand Operation Department, Deputy General Manager of European Trade Division and 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 Single Member S.A., a wholly owned subsidiary of the Company, General Manager of Operation and Management Department of China COSCO SHIPPING Corporation Limited. He was a Non-executive Director of COSCO SHIPPING Holdings Co., Ltd. and COSCO SHIPPING Energy Transportation Co., Ltd. and a Director of COSCO SHIPPING Lines, COSCO SHIPPING Specialized Carriers Co., Ltd. and COSCO SHIPPING Bulk 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 46, 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 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 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 60, has been an Executive Director and a Deputy Managing Director of the Company since July 1996. He is 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 (subsequently change of name to China Cloud Copper Company Limited and then to Amber Hill Financial Holdings 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 75, 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. She is also the Chairman of Endeavour Education Trust and the Chairman of the Management Committee of the Endeavour Education Centre. She also serves as a member on the Hong Kong Laureate Forum Council. 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 47, 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. 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. He is also a member of the Hong Kong Academy of Finance.

LAM Yiu Kin
Independent Non-executive Director

Mr. LAM, aged 66, 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 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 and Vital Innovations Holdings Limited, both listed in Hong Kong. Mr. LAM was a member of the Listing Committee and the Financial Reporting Advisory Panel of The Stock Exchange of Hong Kong Limited from 1997 to 2003, a committee member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") from 1994 to 2009, and an audit partner of PricewaterhouseCoopers from 1993 to 2013. He has over 40 years of experience in accounting, auditing and business consulting. Mr. LAM is a fellow member of the HKICPA, the Association of Chartered Certified Accountants, the Chartered Accountants of Australia and New Zealand and the Institute of Chartered Accountants in England & Wales. Mr. LAM obtained a higher diploma in accountancy from The Hong Kong Polytechnic University in 1975 and was conferred an Honorary Fellow by The Hong Kong Polytechnic University in 2002.

CHAN Ka Lok
Independent Non-executive Director

Prof. CHAN, aged 59, has been an Independent Non-executive Director of the Company since October 2016. He is the Chairman of the Environmental, Social and Governance Committee and 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. 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, Synergis-Geoffrey Yeh Professor of Finance from 2008 to 2014 and Acting Dean of the Hong Kong University of Science and Technology Business School from 2013 to 2014, and the President of Asian Finance Association from 2008 to 2010, and was an Independent Non-executive Director of GF Securities Co., Ltd. (listed in Hong Kong and Shenzhen). 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.

YANG Liang Yee Philip
Independent Non-executive Director

Mr. YANG, aged 72, has been an Independent Non-executive Director of the Company since April 2020. He is a member of the Environmental, Social and Governance Committee of the Company. Mr. YANG is also an independent non-executive director of Orient Overseas (International) Limited. He is a full-time arbitrator in international commercial and maritime arbitration, the Honorary Chairman of Hong Kong International Arbitration Centre, the member of the Expert Committee of China International Commercial Court of the Supreme People's Court of China, the International Advisory Board of China International Economic and Trade Arbitration Commission, the Asian International Arbitration Centre in Malaysia, the Korean Commercial Arbitration Board, and the General Committee of Singapore Chamber of Maritime Arbitration. Mr. YANG had been the Chairman of Hong Kong International Arbitration Centre, the Vice Chairman of the Documentary Committee of the Baltic International Maritime Council in Denmark, the President of Asia-Pacific Regional Arbitration Group, the Hong Kong representative of ICC International Court of Arbitration, the Chairman of the East Asia Branch of the Chartered Institute of Arbitrators, and an independent non-executive director of COSCO SHIPPING Holdings Co., Ltd. Mr. YANG as a full-time arbitrator has extensive experience in dealing with cases related to international commercial, maritime and trade law and is very familiar with laws and practice in such areas. He has acted as an arbitrator in Hong Kong, London, Singapore, Malaysia, Australia, Austria, Korea, the USA and Mainland China in thousands of cases during the past over 30 years. He has also published many books and articles in English and Chinese on international commercial, maritime and trade law and practice. Mr. YANG has also devoted himself to the educational activities in various law schools in Hong Kong and Mainland China and is a visiting professor in more than ten universities.

SENIOR MANAGEMENT

HUNG Man, Michelle
General Counsel & Company Secretary

Ms. HUNG, aged 51, has been appointed 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 overall legal, corporate governance, compliance, company secretarial and related matters for the Company. She is currently a member of the 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 2020.

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 42 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segments 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 38 to 43 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 2020 are provided in note 40 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 2020 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 2020 are set out in the consolidated income statement on page 137 of this annual report.

The Board declared an interim dividend of HK16.0 cents (equivalent to US2.068 cents) per share with a scrip dividend alternative, totalling HK$519,420,000 (equivalent to US$67,135,000), which was paid on 23 October 2020.

The Board also declared a second interim cash dividend of HK17.5 cents (equivalent to US2,256 cents) per share, totalling HK$580,177,000 (equivalent to US$74,793,000), payable on 5 May 2021.

FIVE-YEAR FINANCIAL SUMMARY

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

DONATIONS

Charitable and other donations made by the Group during the year amounted to US$1,249,000.

SHARES ISSUED IN THE YEAR

Details of the Shares issued by the Company during the year are set out in note 19 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as of 31 December 2020 calculated under the Companies Act of Bermuda amounted to US$2,649,155,000.

BORROWINGS

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

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group are set out in notes 3.21 and 33 to the consolidated financial statements.

DIRECTORS

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

Mr. FENG Boming[1] *(Chairman)*	
Mr. ZHANG Dayu[1] *(Managing Director)*	
Mr. DENG Huangjun[1]	
Mr. ZHANG Wei[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]	
Mr. YANG Liang Yee Philip[3]	(appointed on 29 April 2020)

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

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

The Company has received annual confirmation from each of the independent non-executive directors confirming their independence, 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 100 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 OPTION SCHEME

GENERAL INFORMATION OF THE SHARE OPTION SCHEME

On 26 October 2017, the Board approved the "Share Option Scheme of COSCO SHIPPING Ports Limited (Proposed)" (公司股票期權激勵計劃(草案)). At a special general meeting of the Company held on 8 June 2018, the shareholders of the Company (the "Shareholders") approved the adoption of a share option scheme containing the terms of the said proposed scheme (the "Share Option Scheme").

On 19 June 2018, the Board was of the view that all the conditions of the grant of options had been fulfilled, and determined the date of the initial grant be on 19 June 2018 for the granting of 53,483,200 share options to 238 eligible participants, and had handled all necessary issues regarding the grant of share options.

Pursuant to the relevant requirements under the Share Option Scheme, within one year after the abovementioned initial grant, the Company had granted a total of 3,640,554 share options to 17 participants in four times on 29 November 2018, 29 March 2019, 23 May 2019 and 17 June 2019, respectively, and had handled all necessary issues regarding the grant of share options.

Please refer to the circular of the Company dated 18 May 2018 (the "Circular") and announcements of the Company dated 19 June 2018, 29 November 2018, 29 March 2019, 23 May 2019 and 17 June 2019 for details of the Share Option Scheme and each grant.

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

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

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) which 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.

As at the date of this report, a total of 51,403,380 Shares (representing approximately 1.55% 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. According to the provisions of the Share Option Scheme, no share options could be granted under the Share Option Scheme since 19 June 2019 (i.e. one year from the date of the initial grant).

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 2020 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 commercing from the date of adoption and will expire on 7 June 2028.

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

		Number of share options								
Category	Exercise price per share HK$	Outstanding at 1 January 2020	Granted during the year	Exercised during the year	Transfer (to)/ from other categories during the year	Lapsed/ Cancelled during the year	Outstanding at 31 December 2020	% 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)
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)
		3,600,000	–	–	–	–	3,600,000			
Continuous contract employees	7.27	42,172,743	–	–	(1,819,613)	(1,853,715)	38,499,415	1.16%	19.6.2020-18.6.2023	(1), (3), (4)
	8.02	851,966	–	–	–	(246,995)	604,971	0.02%	29.11.2020-28.11.2023	(5), (6)
	8.48	848,931	–	–	–	–	848,931	0.03%	29.3.2021-28.3.2024	(7)
	7.27	666,151	–	–	–	–	666,151	0.02%	23.5.2021-22.5.2024	(8)
	7.57	1,273,506	–	–	–	–	1,273,506	0.04%	17.6.2021-16.6.2024	(9)
Others	7.27	4,492,607	–	–	1,819,613	–	6,312,220	0.19%	19.6.2020-18.6.2023	(1), (4)
		50,305,904	–	–	–	(2,100,710)	48,205,194			
		53,905,904	–	–	–	(2,100,710)	51,805,194			

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 were 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.

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

(3) Amongst the 1,853,715 share options, 1,669,480 share options were lapsed due to resignation or retirement of the relevant employees and 184,235 share options were cancelled according to the results of personal performance appraisal of the relevant employees.

(4) The 1,819,613 share options were transferred from the category of "continuous contract employees" to the category of "others" pursuant to the terms of the Share Option Scheme.

(5) 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 were 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.

(6) Amongst the 246,995 share options, 233,501 share options were lapsed due to the resignation of the relevant employee and 13,494 share options were cancelled according to the results of personal performance appraisal of the relevant employee.

(7) 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) 33.3% of the share options were vested on 29 March 2021; (b) 33.3% of the share options will be vested on 29 March 2022; and (c) 33.4% of the share options will be vested on 29 March 2023.

(8) 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) 33.3% of the share options will be vested on 23 May 2021; (b) 33.3% of the share options will be vested on 23 May 2022; and (c) 33.4% of the share options will be vested on 23 May 2023.

(9) 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) 33.3% of the share options will be vested on 17 June 2021; (b) 33.3% of the share options will be vested on 17 June 2022; and (c) 33.4% of the share options will be vested on 17 June 2023.

(10) As to whether various batches of share options to be vested in 2021 can be vested, the Board will review and consider if the relevant exercise conditions have been fulfilled.

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

EXPLANATION ON THE EXERCISE CONDITIONS AND FULFILLMENT OF EXERCISE CONDITIONS FOR THE FIRST EXERCISE PERIOD UNDER THE SHARE OPTION SCHEME

(1) The first exercise period has commenced

In accordance with the Share Option Scheme, Participants may exercise their share options only after the expiry of the Restricted Period. The first exercise periods of the share options granted in 2018 under the Share Option Scheme commenced on 19 June 2020 and 29 November 2020 respectively. Participant entitled to exercise his/her share options in the first exercise period may exercise 33.3% of the share options granted to him/her during the exercise period between 19 June 2020 and 18 June 2023 (both dates inclusive) and from 29 November 2020 and 28 November 2023 (both dates inclusive) respectively.

(2) Exercise conditions to be fulfilled for the first exercise period

1. Exercise conditions for the first exercise period in relation to the Company's business performance: (a) return on net assets (after extraordinary gains and losses) (the "ROE") in 2019 should not be lower than 6.0% and the average of the selected peer benchmark enterprises(note 1); (b) growth rate of revenue in 2019 as compared to 2017 should not be lower than 15.0% and the average of the selected peer benchmark enterprises; and (c) the EVA indicator accomplished for 2019 has reached the assessment target set by COSCO SHIPPING;
2. Events(note 2) described in article 2 under Chapter 10 of the Share Option Scheme did not happen to the Company; and
3. Subject to the fulfillment of conditions relating to the Company's business performance, personal exercise conditions precedent in relation to the Participants are as follows: (a) events(note 3) described in articles 3 and 4 under Chapter 9 of the Share Option Scheme did not happened to the participants during the valid period of the Share Option Scheme prior to the commencement of the current exercise period; and (b) the Participant had achieved average or above at his/her annual performance appraisal in 2019.

(3) Exercise conditions for the first exercise period have been fulfilled

1. The Company's business performance condition for the first exercised period: according to the audited 2019 financial statements approved at the annual general meeting of the Company held on 21 May 2020, and excluding the financial impact of investments on the construction of new terminal projects which have not commenced operations in accordance with the Share Option Scheme, ROE of the Company in 2019 was 6.17%, which was not lower than 6.0% and the average of the selected peer benchmark enterprises of 4.05%; the growth rate of revenue in 2019 as compared to 2017 was 61.91%, which was not lower than 15.0% and the average of the selected peer benchmark enterprises of 13.14%. Meanwhile, the EVA accomplished by the Company in 2019 was RMB65.86 million and has reached the assessment target set by COSCO SHIPPING;
2. Events described in article 2 under Chapter 10 of the Share Option Scheme did not happened; and
3. Events described in articles 3 or 4 under Chapter 9 of the Share Option Scheme did not happen to the Participant and Participant has achieved average or above at his/her annual performance appraisal in 2019.

(4) How non-fulfilled share options were dealt with

In accordance with the Share Option Scheme, those share options not qualified to be exercised or not yet exercised after the expiry of the exercise period will lapse with immediate effect and will be forfeited and cancelled by the Company without compensation. Details on the cancellation of share options during the year were set out in the above table and notes regarding the movement of share options.

Notes:

1. There was a change of peer benchmark enterprises for the Share Option Scheme, details of which have been set out in section headed "Share Option Scheme" in the 2020 interim report of the Company.
2. Events described in article 2 under Chapter 10 of the Share Option Scheme include:
   (i) failure to engage an accounting firm to carry out audit work in accordance with the established procedures and requirements;
   (ii) issue of an auditors' report with qualified or negative opinion or which indicates the inability to give opinion by a certified public accountant with respect to the annual financial accountant's report of the Company;
   (iii) the bodies performing the contributor's functions or the audit department raising significant objections to the business performance or the annual financial accountant's report of the listed company; and
   (iv) imposition of penalties by security supervisory authority or other relevant authorities due to the occurrence of material non-compliance of the Company.
3. Events described in articles 3 and 4 under Chapter 9 of the Share Option Scheme include:
   (i) results of accountability audit indicate failure in performing duties effectively or gross negligence of duty or malfeasance;
   (ii) violation of applicable domestic or foreign laws and regulations or provisions of the Bye-laws of the Company;
   (iii) possession of sufficient evidence by the Company proving that the holder of such share options, during his/her employment, due to offering or accepting brides, corruption, theft, leaking commercial and technological secrets of the listed company, conducting connected transactions which impaired the interests and reputation of the listed company, and other illegal behaviors which have material adverse impact on the image of the Company, has caused the Company to suffer losses;
   (iv) unauthorised transfer, sale, exchange, pledge, guarantee, charge or settlement of debts by using the share options;
   (v) using the share options held in fraud, extortion, etc.;
   (vi) violation of the law and conviction of any criminal liability;
   (vii) other circumstances stipulated under applicable domestic or foreign laws and regulations; and
   (viii) failure in the performance appraisal.

In light of the above, after a review of the actual conditions of the Company against the conditions required to be fulfilled for the first exercise period under the Share Option Scheme, the Board has considered and confirmed that the conditions for the exercise for the first exercise period of the Company, including the requirement of performance appraisal, were fulfilled.

The independent non-executive directors of the Company have reviewed and studied the documents and explanations regarding the fulfillment of the exercise conditions of the share options and issued the following independent opinions:

1. according to the requirements of the Share Option Scheme, the share options granted on 19 June 2018 and 29 November 2018 were vested on 19 June 2020 and 29 November 2020 respectively, and the exercise conditions for the first exercise period have been fulfilled;
2. the Participants for these exercise periods have fulfilled the requirements under the "Guidelines for the Implementation of Equity Incentives of Listed Companies Controlled by Central Enterprises" (中央企業控股上市公司實施股權激勵工作指引) issued by the State-owned Assets Supervision and Administration Commission (SASAC) and other relevant laws, regulations and normative documents, passed the annual appraisals and fulfilled the exercise conditions as specified in the Share Option Scheme and hence, become lawful and competent Participants under the Share Option Scheme of the Company; and
3. except for those who were no longer eligible Participants due to resignation, retirement, etc. and hence, no longer fulfilled the exercise conditions for the first exercise period, the list of participants for the first exercise period of the share options granted in 2018 were in line with the one set out in the announcements of the Company dated 19 June 2018 and 29 November 2018 respectively.

ARRANGEMENTS FOR EXERCISE OF SHARE OPTIONS FOR THE FIRST EXERCISE PERIOD UNDER THE SHARE OPTION SCHEME

(1) Source of underlying shares of the Share Option Scheme

Source of the underlying shares for the exercise of share options in the first exercise period under the Share Option Scheme shall be ordinary shares to be allotted to the Participants.

(2) Participants entitled to exercise their share options and number of share options exercisable in the first exercise period under the Share Option Scheme

1. As certain Participants were no longer eligible as Participants due to resignation, retirement, etc., there were 223 Participants in the first exercise period under the Share Option Scheme;
2. Pursuant to the Share Option Scheme, Participants shall attain his/her personal performance condition at the time of determining the number of share options to be vested: the percentage of the relevant batch of share options to be vested will be determined with reference to the results of his/her personal performance appraisal in the preceding financial year:

Personal performance appraisal grade	Distinction	Merit	Average	Unsatisfactory
Vesting percentage of the share options	100%	100%	80%	0

Results of the personal performance appraisal in 2019 for the 223 Participants in the first exercise period were as follows:

Personal performance targets	Distinction/ Merit	Average	Unsatisfactory
Vesting percentage of the share options	100%	80%	0
Number of Participants (the share options granted on 19 June 2018)	203	17	0
Number of Participants (the share options granted on 29 November 2018)	2	1	0

For the 18 Participants with personal performance appraisal grade of "Average", amongst the total of 988,647 share options granted, 790,918 share options (being 80% of 988,647 share options) were exercisable and the remaining 197,729 share options were not qualified to be exercised. Such share options were lapsed, forfeited and cancelled by the Company without compensation.

After the adjustments, Participants entitled to exercise their share options and the number of share options exercisable in the first exercise period under the Share Option Scheme are as follows:

Position	Name	Number of share options exercisable in the first exercise period Note
Executive Director and Managing Director	ZHANG Dayu	399,600
Executive Director and Deputy Managing Director	DENG Huangjun	399,600
Executive Director and Deputy Managing Director	WONG Tin Yau, Kelvin	399,600
General Counsel and Company Secretary	HUNG Man	399,600
Other Participants	219 Participants	14,841,493
Total		16,439,893

Note: In the first exercise period, Participants are entitled to exercise 33.3% of the share options granted, rounded down to the nearest unit.

Funds required for the exercise of share options by the Participants and the payment of personal income tax shall be financed by the Participants. The Company undertakes not to provide loans or financial assistance in any other forms to the Participants for their exercise of share options under the Share Option Scheme, including provision of guarantee for loans.

(3) Exercise price

Pursuant to the Share Option Scheme, the exercise price for share options granted on 19 June 2018 and 29 November 2018 under the Share Option Scheme are HK$7.27 per Share and HK$8.02 per Share respectively. In the event of capitalisation issue, bonus issue, subdivision of Shares, consolidation of Shares, rights issue or open offer during the exercise period, the exercise price will be adjusted accordingly. During the year ended 31 December 2020, there was no event resulting in the adjustment of exercise price.

(4) Exercise period

The first exercise period for share options granted on 19 June 2018 and 29 November 2018 respectively under the Share Option Scheme shall be from 19 June 2020 to 18 June 2023 (both dates inclusive) and 29 November 2020 to 28 November 2023 (both dates inclusive) respectively.

EFFECT OF THE EXERCISE ON THE FINANCIAL CONDITIONS AND RESULTS OF OPERATION OF THE COMPANY FOR THE RELEVANT YEAR

In accordance with the "Hong Kong Financial Reporting Standard 2 – Share-based Payments", services rendered by the Participants are included in relevant costs at the fair value of the share options on the date of grant and the share options reserve is credited accordingly, based on the best estimated number of exercisable share options. During the exercise period of the share options, the Company will not adjust recognised costs. The Company will recognise monetary funds received and the increase in share capital and share premium according to the actual situation of exercising. The share options shall be exercised by the Participants on a voluntary basis. The Company adopted the Black-Scholes valuation model for share options to determine the fair value of the share options on the date of grant. As at 31 December 2020, based on the best estimated number of exercisable options, the fair value of share options granted in 2018 was US$7,560,000, while the share option expenses recognised in 2018 and 2019 amounted to US$1,185,000 and US$2,203,000, respectively. The share option expenses estimated for 2020, 2021, 2022 and 2023 amounted to US$1,847,000, US$1,399,000, US$725,000 and US$201,000, respectively.

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 2020 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. FENG Boming	Beneficial owner	Personal	32,379	0.001%
Mr. ZHANG Dayu	Beneficial owner	Personal	120,000	0.004%
Mr. DENG Huangjun	Beneficial owner	Personal	53,154	0.002%
Mr. ZHANG Wei	Beneficial owner	Personal	30,000	0.001%
Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	1,380,865	0.042%

(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 Option Scheme" 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)	Numbers of share options	% of total number of issued shares of the relevant class of the relevant associated corporation	Notes
COSCO SHIPPING Holdings Co., Ltd.	Mr. FENG Boming	Interest of spouse	Family	4.10	530,000	0.005%	(1) ,(3)
		Beneficial owner	Personal	3.50	936,000	0.010%	(2) ,(3)
	Mr. ZHANG Wei	Beneficial owner	Personal	3.50	754,000	0.008%	(2), (3)

Notes:

(1) Such share options were granted on 3 June 2019 pursuant to the A-shares share option incentive scheme of COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings") adopted on 30 May 2019 (the "CSH Share Option Scheme") and can be exercised during the period from 3 June 2021 to 2 June 2026.

(2) Such share options were granted on 29 May 2020 pursuant to the CSH Share Option Scheme (as amended pursuant to the amendments approved by the shareholders of COSCO SHIPPING Holdings on 18 May 2020) and can be exercised during the period from 30 May 2022 to 28 May 2027.

(3) Such share options will be vested after 24 months from the date of grant (the "Vesting Period"). Subject to the fulfilment of the relevant vesting conditions, such share options will be vested in three batches after the Vesting Period, i.e. (a) 33% of the share options can be exercised during the first trading day after 24 months from the date of grant to the last trading day within 36 months from the date of grant; (b) 33% of the share options can be exercised during the first trading day after 36 months from the date of grant to the last trading day within 48 months from the date of grant; and (c) 34% of the share options can be exercised during the first trading day after 48 months from the date of grant to the last trading day within 84 months from the date of grant.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2020, the directors, namely Mr. FENG Boming, Mr. DENG Huangjun, Mr. ZHANG Wei and Mr. CHEN Dong held directorships or senior management positions 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, 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, as at 31 December 2020, were as follows:

			Number of Shares/Percentage of total number of issued Shares as at 31 December 2020				
Name	**Capacity**	**Nature of interests**	**Long positions**	**%**	**Short positions**	**%**	**Notes**
COSCO Investments Limited	Beneficial owner	Beneficial interest	223,548,369	6.74	–	–	(1), (2)
China COSCO (Hong Kong) Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,623,313,935	48.96	–	–	(1), (2)
COSCO SHIPPING Holdings Co., Ltd.	Interest of controlled corporation	Corporate interest	1,623,313,935	48.96	–	–	(1), (2)
China Ocean Shipping Co., Ltd.	Interest of controlled corporation	Corporate interest	1,623,313,935	48.96	–	–	(1), (2)
China COSCO SHIPPING Corporation Limited	Interest of controlled corporation	Corporate interest	1,623,313,935	48.96	–	–	(1), (2)
Silchester International Investors LLP	Investment manager	Other interest	389,710,368	11.76	–	–	(1)

Notes:

(1) The percentage was compiled based on the total number of issued Shares as at 31 December 2020 (i.e. 3,315,296,374 Shares).

(2) The 1,623,313,935 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 223,548,369 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 1,399,765,566 Shares beneficially. Accordingly, China COSCO (HK)'s interest in relation to the 1,623,313,935 Shares is also recorded as COSCO SHIPPING Holdings' interest in the Company. China Ocean Shipping Co., Ltd. ("COSCO Group") held 37.89% equity interest in COSCO SHIPPING Holdings as at 31 December 2020, and accordingly, COSCO Group is deemed to have the interest of 1,623,313,935 Shares held by China COSCO (HK). COSCO Group is a wholly owned subsidiary of China COSCO SHIPPING Corporation Limited ("COSCO SHIPPING"). Accordingly, COSCO Group's interest in relation to the 1,623,313,935 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 1,665,229,935 Shares (representing 50.23% of the total number of issued Shares) as at 31 December 2020, of which 223,548,369 Shares (representing 6.74% of the total number of issued Shares) were held by COSCO Investments.

Save as disclosed above, as at 31 December 2020, 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 2020.

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	16%
Percentage of purchases attributable to the Group's five largest suppliers	59%
Percentage of revenue from sales of goods or rendering of services attributable to the Group's largest customer	21%
Percentage of revenue from sales of goods or rendering of services attributable to the Group's five largest customers	66%

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 2020, COSCO SHIPPING, a controlling Shareholder, has equity interest in (1) one of the five largest suppliers of the Group which contributed 15% of the purchases made by the Group; and (2) the largest customer 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 Listing Rules throughout the year ended 31 December 2020.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 52 to 93 of this annual report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTION TRANSACTIONS

During the year, the Group conducted certain continuing related party transactions, as disclosed in note 38 (Related party transactions) of the audited consolidated financial statements of the Company for the year ended 31 December 2020, 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 "2017 Tenancy Agreement") in respect of the leasing of Unit Nos. 4901, 4902A, 4902B and 4903 situated at the 49th Floor of COSCO Tower, 183 Queen's Road Central, Hong Kong (the "49F Properties") 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 under the 2017 Tenancy Agreement was HK$87,248 (subject to revision by the management company of the building of which the 49F Properties form part from time to time). During the subsistence of the 2017 Tenancy Agreement, the maximum aggregate annual value of the rental and the management fees for the two years ending 31 December 2018 and 2019 and for the period from 1 January 2020 to 28 November 2020 were HK$15,740,000, HK$15,840,000 and HK$14,540,000 respectively. The rental and management fees paid by COSCO SHIPPING Ports Management under the 2017 Tenancy Agreement for the period from 1 January 2020 to 28 November 2020 was HK$14,432,000.

On 27 November 2020, COSCO SHIPPING Ports Management as the tenant entered into a new tenancy agreement with Wing Thye as the landlord (the "49F Tenancy Agreement") in respect of the leasing of the 49F Properties for a term of three years commencing from 29 November 2020 at a monthly rental of HK$1,404,480 exclusive of government rent, rates, management fees and other outgoings. The monthly management fees payable to Wing Thye under the 49F Tenancy Agreement is HK$95,760 (subject to revision by the incorporated owners and the management company of the building of which the 49F Properties form part from time to time). The (i) rental and (ii) management fees and other outgoings paid by COSCO SHIPPING Ports Management under the 49F Tenancy Agreement for the period from 29 November 2020 to 31 December 2020 were HK$1,498,112 and HK$95,760 respectively.

Apart from the 49F Tenancy Agreement, COSCO SHIPPING Ports Management as the tenant also entered into a tenancy agreement with Malayan Corporations Limited ("Malayan Corporations") as the landlord (the "42F Tenancy Agreement", together with the 49F Tenancy Agreement, the "Tenancy Agreements") in respect of Unit No. 4206 situated at the 42nd Floor of COSCO Tower, 183 Queen's Road Central, Hong Kong (the "42F Property") on 27 November 2020. Pursuant to the 42F Tenancy Agreement, COSCO SHIPPING Ports Management agreed to rent from Malayan Corporations the 42F Property for a term of two years nine months and twelve days commencing from 15 February 2021 at a monthly rental of HK$325,512 exclusive of government rent, rates, management fees and other outgoings. The monthly management fees payable to Malayan Corporations under the 42F Tenancy Agreement is HK$22,194 (subject to revision by the incorporated owners and the management company of the building of which the 42F Property forms part from time to time). No rental, management fees or other outgoings has been paid by COSCO SHIPPING Ports Management under the 42F Tenancy Agreement in 2020.

The payments to be made by the Group contemplated under the Tenancy Agreements comprise different components and hence different accounting treatments will apply. Pursuant to HKFRS 16, the monthly rentals of the 42F Property and the 49F Properties leased under the Tenancy Agreements will be recognised as right-of-use assets with the estimated aggregate consideration of approximately HK$58,291,000. The right-of-use assets represent the Company's right to use the underlying leased assets over the lease term and the lease liabilities represent its obligation to make lease payments (i.e. the rent). The assets and the liabilities arising from the leases are initially measured on present value basis and calculated by discounting the non-cancellable lease payments under the Tenancy Agreements, using the incremental borrowing rate as the discount rate. Under HKFRS 16 and in the consolidated financial statements of the Group, the Group shall recognise (i) depreciation charge over the life of the right-of-use assets, and (ii) interest on the lease liabilities over the lease term.

Accordingly, the Group will recognise the monthly rentals as acquisitions of right-of-use assets taking into account the aggregate discounted amount of the monthly rentals in accordance with HKFRS 16. Such acquisitions of right-of-use assets will constitute one-off connected transactions for the Company under Chapter 14A of the Listing Rules. The management fees and other outgoings under the Tenancy Agreements (the "Other Charges") will be recognised as expenses in the Group's profit and loss accounts in the periods in which they are incurred, and the payment of such expenses will be regarded as continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The Company intended to continue to occupy the 49F Properties 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 addition, the Company considered it necessary and appropriate to rent the 42F Property, which has the advantage of close proximity to the Company's head office at 49th floor of the same building, to cater for the operation and growth of the Group. In negotiating the rental under the Tenancy Agreements, the directors of the Company had made reference to the professional opinion given by Cushman & Wakefield Limited, an independent professional valuer. The monthly rental agreed for the 49F Properties and the 42F Property as provided in the Tenancy Agreements were at market levels and were fair and reasonable.

Both Wing Thye and Malayan Corporations are wholly-owned subsidiaries 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, each of Wing Thye and Malayan Corporations is a connected person of the Company. The payment of the rentals under the Tenancy Agreements is regarded as acquisitions of assets by the Group and constitutes connected transactions of the Company; and the payment of the Other Charges constitutes continuing connected transactions of the Company under the Listing Rules.

(2) FINANCIAL SERVICES MASTER AGREEMENT

On 30 October 2019, the Company entered into a financial services master agreement (the "Financial Services Master Agreement") with COSCO SHIPPING. Under the Financial Services Master Agreement, COSCO SHIPPING will procure COSCO SHIPPING Finance Co., Ltd. ("COSCO SHIPPING Finance") 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 SHIPPING Finance may offer from time to time (the "Further Financial Services") (collectively, the "Transactions") to the Group for the period from 1 January 2020 to 31 December 2022 (both dates inclusive).

In respect of the Deposit Transactions, the rate of interest which will accrue on any deposit placed by the Group with COSCO SHIPPING 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 providing the same type of deposit services on normal commercial terms in their ordinary course of business in the same or nearby service area, and in accordance with the principle of fairness and reasonableness; and (b) the interest rates offered by COSCO SHIPPING 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 maximum aggregate amount of deposits placed by the Group with COSCO SHIPPING Finance (including the amount of any interest accrued thereon) for each of the three years ending 31 December 2020, 2021 and 2022 are RMB3,000,000,000. The maximum daily aggregate amount of deposits for the year ended 31 December 2020 was RMB2,519,700,000.

As no Further Financial Services were requested by the Group from COSCO SHIPPING Finance for the year ended 31 December 2020, no such fee was charged by COSCO SHIPPING Finance for such services.

The deposit interest rates offered by COSCO SHIPPING Finance to the Group will be no less 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 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.

For the Loan Transactions and the Clearing Transactions which are fully exempt from the requirements under Chapter 14A of the Listing Rules including annual reporting requirements, shareholders may refer to the announcement of the Company dated 30 October 2019 for their details if interested.

(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 2020 was RMB1,857,341,000.

(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 2020 was RMB82,802,000.

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 2020 was RMB582,263,000.

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 2020 was RMB28,550,000.

(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 2020 was RMB35,133,000.

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 2020 was RMB18,292,000.

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 2020 was RMB6,837,000.

(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 2020 was RMB2,282,000.

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.

   (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.

   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.

   The Company disposed of all its equity interest in Yangzhou Yuanyang on 10 February 2020. For the period from 1 January 2020 to 10 February 2020, (i) Yangzhou Port Group did not provide any terminal related services to Yangzhou Yuanyang; and (ii) the total amount received by Yangzhou Yuanyang for terminal related services provided to members of Yangzhou Port Group was RMB3,591,000.

(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.

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.

The Company disposed of all its equity interest in Zhangjiagang Win Hanverky on 10 February 2020. The total amount of the aforementioned transactions for the period from 1 January 2020 to 10 February 2020 was RMB983,000.

(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 2020 was RMB47,305,000.

(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 2020 was RMB480,000.

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, a subsidiary of the Company, and accordingly, Xiamen Haicang Holding is a substantial shareholder of a subsidiary 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 (4) 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 (5) to (8) did not constitute continuing connected transactions of the Company for the year ended 31 December 2020, since members of the Xiamen Haicang Group, 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.

(4) CONCESSION AGREEMENT

On 25 November 2008, Piraeus Container Terminal Single Member 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 utilisation 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, Prof. CHAN Ka Lok and Mr. YANG Liang Yee Philip, 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, 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 2020 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "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 2020 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	US$'000
Non-current assets	2,029,949
Current assets	277,431
Current liabilities	(100,187)
Non-current liabilities	(1,862,200)
Net assets	344,993
Share capital	22,141
Reserves	282,342
Non-controlling interest	40,510
Capital and reserves	344,993

As at 31 December 2020, interests in such affiliated companies attributable to the Group amounted to US$411,495,000.

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, 30 March 2021

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 135 to 238 which comprise:

- the consolidated balance sheet as at 31 December 2020;
- 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 2020, 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, 9, 10, 11 and 12 to the consolidated financial statements. The Group is involved in terminals operation through subsidiaries, investments in joint ventures and associates in Hong Kong, Mainland China, Spain, Italy, Greece, Belgium, Abu Dhabi and other countries. As at 31 December 2020, there were terminal assets with a total carrying value of property, plant and equipment of US$3,359 million, right-of-use assets of US$978 million, intangible assets of US$475 million, investments in joint ventures with a total carrying amount of US$1,222 million, and investments in associates with a total carrying amount of US$3,113 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; • obtained an understanding of the management's internal control and assessment process of impairment of terminal assets, investments in joint ventures and associates and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • evaluated the appropriateness of the value-in-use/fair value less costs of disposal model adopted for the impairment assessments; • compared the current year's actual results with prior year's budgets, where applicable, to consider whether any past forecast including any assumptions, with hindsight, had been aggressive; • challenged the reasonableness of key assumptions such as revenue growth rates, terminal growth rates and gross/operating margins applied by management by comparing to commercial contracts, available market reports and historical trend analyses, where applicable;

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 measured at value-in-use which are based on future discounted cash flows on a cash generating unit basis or fair value less costs of disposal. Management has concluded that there was no impairment in respect of the terminal assets, investments in joint ventures and associates as at 31 December 2020. This area is significant to our audit because of the significance of the carrying amounts of the assets and the significant management judgement involved in determining the value-in-use prepared based on future discounted cash flows or fair value less costs of disposal under income approach. For terminal assets, investments in joint ventures and associates, the judgement focuses on revenue growth rates, terminal growth rates, gross/operating margins and discount rates. All these factors are with estimation uncertainties and may impact the results of the impairment assessments.	• 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, where applicable; • agreed input data to supporting evidence, such as approved budgets, inflation rates, strategic plans and market data, where applicable; • assessed the adequacy of the disclosures related to impairment of terminal assets, investments in joint ventures and associates in the context of the applicable financial reporting framework; 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 judgements and assumptions used in the impairment identification and assessments to be supported by the available evidence.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill Refer to notes 3.7(a), 5(b) and 10 to the consolidated financial statements. As at 31 December 2020, the Group had a balance of goodwill of US$182 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 judgement by management such as determining the discount rates, revenue growth rates, terminal 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 judgements, including the revenue growth rates, terminal growth rates, operating margins and discount rates applied to the estimates of the recoverable amount. All these factors are with estimation uncertainties and may impact the results of the impairment assessments.	We performed the following procedures in relation to management's goodwill impairment assessment: • obtained an understanding of the management's internal control and assessment process of impairment of goodwill and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • 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, where applicable, to consider whether any past forecast including any assumptions, with hindsight, had been aggressive; • challenged the reasonableness of key assumptions such as revenue growth rates, terminal growth rates and operating margins applied by management by comparing to commercial contracts, available market reports and historical trend analyses, where applicable; • 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 input data to supporting evidence, such as approved budgets, inflation rates, strategic plans and market data, where applicable; • assessed the adequacy of the disclosures related to impairment of goodwill in the context of the applicable financial reporting framework; 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 goodwill to be impaired, where applicable. Based on the audit procedures performed, we found the key judgements and assumptions used in the impairment assessment to be supported by the available evidence.

Other Information

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

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

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

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

Responsibilities of Directors and Those Charged With Governance for the Consolidated Financial Statements

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

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

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

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, actions taken to eliminate threats or safeguards applied.

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, 30 March 2021

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	2020 US$'000	2019 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**3,358,970**	3,125,239
Right-of-use assets	9	**978,473**	937,849
Investment properties	8	**9,996**	9,566
Intangible assets	10	**474,570**	455,632
Joint ventures	11	**1,222,414**	1,278,125
Loans to a joint venture	11	**23,218**	23,113
Associates	12	**3,112,653**	2,752,908
Loans to associates	12	**118,360**	147,121
Financial assets at fair value through other comprehensive income	13	**158,206**	173,375
Deferred tax assets	14	**110,351**	95,333
Other non-current assets		**2,409**	5,776
		9,569,620	9,004,037
Current assets			
Inventories	15	**14,853**	12,348
Trade and other receivables	16	**293,172**	227,032
Current tax recoverable		**5,187**	3,711
Restricted bank deposits	37(c)	**31,224**	30,285
Cash and cash equivalents	37(c)	**1,310,289**	927,194
		1,654,725	1,200,570
Assets classified as held for sale	18	**–**	271,911
		1,654,725	1,472,481
Total assets		**11,224,345**	10,476,518
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	19	**42,574**	40,596
Reserves		**5,507,630**	4,954,865
		5,550,204	4,995,461
Non-controlling interests		**827,022**	769,744
Total equity		**6,377,226**	5,765,205

CONSOLIDATED BALANCE SHEET

	Note	2020 US$'000	2019 US$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	14	**115,300**	135,043
Lease liabilities	9	**784,243**	733,948
Long term borrowings	21	**2,748,292**	2,407,664
Loans from non-controlling shareholders of a subsidiary	22	**737**	484
Derivative financial instruments	26	**7,752**	8,878
Put option liability	25	**225,679**	217,711
Other long term liabilities	23	**51,063**	35,035
		3,933,066	3,538,763
Current liabilities			
Trade and other payables and contract liabilities	24	**536,890**	586,963
Current tax liabilities		**31,912**	14,338
Current portion of lease liabilities	9	**42,093**	36,425
Current portion of long term borrowings	21	**226,651**	228,957
Short term borrowings	21	**72,798**	279,829
Derivative financial instruments	26	**3,709**	3,209
		914,053	1,149,721
Liabilities directly associated with assets classified as held for sale	18	**–**	22,829
		914,053	1,172,550
Total liabilities		**4,847,119**	4,711,313
Total equity and liabilities		**11,224,345**	10,476,518

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 143 to 238 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the Year Ended 31 December 2020

	Note	2020 US$'000	2019 US$'000
Revenues	6	**1,000,629**	1,027,658
Cost of sales		**(767,987)**	(754,934)
Gross profit		**232,642**	272,724
Administrative expenses		**(120,182)**	(123,998)
Other operating income	27	**134,883**	94,345
Other operating expenses		**(11,526)**	(30,561)
Operating profit	28	**235,817**	212,510
Finance income	29	**14,690**	12,415
Finance costs	29	**(114,650)**	(108,863)
Operating profit (after finance income and costs)		**135,857**	116,062
Share of profits less losses of			
– joint ventures	11	**78,219**	86,359
– associates	12	**194,501**	181,095
Profit before taxation		**408,577**	383,516
Taxation	30	**(34,967)**	(33,566)
Profit for the year		**373,610**	349,950
Profit attributable to:			
Equity holders of the Company		**347,474**	308,017
Non-controlling interests		**26,136**	41,933
		373,610	349,950
Earnings per share for profit attributable to equity holders of the Company			
– Basic	31	**US10.81 cents**	US9.82 cents
– Diluted	31	**US10.81 cents**	US9.82 cents

The accompanying notes on pages 143 to 238 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2020

	2020 US$'000	2019 US$'000
Profit for the year	**373,610**	349,950
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Share of other comprehensive income of an associate		
– other reserves	**(864)**	2,474
Changes in the fair value of financial assets at fair value through other comprehensive income ("FVOCI"), net of tax	**(19,161)**	(6,032)
Items that may be reclassified to profit or loss		
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates	**293,136**	(74,097)
Release of reserve upon deemed disposal of an associate	**–**	(24)
Release of reserve upon disposal of subsidiaries	**(4,722)**	–
Release of reserve upon disposal of an associate	**3,468**	(1,451)
Release of reserve upon remeasurement of equity investments	**–**	(3,457)
Cash flow hedges, net of tax		
– fair value gain/(loss)	**499**	(935)
Share of other comprehensive income of joint ventures and associates		
– exchange reserves	**9,070**	(1,046)
– other reserves	**326**	(125)
Other comprehensive income/(loss) for the year, net of tax	**281,752**	(84,693)
Total comprehensive income for the year	**655,362**	265,257
Total comprehensive income attributable to:		
Equity holders of the Company	**577,739**	233,976
Non-controlling interests	**77,623**	31,281
	655,362	265,257

The accompanying notes on pages 143 to 238 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2020

	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
At 1 January 2020	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
Profit for the year	–	–	–	–	–	–	–	–	–	347,474	347,474	26,136	373,610
Release of reserve upon disposal of subsidiaries	–	–	–	–	–	–	–	(4,722)	–	–	(4,722)	–	(4,722)
Release of reserve upon disposal of an associate	–	–	–	–	–	–	–	3,468	–	–	3,468	–	3,468
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates	–	–	–	–	–	–	–	245,463	–	–	245,463	47,673	293,136
Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	–	(19,161)	–	–	–	–	(19,161)	–	(19,161)
Cash flow hedges, net of tax	–	–	–	–	–	–	–	–	(109)	–	(109)	608	499
Share of other comprehensive income of joint ventures and associates	–	–	–	–	–	–	–	5,864	(538)	–	5,326	3,206	8,532
Total comprehensive income for the year	–	–	–	–	–	(19,161)	–	250,073	(647)	347,474	577,739	77,623	655,362
Issue of shares on settlement of scrip dividends	1,978	78,378	–	–	–	–	–	–	–	–	78,378	–	80,356
Fair value of share options granted	–	–	1,885	–	–	–	–	–	–	–	1,885	–	1,885
Partial disposal of a subsidiary	–	–	–	34,081	–	–	–	–	–	–	34,081	64,692	98,773
Capital injection from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	415	415
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(63,797)	(63,797)
Put option liability movement	–	–	–	–	–	–	–	–	–	(7,968)	(7,968)	–	(7,968)
Share of reserve of joint ventures and associates	–	–	–	(90)	–	–	–	–	–	–	(90)	–	(90)
Transfer	–	–	–	150,706	–	–	–	–	–	(150,706)	–	–	–
Dividends paid to equity holders of the Company													
– 2019 final	–	–	–	–	–	–	–	–	–	(64,125)	(64,125)	–	(64,125)
– 2020 interim	–	–	–	–	–	–	–	–	–	(67,135)	(67,135)	–	(67,135)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(21,655)	(21,655)
	1,978	78,378	1,885	184,697	–	(19,161)	–	250,073	(647)	57,540	552,765	57,278	612,021
At 31 December 2020	42,574	1,917,156	5,352	(260,305)	115	7,575	10,699	(5,229)	69,832	3,762,435	5,507,630	827,022	6,377,226
Representing:													
Share capital	42,574	–	–	–	–	–	–	–	–	–	–		
Reserves	–	1,917,156	5,352	(260,305)	115	7,575	10,699	(5,229)	69,832	3,687,642	5,432,837		
2020 second interim dividend declared	–	–	–	–	–	–	–	–	–	74,793	74,793		
	42,574	1,917,156	5,352	(260,305)	115	7,575	10,699	(5,229)	69,832	3,762,435	5,507,630		

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$'000	FVOCI reserve US$'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	–	–	–	–	–	–	–	–	–	(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		

The accompanying notes on pages 143 to 238 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 31 December 2020

	Note	2020 US$'000	2019 US$'000
Cash flows from operating activities			
Cash generated from operations	37(a)	**354,258**	388,195
Interest received		**14,195**	16,635
Tax paid		**(42,213)**	(51,566)
Net cash generated from operating activities		**326,240**	353,264
Cash flows from investing activities			
Dividends received from joint ventures		**64,627**	73,727
Dividends received from associates		**129,189**	161,640
Dividends received from a listed financial asset at fair value through profit and loss ("FVPL")		**–**	1,149
Dividends received from listed and unlisted financial assets at FVOCI		**2,321**	2,008
Government subsidies related to property, plant and equipment		**14,492**	–
Investments in associates		**(130,744)**	(81,106)
Investments in a financial asset at FVPL		**–**	(129,212)
Net cash paid for purchase of subsidiaries	39	**–**	(13,255)
Purchase of property, plant and equipment and intangible assets		**(224,428)**	(242,462)
Proceeds from disposal of property, plant and equipment and intangible assets		**9,662**	1,636
Repayment of loans to joint ventures		**1,835**	1,316
Proceeds from disposal of a subsidiary and an associate		**–**	52,442
Proceeds from disposal of subsidiaries	18	**121,616**	–
Repayment of loans from former subsidiaries		**120,346**	–
Repayment of balance from former subsidiaries		**27,220**	–
Return of investment from an associate		**18,207**	–
Net cash generated from/(used in) investing activities		**154,343**	(172,117)

CONSOLIDATED CASH FLOW STATEMENT

	Note	2020 US$'000	2019 US$'000
Cash flows from financing activities			
Capital injection from non-controlling shareholders of subsidiaries		**99,194**	–
Dividends paid to equity holders of the Company		**(50,717)**	(76,090)
Dividends paid to non-controlling shareholders of subsidiaries		**(21,655)**	(30,046)
Interest paid		**(73,310)**	(75,416)
(Increase)/decrease in restricted bank balance		**(940)**	33,389
Loans drawn down		**744,277**	771,075
Loans repaid		**(740,932)**	(309,344)
Loans from a non-controlling shareholder of a subsidiary		**–**	43,711
Loan from a joint venture		**33,039**	17,412
Loan from an associate		**17,620**	–
Other incidental borrowing costs paid		**(2,536)**	(2,954)
Principal elements of lease payments		**(25,294)**	(19,110)
Payment of lease interest		**(14,358)**	(18,617)
Repayment of loans from non-controlling shareholders of subsidiaries		**(10,984)**	(98,014)
Repayment of loan from a joint venture		**(33,039)**	(14,510)
Repayment of loan from an associate		**(35,802)**	–
Net cash (used in)/generated from financing activities		**(115,437)**	221,486
Net increase in cash and cash equivalents		**365,146**	402,633
Cash and cash equivalents at 1 January		**937,947**	543,015
Exchange differences		**7,196**	(7,701)
Cash and cash equivalents at 31 December		**1,310,289**	937,947
Analysis of cash and cash equivalents			
Time deposits, bank balances and cash		**1,310,289**	927,194
Cash and cash equivalents of subsidiaries reclassified as assets classified as held for sale	18	**–**	10,753
		1,310,289	937,947

The accompanying notes on pages 143 to 238 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2021.

2 Basis of preparation

The consolidated financial statements for the year ended 31 December 2020 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 AMENDMENTS TO EXISTING STANDARDS

In 2020, the Group has adopted the following amendments to existing standards issued by the HKICPA which are mandatory for the financial year ended 31 December 2020:

Amendments	
HKAS 1 and HKAS 8 Amendment	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 Amendment	Interest Rate Benchmark Reform – Phase 1
HKFRS 3 Amendment	Definition of a Business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of these amendments to existing standards does not have any significant effect on the consolidated financial statements or result in any substantial changes in the Group's accounting policies.

2 Basis of preparation (Continued)

2.2 NEW STANDARD, INTERPRETATION, AMENDMENTS AND IMPROVEMENTS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020 AND HAVE NOT BEEN EARLY ADOPTED BY THE GROUP

The HKICPA has issued the following new standard, interpretation, amendments and improvements to existing standards which are not yet effective for the year ended 31 December 2020:

		Effective for accounting periods beginning on or after
New standard, interpretation, and amendments		
AG 5 (revised)	Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 Amendment	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 16 Amendment	Proceeds before Intended Use	1 January 2022
HKAS 37 Amendment	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 Amendment	Interest Rate Benchmark Reform – Phase 2	1 January 2021
HKFRS 3 Amendment	Reference to the Conceptual Framework	1 January 2022
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 16 Amendment	COVID-19-Related Rent Concessions	1 June 2020
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17 Amendment	Insurance Contracts	1 January 2023
HK Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Annual Improvements 2018-2020 Cycle		
HKAS 41 Amendment	Taxation in Fair Value Measurements	1 January 2022
HKFRS 1 Amendment	Subsidiary as a First-time Adopter	1 January 2022
HKFRS 9 Amendment	Fees in the '10 per cent' Test for Derecognition of Financial Liabilities	1 January 2022
HKFRS 16 Amendment	Lease Incentives	1 January 2022

The Group has not early adopted the above new standard, interpretation, amendments and improvements to existing standards and will apply these new standard, interpretation, amendments and improvements as and when they become effective. The Group has already commenced an assessment of the related impact of these new standard, interpretation, amendments and improvements to the existing standards to the Group, certain of them will give rise to change in presentation, disclosure and measurements of certain items in the consolidated financial statements.

3 Summary of significant accounting policies

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

3.1 GROUP ACCOUNTING

(a) Merger accounting for common control combinations

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

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

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

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

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

(b) Acquisition method for non-common control combination

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

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 in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income ("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 includes goodwill identified on acquisition. The measurement of goodwill is the same as that of goodwill arising from the acquisition of subsidiaries. Appropriate adjustments to the Group's share of the profits or losses after acquisition are made to the consolidated financial statements based on the fair values of the assets and liabilities acquired at date of acquisition.

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

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

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in consolidated statement of comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in a joint venture or an associate equals or exceeds its interest in the joint venture or 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 joint venture or 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 and 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 profit and loss.

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.

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:

Land	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 30 years

Other property, plant and equipment includes plant and machinery with estimated useful lives ranging from 5 to 30 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

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 payment 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).

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.

3 Summary of significant accounting policies (Continued)

3.5 LEASES (CONTINUED)

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 Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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.

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.

3.6 INVESTMENT PROPERTIES

Land and buildings that are 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.

3 Summary of significant accounting policies (Continued)

3.6 INVESTMENT PROPERTIES (CONTINUED)

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

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

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

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

3.7 INTANGIBLE ASSETS

(a) Goodwill

Goodwill arises on acquisition of subsidiaries, 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. Goodwill arising on acquisitions of joint ventures and associates is included in joint venturers and associates respectively and is tested for impairment as part of overall balance.

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.

3 Summary of significant accounting policies (Continued)

3.7 INTANGIBLE ASSETS (CONTINUED)

(b) Computer software (Continued)

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

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

(c) Concession rights

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

(d) Customer relationships

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

3.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

3.9 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.

3 Summary of significant accounting policies (Continued)

3.9 INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

(a) Classification (Continued)

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

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

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

(b) Recognition and derecognition

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

(c) Measurement

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

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

Debt instruments

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

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.

3 Summary of significant accounting policies (Continued)

3.9 INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

(c) Measurement (Continued)

Equity instruments (Continued)

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.

3.11 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 hedging instruments are expected to offset changes in the cash flows of hedge items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

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

3 Summary of significant accounting policies (Continued)

3.11 DERIVATIVES AND HEDGING ACTIVITIES (CONTINUED)

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.

3.13 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 Summary of significant accounting policies (Continued)

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.

3.17 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 Summary of significant accounting policies (Continued)

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 income tax expense or credit 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.

(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.

3 Summary of significant accounting policies (Continued)

3.20 CURRENT AND DEFERRED INCOME TAX (CONTINUED)

(b) Deferred income tax (Continued)

Outside basis differences (Continued)

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.

3.21 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.

3 Summary of significant accounting policies (Continued)

3.21 EMPLOYEE BENEFITS (CONTINUED)

(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.

3.22 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) Rental income from investment properties

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.

3 Summary of significant accounting policies (Continued)

3.22 RECOGNITION OF REVENUES AND INCOME (CONTINUED)

The Group recognises revenues and income on the following bases: (Continued)

(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

Subsidies from the government are recognised at their fair value where there is a reasonable assurance that the subsidy will be received and the Group will comply with all attached conditions. Government subsidies relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

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.

3.26 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.

3 Summary of significant accounting policies (Continued)

3.26 CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

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.

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.

4 Financial risk management (Continued)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

With all other variables held constant, if the currencies (except for Hong Kong dollar and United Arab Emirates Dirham) of Non-Functional Currency Items had weakened/strengthened by 5% against the US dollar, the Group's profit after income tax for the year would have been increased/decreased by US$4,788,000 (2019: increased/decreased by US$3,172,000) 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 as financial assets at FVOCI (note 13). Management monitors the market conditions and securities price fluctuations and response so as to minimise adverse effects on the Group's financial performance.

A 10% increase/decrease in the price of the financial assets at FVOCI would increase/decrease the other comprehensive income by US$79,103,000 (2019: increase/decrease US$86,788,000).

(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 loans from a joint venture, loans from non-controlling shareholders of subsidiaries, 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$3,001,000 (2019: US$3,652,000).

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% (2019: 0.61% and 1.22%) and the variable rates of the loan are between 1.75% and 2.25% (2019: 1.5% and 2.25%) above the 6-month Euro Interbank Offered Rate ("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:

	2020 **US$'000**	2019 US$'000
Interest rate swaps		
Carrying amount (liabilities)	**11,461**	12,087
Notional amount	**301,933**	272,523
Maturity date	**2022–2024**	2022–2024
Hedge ratio	**1.1**	1.1
Change in fair value of outstanding hedging instruments since 1 January	**499**	(935)
Change in value of hedged item used to determine hedge effectiveness	**(499)**	935

(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 a joint venture 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.

4 Financial risk management (Continued)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (Continued)

(i) Risk management (Continued)

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.

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 2020, approximately 68% (2019: 64%) of the Group's bank balances were placed with state-owned or listed banks. Management considers theses balances are subject to low credit risk.

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

(c) Liquidity risk

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

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

4 Financial risk management (Continued)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(c) Liquidity risk (Continued)

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
At 31 December 2020				
Bank and other borrowings	**374,712**	**722,855**	**1,416,223**	**852,760**
Lease liabilities	**41,862**	**42,614**	**124,521**	**1,189,776**
Loans from non-controlling shareholders of subsidiaries	**84,288**	**22**	**748**	**–**
Loans from a joint venture	**35,012**	**–**	**–**	**–**
Trade and other payables	**403,872**	**–**	**–**	**–**
Derivative financial Instruments	**3,709**	**3,717**	**4,035**	**–**
Put option liability	**–**	**–**	**–**	**280,000**
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	–
Loans from a joint venture	32,253	–	–	–
Loan from an associate	17,201	–	–	–
Trade and other payables	444,825	–	–	–
Derivative financial Instruments	3,209	3,116	5,762	–
Put option liability	–	–	–	280,000

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 2020, the net debt-to-total equity ratio is 26.8% (2019: 34.0%).

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

4 Financial risk management (Continued)

4.3 FAIR VALUE ESTIMATION

(a) Fair value hierarchy

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

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

The following table presents the Group's financial instruments that are measured at fair value at 31 December 2020 and 2019:

As at 31 December 2020

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
Financial assets at FVOCI	**134,405**	**–**	**23,801**	**158,206**
Derivative financial instruments				
– interest rate swap	**–**	**11,461**	**–**	**11,461**

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

(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.

4 Financial risk management (Continued)

4.3 FAIR VALUE ESTIMATION (CONTINUED)

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

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 2020, 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. 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:

Unlisted financial assets at FVOCI

	2020 US$'000
At 1 January	**29,695**
Fair value loss recognised in OCI	**(7,536)**
Translation differences	**1,642**
At 31 December	**23,801**

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 2020 US$'000	31 December 2019 US$'000		
Unlisted equity security:				
Port industry	**23,801**	29,695	Market multiples	Price/book multiples (i), discount for lack of marketability (ii)

(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.

5 Critical accounting estimates and judgements (Continued)

(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 or fair value less costs of disposal calculations. The determination of impairment indication requires significant judgement, and the calculations require the use of estimates which are subject to change of economic environment in future.

(b) ASSESSMENT OF GOODWILL IMPAIRMENT

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

(c) TAXATION

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

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

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

(d) FAIR VALUE OF FINANCIAL ASSETS AT FVOCI

If information on current or recent prices of financial assets at FVOCI is not available, the fair values of financial assets at FVOCI are determined using valuation techniques (market multiples derived from a set of comparable companies). The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

6 Revenues and segment information

Revenues recognised during the year are as follows:

	2020 **US$'000**	2019 US$'000
Terminal operations income related to rendering of port and related services	**1,000,629**	1,027,658

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.

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

(a) OPERATING SEGMENTS

Segment assets

	Terminals and related businesses US$'000	Others US$'000	Elimination US$'000	Total US$'000
At 31 December 2020				
Segment assets	**10,137,784**	**1,304,583**	**(218,022)**	**11,224,345**
Segment assets include:				
Joint ventures	**1,222,414**	**–**	**–**	**1,222,414**
Associates	**3,112,653**	**–**	**–**	**3,112,653**
Financial assets at FVOCI	**158,206**	**–**	**–**	**158,206**
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

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 2020				
Revenues – total sales	**1,000,629**	**–**	**–**	**1,000,629**
Segment profit/(loss) attributable to equity holders of the Company	**387,935**	**(40,461)**	**–**	**347,474**
Segment profit/(loss) includes:				
Finance income	**991**	**27,518**	**(13,819)**	**14,690**
Finance costs	**(87,258)**	**(41,287)**	**13,895**	**(114,650)**
Share of profits less losses of				
– joint ventures	**78,219**	**–**	**–**	**78,219**
– associates	**194,501**	**–**	**–**	**194,501**
Taxation	**(40,599)**	**5,632**	**–**	**(34,967)**
Gain on disposal of subsidiaries	**71,150**	**–**	**–**	**71,150**
Depreciation and amortisation	**(196,498)**	**(3,946)**	**–**	**(200,444)**
Other non-cash expenses	**(4,039)**	**(3)**	**–**	**(4,042)**
Additions to non-current assets	**(205,844)**	**(7,864)**	**–**	**(213,708)**

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 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) 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
Taxation	(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)

(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.

	2020 US$'000	2019 US$'000
Terminals and related businesses		
– Mainland China (excluding Hong Kong)	**417,760**	467,532
– Europe	**557,604**	554,525
– Others	**25,265**	5,601
	1,000,629	1,027,658

(ii) Non-current assets

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

	Subsidiaries and corporate US$'000	Joint ventures and associates US$'000	Total US$'000
2020			
Mainland China (excluding Hong Kong)	**2,333,858**	**3,380,136**	**5,713,994**
Europe	**1,652,794**	**14,890**	**1,667,684**
Others	**837,766**	**940,041**	**1,777,807**
	4,824,418	**4,335,067**	**9,159,485**
2019			
Mainland China (excluding Hong Kong)	2,172,194	3,036,156	5,208,350
Europe	1,567,983	17,647	1,585,630
Others	793,885	977,230	1,771,115
	4,534,062	4,031,033	8,565,095

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 2020	2,107,268	5,987	1,358,628	380,519	3,852,402
Exchange differences	144,446	333	106,763	11,921	263,463
Additions	13,673	103	18,273	142,782	174,831
Disposals	(493)	(667)	(14,185)	(4,404)	(19,749)
Transfers	102,660	83	117,900	(213,811)	6,832
At 31 December 2020	2,367,554	5,839	1,587,379	317,007	4,277,779
Accumulated depreciation and impairment					
At 1 January 2020	311,833	3,865	411,465	–	727,163
Exchange differences	25,647	217	35,571	–	61,435
Depreciation charge for the year	59,754	396	80,767	–	140,917
Disposals	(198)	(667)	(12,975)	–	(13,840)
Transfers	–	–	2,243	–	2,243
Impairment loss	–	–	–	891	891
At 31 December 2020	397,036	3,811	517,071	891	918,809
Net book value					
At 31 December 2020	1,970,518	2,028	1,070,308	316,116	3,358,970

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 2019	1,990,931	6,344	1,361,625	441,846	3,800,746
Adjustment for change in accounting policy	–	–	(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 39)	116,869	–	124	33,216	150,209
Transfer to assets classified as held for sale (note 18)	(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 policy	–	–	(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 18)	(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)

Notes:

(a) As at 31 December 2020, certain other property, plant and equipment with an aggregate net book value of US$292,149,000 (2019: US$296,323,000) were pledged as security for banking facilities granted to the Group (note 21(g)).

(b) During the year, the Group transferred from right-of-use assets with an aggregate net book value of US$4,589,000 (2019: US$23,121,000) to property, plant and equipment at the time of expiry of lease term. There was a transfer of land and buildings outside Hong Kong to investment properties with an aggregate net book value of US$806,000 in 2019.

(c) During the year, interest expenses of US$5,945,000 (2019: US$22,598,000) was capitalised in construction in progress (note 29).

(d) As at 31 December 2020, a freehold land amounted to US$100,475,000 (2019: US$100,475,000) was included in land and buildings outside Hong Kong.

8 Investment properties

	2020 US$'000	2019 US$'000
At 1 January	**9,566**	17,871
Exchange differences	**430**	(229)
Disposal	**–**	(74)
Transfer to assets classified as held for sale (note 18)	**–**	(8,808)
Transfer from property, plant and equipment (note 7)	**–**	806
At 31 December	**9,996**	9,566

Notes:

(a) The Group measured investment properties at fair value. The investment property amounted to US$5,438,000 as at 31 December 2020 was revalued on an open market value basis by D&P China (HK) Limited, independent professional property valuer who holds recognised relevant professional qualifications and has recent experiences in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

(b) The Group's interests in investment properties are office units situated in PRC on leases of 50 years and a residential property in Hong Kong on leases of over 50 years. For minimum lease payments receivable on leases of investment properties, refer to note 36.

(c) In 2020 and 2019, the valuations for PRC office units are derived using income capitalisation method. The valuation for the Hong Kong residential property is derived using direct comparison method in 2020 and 2019. 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 2020, capitalisation rate of 7.5% (2019: 7.5%) are used in income capitalisation method for PRC office units.

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 2020, unit price of HK$27,245 (2019: HK$26,000) per square feet is used in the direct comparison method.

9 Leases

(a) AMOUNTS RECOGNISED IN THE CONSOLIDATED BALANCE SHEET

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

	2020 **US$'000**	2019 US$'000
Right-of-use assets		
Concession	**715,144**	698,805
Buildings	**22,121**	4,203
Plant and machinery	**10,210**	15,240
Land use right (note i)	**230,998**	219,601
	978,473	937,849
Lease liabilities		
Current	**42,093**	36,425
Non-current	**784,243**	733,948
	826,336	770,373

Notes:

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

(ii) As at 31 December 2020, certain concession and land use rights with aggregate net book value of US$48,523,000 (2019: US$46,546,000) were pledged as security for banking facilities granted to the Group (note 21(g)).

Additions to the right-of-use assets during 2020 financial year were US$22,686,000 (2019: US$74,169,000). US$14,939,000 and US$6,184,000 additions in 2020 related to buildings leased from a non-controlling shareholder of a subsidiary and from a fellow subsidiary. US$73,537,000 additions in 2019 related to concession arrangement with a fellow subsidiary.

9 Leases (Continued)

(b) AMOUNTS RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

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

	Note	2020 US$'000	2019 US$'000
Depreciation charge of right-of-use assets			
Concession		**25,848**	23,490
Buildings		**4,161**	5,093
Plant and machineries		**867**	2,393
Land use rights		**5,461**	6,354
	28	**36,337**	37,330
Interest expense (included in finance costs)		**24,686**	16,697
Expense relating to short-term leases (included in cost of sales and administrative expenses)		**3,719**	4,175
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)		**1,289**	1,225
Expense relating to variable lease payments not included in lease liabilities (included in cost of sales)		**71,008**	70,005

The total cash outflow for leases in 2020 was US$115,668,000 (2019: US$113,132,000).

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

The Group leases various concession, buildings, plant and machinery and land use rights. Rental contracts are typically made for fixed periods of 3 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 that 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$653,000 and US$82,000 (2019: 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 lessor.

10 Intangible assets

	Computer software		Computer systems under development		Concession		Customer relationships		Goodwill		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	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	**28,668**	22,029	**10,962**	1,621	**249,474**	250,672	**48,022**	48,022	**169,235**	131,790	**506,361**	454,134
Exchange differences	**3,010**	(380)	**490**	(43)	**23,264**	(4,113)	**2,821**	–	**12,439**	(2,629)	**42,024**	(7,165)
Additions	**2,222**	7,561	**3,950**	9,386	**10,019**	4,249	**–**	–	**–**	–	**16,191**	21,196
Acquisition of subsidiaries (note 39)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	40,074	**–**	40,074
Disposals	**(2,276)**	(38)	**(10,133)**	(2)	**–**	(1,334)	**–**	–	**–**	–	**(12,409)**	(1,374)
Transfer to assets classified as held for sale (note 18)	**–**	(504)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(504)
Transfers	**1,608**	–	**(1,608)**	–	**–**	–	**–**	–	**–**	–	**–**	–
At 31 December	**33,232**	28,668	**3,661**	10,962	**282,757**	249,474	**50,843**	48,022	**181,674**	169,235	**552,167**	506,361
Accumulated amortisation												
At 1 January	**12,157**	9,598	**–**	–	**30,805**	16,457	**7,767**	4,268	**–**	–	**50,729**	30,323
Exchange differences	**1,170**	(154)	**–**	–	**3,075**	(222)	**222**	(89)	**–**	–	**4,467**	(465)
Amortisation for the year	**3,671**	3,048	**–**	–	**15,858**	14,966	**3,661**	3,588	**–**	–	**23,190**	21,602
Disposals	**(789)**	(37)	**–**	–	**–**	(396)	**–**	–	**–**	–	**(789)**	(433)
Transfer to assets classified as held for sale (note 18)	**–**	(298)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(298)
At 31 December	**16,209**	12,157	**–**	–	**49,738**	30,805	**11,650**	7,767	**–**	–	**77,597**	50,729
Net book value												
At 31 December	**17,023**	16,511	**3,661**	10,962	**233,019**	218,669	**39,193**	40,255	**181,674**	169,235	**474,570**	455,632

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 2020 and 2019, the recoverable amount of the CGUs 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. Major CGU cash flow projections are based on financial forecasts covering a five year period using an estimated average revenue growth rate of 4.6% (2019: 3.3%) and average operating margin of 15.2% (2019: 25.4%) with cash flows beyond this period at 2.5% terminal growth rate. Future cash flows are discounted at a rate equivalent to pre-tax rate of 9.53% (2019: 10.6%).

Assuming discount rate increased by 50 basis points, impairment charge of US$29,500,000 would be required for the goodwill in terminals and related business segment at 31 December 2020 (2019: US$9,758,000).

11 Joint ventures

	2020 US$'000	2019 US$'000
Investment in joint ventures (including goodwill on acquisitions) (note a)	**1,079,655**	1,135,366
Equity loan to a joint venture (note b)	**142,759**	142,759
	1,222,414	1,278,125
Loans to a joint venture (note c)	**23,218**	23,113

Notes:

(a) The carrying amount of goodwill on acquisitions of joint ventures amounted to US$66,501,000 (2019: US$66,343,000), mainly represented the goodwill on acquisitions of equity interests in Shanghai Pudong International Container Terminals Limited and Asia Container Terminals Holdings Limited ("Asia Container Terminal") of US$31,435,000 (2019: US$31,435,000) and US$34,953,000 (2019: US$34,795,000).

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

(c) The balance as at 31 December 2020 were unsecured and interest bearing at the rate of 2.1% 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) During the year, 40% equity interests in Guangxi Qinzhou International Container Terminal Co., Ltd. ("Qinzhou International Terminal") was disposed of during its injection into Guangxi Beibu Gulf International Container Terminal Co., Ltd. ("Beibu Gulf Terminal") with more details set out in note 12(b).

(e) There is no joint venture that is individually material to the Group as at 31 December 2020. 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
2020	**1,222,414**	**78,219**	**106**	**78,325**
2019	1,278,125	86,359	7	86,366

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

(g) Details of the principal joint ventures as at 31 December 2020 are set out in note 43 to the consolidated financial statements.

12 Associates

	2020 US$'000	2019 US$'000
Investment in associates (including goodwill on acquisitions) (note c)	**3,067,653**	2,707,908
Equity loan to an associate (note e)	**45,000**	45,000
	3,112,653	2,752,908
Loans to associates (note d)	**118,360**	147,121

Notes:

(a) Qingdao Port International Co., Ltd. ("QPI"), Sigma Enterprises Limited ("Sigma") and Wattrus Limited ("Wattrus") and their subsidiaries (collectively "Sigma and Wattrus Related Companies") are associates that are material to the Group. Both QPI and Sigma and Wattrus Related Companies 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 2020, the quoted market price of the Group's interest in QPI amounted to US$1,202,436,000 (2019: US$854,258,000).

Set out below are the summarised consolidated financial information for QPI as at and for the year ended 31 December 2020 and 2019, after fair-value adjustments upon acquisition, which is accounted for using the equity method:

Summarised consolidated balance sheet

	QPI	
	2020 US$'000	2019 US$'000
Non-current assets	**5,845,393**	4,711,572
Current assets	**2,907,217**	2,851,715
Non-current liabilities	**(854,661)**	(1,183,467)
Current liabilities	**(2,267,099)**	(1,563,823)

Summarised consolidated statement of comprehensive income

	QPI	
	2020 US$'000	2019 US$'000
Revenues	**1,915,746**	1,764,957
Profit attributable to equity holders for the year	**556,759**	549,934
Group's share of profits of the associate	**105,749**	94,512

12 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 associate.

Summarised consolidated financial information

	QPI	
	2020	2019
	US$'000	US$'000
Attributable to equity holders		
Opening net assets	**4,349,379**	3,931,502
Profit for the year	**556,759**	549,934
Other comprehensive income	**15,163**	7,106
Capital injection	**–**	65,928
Other reserve for the year	**(1,113)**	222,452
Dividends	**(188,419)**	(357,613)
Exchange difference	**325,227**	(69,930)
Closing net assets	**5,056,996**	4,349,379
Interest in the associate at 18.46% to 19.79% (2019: 17.12% to 18.46%)	**994,708**	803,606
Fair value adjustment	**93,531**	90,679
Goodwill	**223,104**	211,056
Carrying amount	**1,311,343**	1,105,341

Set out below are the summarised consolidated financial information for Sigma and Wattrus Related Companies as at and for the year ended 31 December 2020 and 2019, after fair-value adjustments upon acquisitions, which is accounted for using the equity method:

Summarised balance sheet

	Sigma and Wattrus Related Companies	
	2020	2019
	US$'000	US$'000
Non-current assets	**3,604,810**	3,698,319
Current assets	**902,640**	963,331
Non-current liabilities	**(124,340)**	(267,219)
Current liabilities	**(483,251)**	(535,400)

Summarised statement of comprehensive income

	Sigma and Wattrus Related Companies	
	2020	2019
	US$'000	US$'000
Revenues	**949,062**	963,976
Profit attributable to equity holders for the year	**233,917**	251,518
Group's share of profits of associates	**48,070**	51,687

12 Associates (Continued)

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

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

Summarised financial information

	Sigma and Wattrus Related Companies	
	2020	2019
	US$'000	US$'000
Capital and reserves attributable to equity holders	**2,921,367**	2,903,981
Group's effective interest	**20.55%**	20.55%
Group's share of capital and reserves attributable to equity holders	**600,341**	596,768
Adjustment to cost of investment	**46,860**	46,860
Carrying amount	**647,201**	643,628

(b) In April 2020, Jiangsu Yangtze Petrochemical Co., Ltd. was disposed of at a consideration of approximately RMB250,010,000 (equivalent to approximately US$35,427,000).

In November 2020, 40% equity interests in Qinzhou International Terminal (note 11(d)) was disposed of during its injection into Beibu Gulf Terminal, together with RMB486,824,000 (equivalent to approximately US$74,626,000) cash consideration, 26% equity interests in Beibu Gulf Terminal were acquired in return.

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. was disposed of during its combination into Tianjin Port Container Terminal Co., Ltd. ("Tianjin Container Terminal") and 16.01% equity interests in Tianjin Container Terminal were acquired 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% associate, in which the Group has significant influence, 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$291,751,000 (2019: US$277,851,000) mainly represented the goodwill on acquisition of equity interests in QPI, Sigma, Suez Canal Container Terminal S.A.E., Euromax Terminal Rotterdam B.V., and Wattrus of US$223,103,000 (2019: US$211,056,000), US$20,669,000 (2019: US$20,669,000), US$16,624,000 (2019: US$16,624,000), US$17,396,000 (2019: US$15,846,000) and, US$7,523,000 (2019:US$7,523,000) respectively.

(d) A balance of US$103,311,000 (2019: US$94,106,000) is unsecured, which bears interest at the aggregate of 2.0% per annum and EURIBOR (2019: 2.0% above EURIBOR per annum), and is repayable in 2024. A balance of US$15,049,000 (2019: US$15,059,000) is unsecured, bears interest at 2.5% per annum above 10-year EURIBOR ICE swap rate (2019: 2.5% per annum above 10-year EURIBOR ICE swap rate) and has no fixed terms of repayment. A balance of US$47,810,000 (2019: US$37,956,000) is unsecured, bears interest at the aggregate of 3.75% above EURIBOR per annum (2019: 3.75% above EURIBOR per annum), and is repayable in 2021. The balance was reclassified as current as at 31 December 2020. These balances are all denominated in EURO.

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

12 Associates (Continued)

(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 Related Companies disclosed above:

	Net assets US$'000	**Profits less losses for the year** US$'000	**Other comprehensive loss** US$'000	**Total comprehensive income** US$'000
2020	**1,154,109**	**40,682**	**(183)**	**40,499**
2019	1,003,938	34,896	(365)	34,531

(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 2020 are set out in note 44 to the consolidated financial statements.

13 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:

	2020 **US$'000**	2019 US$'000
Non-current assets		
Listed shares (note i)		
Qinhuangdao Port Co., Ltd.	**7,428**	8,304
Guangzhou Port Company Limited	**126,977**	135,376
	134,405	143,680
Unlisted investments (note ii)	**23,801**	29,695
	158,206	173,375

13 Financial assets at fair value through other comprehensive income (Continued)

(b) EQUITY INVESTMENTS AT FVOCI (CONTINUED)

Notes:

(i) Listed shares 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 was pledged as security for a loan granted to the Group (note 21(g)). The loan has been repaid in 2020.

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

	2020 US$'000	2019 US$'000
Hong Kong dollar	**7,428**	8,304
Renminbi	**149,941**	164,308
Euro	**837**	763
	158,206	173,375

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

	2020 US$'000	2019 US$'000
At 1 January	**173,375**	183,263
Fair value loss recognised in OCI	**(25,245)**	(7,195)
Exchange differences	**10,076**	(2,693)
At 31 December	**158,206**	173,375

14 Deferred taxation

Deferred taxation 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 tax liabilities during the year are as follows:

	2020 US$'000	2019 US$'000
At 1 January	**39,710**	13,024
Exchange differences	**(5,851)**	2,765
Credited to consolidated income statement	**(23,245)**	(17,465)
Credited to reserves	**(5,665)**	(1,609)
Acquisition of subsidiaries (note 39)	**–**	42,995
At 31 December	**4,949**	39,710

14 Deferred taxation (Continued)

Deferred 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 2020, the Group has unrecognised tax losses of US$136,300,000 (31 December 2019: US$107,391,000) to carry forward. Except for the tax losses of US$41,564,000 (31 December 2019: US$24,117,000) of the Group which will be expired between 2021 and 2025 (31 December 2019: between 2020 and 2024), all other tax losses have no expiry dates.

As at 31 December 2020, undistributed earnings from subsidiaries of US$776,062,000 (2019: US$589,654,000) 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.

The movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year, are as follows:

DEFERRED TAX LIABILITIES

	Accelerated tax depreciation		Undistributed profits		Fair value gains		Others		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1 January	**86,569**	44,710	**34,220**	54,830	**35,163**	30,014	**2,003**	4,813	**157,955**	134,367
Exchange differences	**3,893**	69	**42**	33	**1,478**	216	**(1)**	(1)	**5,412**	317
(Credited)/charged to consolidated income statement	**(2,587)**	(2,653)	**(13,116)**	(20,643)	**–**	6,096	**(2,002)**	(2,809)	**(17,705)**	(20,009)
Acquisition of subsidiaries (note 39)	**–**	44,443	**–**	–	**–**	–	**–**	–	**–**	44,443
Credited to reserve	**–**	–	**–**	–	**(4,200)**	(1,163)	**–**	–	**(4,200)**	(1,163)
At 31 December	**87,875**	86,569	**21,146**	34,220	**32,441**	35,163	**–**	2,003	**141,462**	157,955

DEFERRED TAX ASSETS

	Tax losses		Future deductible finance costs		Others		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1 January	**59,907**	61,046	**30,368**	32,616	**27,970**	27,681	**118,245**	121,343
Exchange differences	**5,448**	(1,235)	**2,840**	(1,307)	**2,975**	94	**11,263**	(2,448)
Credited/(charged) to consolidated income statement	**4,026**	(974)	**(1,754)**	(941)	**3,268**	(629)	**5,540**	(2,544)
Acquisition of subsidiaries (note 39)	**–**	1,070	**–**	–	**–**	378	**–**	1,448
Credited to reserve	**–**	–	**–**	–	**1,465**	446	**1,465**	446
At 31 December	**69,381**	59,907	**31,454**	30,368	**35,678**	27,970	**136,513**	118,245

14 Deferred taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2020 US$'000	2019 US$'000
Deferred tax assets	**110,351**	95,333
Deferred tax liabilities	**115,300**	135,043

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

	2020 US$'000	2019 US$'000
Deferred tax assets to be recovered after more than 12 months	**92,276**	74,347
Deferred tax liabilities to be settled after more than 12 months	**92,951**	97,191

15 Inventories

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

16 Trade and other receivables

	2020 US$'000	2019 US$'000
Trade receivables (note a)		
– third parties	**59,675**	56,478
– fellow subsidiaries (note b)	**19,345**	15,914
– non-controlling shareholders of subsidiaries (note b)	**4,869**	11,365
– a joint venture (note b)	**–**	319
– an associate (note b)	**5**	–
– related companies (note b)	**4,438**	6,346
	88,332	90,422
Bills receivable (note a)	**4,617**	8,927
	92,949	99,349
Less: provision for impairment (note a)	**(573)**	(895)
	92,376	98,454
Deposits and prepayments	**27,526**	15,850
Other receivables	**112,404**	92,890
Loan to a joint venture (note c)	**–**	784
Loan to an associate (note d)	**47,810**	–
Amounts due from		
– fellow subsidiaries (note b)	**844**	380
– non-controlling shareholders of subsidiaries (note b)	**965**	2,058
– joint ventures (note e)	**239**	464
– associates (note e)	**11,008**	16,152
	293,172	227,032

16 Trade and other receivables (Continued)

Notes:

(a) The Group grants credit periods of 30 to 90 days to its customers. The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Expected credit losses on trade receivables are calculated by using the provision matrix approach. The ageing analysis of the trade receivables and bills receivable based on invoice date and issuance date respectively is as follows:

	Expected loss rate	**Gross carrying amount 31 December 2020 US$'000**	**Loss allowance 31 December 2020 US$'000**
Within 30 days	**0.3%**	**55,397**	**146**
31-60 days	**0.0%**	**24,457**	**11**
61-90 days	**0.0%**	**9,037**	**1**
Over 90 days	**10.2%**	**4,058**	**415**
		92,949	**573**

	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

As at 31 December 2020, trade receivables of US$573,000 (2019: US$895,000) were impaired. The amount of the provision was US$573,000 (2019: US$895,000) as at 31 December 2020.

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

	2020 US$'000	2019 US$'000
At 1 January	**(895)**	(2,398)
Exchange differences	**(56)**	44
(Provision for)/reversal of impairment of trade receivables	**(413)**	525
Write back of provision for impairment of trade receivables	**137**	713
Receivables written off during the year as uncollectible	**654**	–
Transfer to assets classified as held for sale	**–**	221
At 31 December	**(573)**	(895)

(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 is secured, denominated in Euro, bears interest at 5.5% per annum above 3 months EURIBOR and is repayable within twelve months. The balance had been settled in 2020.

(d) As at 31 December 2020, balance of US$47,810,000 is unsecured, bears interest at the aggregate of 3.75% per annum above EURIBOR, and is repayable in 2021.

16 Trade and other receivables (Continued)

(e) The amounts receivable mainly represented interest, dividend and other receivable from joint ventures and associates.

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

	2020 US$'000	2019 US$'000
US dollar	**8,694**	43,576
Renminbi	**127,409**	91,590
Hong Kong dollar	**3,051**	2,447
Euro	**145,645**	80,624
Other currencies	**8,373**	8,795
	293,172	227,032

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

17 Financial instruments by category

	2020 US$'000	2019 US$'000
Financial assets as per balance sheet		
Financial assets at FVOCI	**158,206**	173,375
Financial assets at amortised cost		
Loans to a joint venture	**23,218**	23,897
Loans to associates	**166,170**	147,121
Trade and other receivables	**176,708**	181,139
Cash and cash equivalents	**1,310,289**	937,947
Restricted bank deposits	**31,224**	30,285
Total	**1,865,815**	1,493,764
Financial liabilities as per balance sheet		
Financial liabilities at amortised cost		
Borrowings	**3,047,741**	2,916,450
Loans from non-controlling shareholders of subsidiaries	**85,003**	93,168
Loans from a joint venture	**34,483**	32,253
Loan from an associate	**–**	17,201
Lease liabilities	**826,336**	774,440
Trade and other payables	**403,872**	450,021
Financial liabilities at FVPL		
Derivative financial instruments	**11,461**	12,087
Other financial liability		
Put option liability	**225,679**	217,711
Total	**4,634,575**	4,513,331

18 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 all the shares in COSCO Ports (Yangzhou) Limited ("CP (Yangzhou)") together with its 51% interest in Yangzhou Yuanyang International Ports Co., Ltd. ("Yangzhou Yuanyang Terminal") and all the shares in Win Hanverky Investments Limited ("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. Accordingly, assets and liabilities of the disposal entities were reclassified as assets classified as held for sale and liabilities directly associated with assets 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 asset	12,374
Current assets	
Inventories	784
Trade and other receivables	8,548
Current 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 tax liabilities	271
Lease liabilities	4,067
	22,829

The disposal was completed on 10 February 2020. The aggregate sum of payables owing to the Group by the disposed entities of approximately US$29,967,000 were also transferred to SIPG (HK) on the same day at its carrying amount. Upon completion of the disposal, CP (Yangzhou), Yangzhou Yuanyang Terminal, Win Hanverky and Zhangjiagang Terminal ceased to be subsidiaries of the Group. The disposal resulted in a pre-tax gain of US$71,150,000.

18 Assets classified as held for sale/liabilities directly associated with assets classified as held for sale (Continued)

	2020 US$'000
Cash consideration	100,920
Net assets disposed of:	
Assets classified as held for sale	(271,039)
Liabilities directly associated with assets classified as held for sale	22,437
Less: Payables from former subsidiaries	29,967
Less: Loans to a former subsidiary	120,346
Less: Non-controlling interests	63,797
	(34,492)
	66,428
Release of reserve upon disposal of subsidiaries	4,722
Gain on disposal of subsidiaries	71,150
Taxation	(9,678)
Gain on disposal of subsidiaries, net	61,472
Net cash inflow arising from the disposal	
Cash consideration received	100,920
Repayment of payables from former subsidiaries	29,967
Less: Cash and cash equivalents of subsidiaries disposed of	(9,271)
	121,616

19 Share capital

	2020 US$'000	2019 US$'000
Issued and fully paid:		
3,315,296,374 ordinary shares (2019: 3,161,958,830 ordinary shares) of HK$0.10 each	**42,574**	40,596

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 2020	**3,161,958,830**	**40,596**
Issue of scrip dividend for 2019 final (note a)	**84,415,610**	**1,089**
Issue of scrip dividend for 2020 interim (note b)	**68,921,934**	**889**
At 31 December 2020	**3,315,296,374**	**42,574**
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

Notes:

(a) During the year ended 31 December 2020, 84,415,610 (2019: 48,402,618) new shares were issued by the Company at HK$3.826 (2019: HK$7.454) per share for the settlement of 2019 final (2019: 2018 final) scrip dividend.

(b) During the year ended 31 December 2020, 68,921,934 (2019: 430,733) new shares were issued by the Company at HK$4.350 (2019: HK$6.464) per share for the settlement of 2020 interim (2019: 2019 interim) scrip dividend.

20 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.

20 Share-based payment (Continued)

Movements of the share options are set out below:

			For the year ended 31 December 2020 Number of share options						
Category	Note	**Exercise price HK$**	**Outstanding at 1 January 2020**	**Granted during the year**	**Exercised during the year**	**Transfer (to)/from other categories during the year**	**Forfeited during the year**	**Outstanding at 31 December 2020**	**Exercisable period**
Directors	(i)(ii)	**7.27**	**3,600,000**	**–**	**–**	**–**	**–**	**3,600,000**	19.6.2020-18.6.2023
Continuous contract employees	(i)(ii)	**7.27**	**42,172,743**	**–**	**–**	**(1,819,613)**	**(1,853,715)**	**38,499,415**	19.6.2020-18.6.2023
	(i)(ii)	**8.02**	**851,966**	**–**	**–**	**–**	**(246,995)**	**604,971**	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**	**–**	**–**	**1,819,613**	**–**	**6,312,220**	19.6.2020-18.6.2023
			53,905,904	**–**	**–**	**–**	**(2,100,710)**	**51,805,194**	

20 Share-based payment (Continued)

			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	

20 Share-based payment (Continued)

Notes:

(i) 16,439,893 options were vested and exercisable as at 31 December 2020 (2019: Nil).

(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. 33.3%, 33.3% and 33.4%.

(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. 33.3%, 33.3% and 33.4%.

(iv) No share options were exercised under the 2018 Share Option Scheme during the year (2019: Nil).

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

	2020		2019	
	Average exercise price per share HK$	**Number of share options**	Average exercise price per share HK$	Number of share options
At 1 January	**7.31**	**53,905,904**	7.28	52,267,914
Granted	**–**	**–**	7.78	2,788,588
Forfeited	**7.36**	**(2,100,710)**	7.27	(1,150,598)
At 31 December	**7.31**	**51,805,194**	7.31	53,905,904

21 Borrowings

	2020 US$'000	2019 US$'000
Long term borrowings		
Secured		
– bank loans	**1,046,013**	981,998
– loan from other financial institution	**6,866**	8,142
	1,052,879	990,140
Unsecured		
– bank loans	**1,622,633**	1,347,383
– notes	**299,431**	299,098
	1,922,064	1,646,481
	2,974,943	2,636,621
Amounts due within one year included under current liabilities	**(226,651)**	(228,957)
	2,748,292	2,407,664
Short term borrowings		
Unsecured		
– bank loans	**30,652**	279,829
– loan from other financial institution	**42,146**	–
	72,798	279,829

21 Borrowings (Continued)

Notes:

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

	2020 US$'000	2019 US$'000
Bank loans		
Within one year	**226,651**	228,957
Between one and two years	**656,473**	264,221
Between two and five years	**1,008,372**	1,372,437
Over five years	**777,150**	463,766
	2,668,646	2,329,381
Loan from other financial institution		
Between one and two years	**1,839**	1,720
Between two and five years	**5,027**	5,178
Over five years	**–**	1,244
	6,866	8,142
Notes (note b)		
Between two and five years	**299,431**	299,098
	2,974,943	2,636,621

(b) Details of the notes as at 31 December 2020 and 2019 are as follows:

	2020 US$'000	2019 US$'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	**1,770**	1,611
– notes issuance cost	**1,951**	1,777
	299,431	299,098

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.

21 Borrowings (Continued)

(c) The exposure of long term borrowings to interest rate changes and the contractual repricing dates are as follows:

	Less than 1 year US$'000	1 to 5 years US$'000	Over 5 years US$'000	Total US$'000
At 31 December 2020				
Total borrowings	**226,651**	**1,971,142**	**777,150**	**2,974,943**
At 31 December 2019				
Total borrowings	228,957	1,942,654	465,010	2,636,621

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

	2020 US$'000	2019 US$'000
US dollar	**1,119,283**	1,163,246
Renminbi	**763,015**	577,486
Euro	**881,667**	829,024
Hong Kong dollar	**283,776**	346,694
	3,047,741	2,916,450

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

	2020				2019			
	US$	**RMB**	**Euro**	**HK$**	US$	RMB	Euro	HK$
Bank loans and loans from other financial institutions	**2.3%**	**4.3%**	**1.9%**	**3.5%**	3.7%	4.6%	1.8%	3.5%
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	
	2020 US$'000	2019 US$'000	**2020 US$'000**	2019 US$'000
Bank loans and loans from other financial institution	**2,448,861**	2,108,566	**2,409,949**	2,101,450
Notes	**299,431**	299,098	**299,142**	298,713
	2,748,292	2,407,664	**2,709,091**	2,400,163

The fair values of the Group's non-current borrowings are determined based on cash flows discounted using a weighted average borrowing rate of 1.0% to 4.7% (2019: 1.0% to 4.4%) per annum.

21 Borrowings (Continued)

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

(g) As at 31 December 2020, bank loans and a loan from other financial institution, namely COSCO SHIPPING Finance Co., Ltd ("COSCO SHIPPING Finance"), a fellow subsidiary of the Group, of US$1,052,879,000 (2019: US$990,140,000) 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 9(a)(ii)), the Company's interests in subsidiaries and a financial asset at FVOCI (note 13(b)(iii)).

(h) As at 31 December 2020, the Group had bank borrowings of US$22,138,000 (2019: US$20,166,000) with US$23,702,000 (2019: US$23,301,000) pledged as restricted deposits as security.

(i) As at 31 December 2020, loan from other financial institution included a loan from COSCO SHIPPING Finance of US$6,866,000 (2019: US$8,142,000), which is secured, bears interest at 4.21% per annum and repayable in 2025.

22 Loans from non-controlling shareholders of a subsidiary

As at 31 December 2020, balance of US$737,000 (2019: US$484,000) was unsecured, bore interest at 3% (2019: 3%) above the 6 months EURIBOR, and repayable on or before July 2023.

23 Other long term liabilities

	2020 **US$'000**	2019 US$'000
Deferred income	**45,410**	29,107
Others	**5,653**	5,928
	51,063	35,035

24 Trade and other payables and contract liabilities

	2020 US$'000	2019 US$'000
Trade payables (note a)		
– third parties	**55,639**	47,191
– fellow subsidiaries (note b)	**2,476**	3,474
– non-controlling shareholders of subsidiaries (note b)	**3,179**	1,456
– joint ventures (note b)	**185**	146
– an associate (note b)	**–**	103
– related companies (note b)	**1,430**	2,474
	62,909	54,844
Accruals	**34,342**	32,518
Other payables	**229,440**	266,784
Contract liabilities (note c)	**11,789**	11,369
Dividend payable	**7**	11
Loans from a joint venture (note d)	**34,483**	32,253
Loan from an associate (note f)	**–**	17,201
Loans from non-controlling shareholders of subsidiaries (note e)	**84,266**	92,684
Amounts due to (note b)		
– fellow subsidiaries	**2,162**	1,870
– non-controlling shareholders of subsidiaries	**77,247**	76,376
– joint ventures	**245**	1,047
– an associate	**–**	6
	536,890	586,963

Notes:

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

	2020 US$'000	2019 US$'000
Within 30 days	**37,068**	36,662
31-60 days	**9,387**	4,958
61-90 days	**5,172**	3,034
Over 90 days	**11,282**	10,190
	62,909	54,844

(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.

24 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:

	2020 US$'000	2019 US$'000
Contract liabilities		
– expected volume discounts	**4,950**	2,874
– receipts in advance from customers	**6,839**	8,495
	11,789	11,369

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.

	2020 US$'000	2019 US$'000
Revenues recognised that were included in the contract liabilities balance at the beginning of the year	**9,207**	4,653

(d) Loans from a joint venture of US$34,483,000 (2019: US$32,253,000) 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$45,952,000 (2019: US$49,681,000) is interest free. Balance of US$38,314,000 (2019: US$43,003,000) bears interest at 3.92% per annum (2019: 4.35% per annum).

(f) As at 31 December 2019, loan from an associate of US$17,201,000 was unsecured, bear interest at 2.30% per annum and repayable within twelve months. The loan has been settled in 2020.

(g) The carrying amounts of trade and other payables and contract liabilities are denominated in the following currencies:

	2020 US$'000	2019 US$'000
US dollar	**81,060**	86,390
Renminbi	**275,970**	293,591
Euro	**110,737**	94,589
Hong Kong dollar	**21,769**	21,913
Other currencies	**47,354**	90,480
	536,890	586,963

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

25 Put option liability

A put option liability was recognised 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.

The exercise price of the put option is determined using market approach with key inputs applied including the projected financial position and EBITDA of CSP Chancay Terminal using management's business plans and market multiples. As at 31 December 2020, the carrying amount of the put option liability is US$225,679,000 (2019: US$217,711,000).

26 Derivative financial instruments

	2020 US$'000	2019 US$'000
Interest rate swaps	**11,461**	12,087
Less: non-current portion	**(7,752)**	(8,878)
Current portion	**3,709**	3,209

At 31 December 2020, the Group had interest rate swap agreements in place with a total notional amount of US$301,933,000 (2019: US$272,523,000). 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% (2019: 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 2019	(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)
Add: Change in fair value of cash flow hedge recognised in OCI, net of tax	(109)
Share of OCI of an associate	161
At 31 December 2020	(822)

27 Other operating income

	2020 US$'000	2019 US$'000
Management fee and other service income	**7,431**	7,410
Dividend income from a listed financial asset at FVPL	**–**	1,149
Dividends income from listed and unlisted financial assets at FVOCI	**2,321**	2,008
Reversal of provision for impairment of trade receivables	**–**	525
Rental income from		
– investment properties	**729**	815
– buildings	**54**	57
Gain on disposal of property, plant and equipment	**428**	172
Gain on disposal of a subsidiary and an associate	**–**	28,299
Gain on disposal of subsidiaries (Note 18)	**71,150**	–
Gain on disposal of an associate	**9,951**	–
Gain on remeasurement of equity investments	**9,896**	6,861
Government subsidies	**10,079**	10,473
Exchange gain, net	**16,125**	920
Fair value gain on financial asset at FVPL	**–**	24,383
Others	**6,719**	11,273
	134,883	94,345

28 Operating profit

Operating profit is stated after charging the followings:

	2020 US$'000	2019 US$'000
Charging:		
Amortisation of intangible assets (note a)	**23,190**	21,602
Depreciation		
– right-of-use assets	**36,337**	37,330
– property, plant and equipment	**140,917**	131,128
Loss on disposal of property, plant and equipment	**3,212**	1,583
Loss on deemed disposal of an associate	**–**	22,553
Auditor's remuneration		
– current year	**1,282**	1,376
– (over)/under provision in prior year	**(1)**	2
Provision for inventories	**105**	396
Provision for impairment of trade receivables	**413**	–
Provision for impairment of construction in progress	**891**	–
Rental expenses under leases of		
– land and buildings leased from third parties	**372**	694
– land and buildings leased from non-controlling shareholders of subsidiaries	**2,579**	2,734
– plant and machinery leased from third parties	**2,057**	2,606
– concession from a fellow subsidiary (note b)	**60,286**	60,315
– concession from third parties (note b)	**8,211**	9,065
– concession from a non-controlling shareholder of a subsidiary (note b)	**2,511**	–
Total staff costs (including directors' emoluments and retirement benefit costs)		
– wages, salaries and other benefits	**294,239**	310,961
– share option expenses (note c)	**1,889**	2,282
	296,128	313,243

Notes:

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

(b) The amounts represent 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. Details of the share options are set out in note 20 to the consolidated financial statements.

29 Finance income and costs

	2020 US$'000	2019 US$'000
Finance income		
Interest income on		
– bank balances and deposits	**5,945**	5,816
– deposits with other financial institution	**3,112**	1,929
– loans to joint ventures and associates	**4,419**	4,670
– loans to a former subsidiary	**1,214**	–
	14,690	12,415
Finance costs		
Interest expenses on		
– bank loans	**(70,193)**	(79,288)
– notes wholly repayable within five years	**(13,125)**	(13,125)
– loans from other financial institutions	**(440)**	(1,397)
– loans from non-controlling shareholders of subsidiaries (note 22 and note 24(e))	**(1,539)**	(3,737)
– loans from a joint venture (note 24(d))	**(761)**	(761)
– loan from an associate (note 24(f))	**(353)**	(334)
– lease liabilities	**(28,352)**	(26,749)
Amortised amount of		
– discount on issue of notes	**(119)**	(175)
– transaction costs on bank loans and notes	**(3,177)**	(2,941)
	(118,059)	(128,507)
Less: amount capitalised in construction in progress (note 7(c))	**5,945**	22,598
	(112,114)	(105,909)
Other incidental borrowing costs and charges	**(2,536)**	(2,954)
	(114,650)	(108,863)
Net finance costs	**(99,960)**	(96,448)

30 Taxation

	2020 US$'000	2019 US$'000
Current taxation		
– Hong Kong profits tax	**(9,891)**	(2,030)
– Mainland China taxation	**(38,108)**	(39,144)
– Overseas taxation	**(11,462)**	(12,224)
– Over provision in prior years	**1,249**	2,367
	(58,212)	(51,031)
Deferred taxation credit	**23,245**	17,465
	(34,967)	(33,566)

Hong Kong profits tax was provided at a rate of 16.5% (2019: 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 taxation is calculated in full on temporary differences under the liability method using the rates substantively enacted by the balance sheet date.

Below is a numerical reconciliation between taxation in the consolidated income statement and aggregate tax expense at the domestic rates applicable to profits in respective territories concerned:

	2020 US$'000	2019 US$'000
Profit before taxation	**408,577**	383,516
Less: Share of profits less losses of joint ventures and associates	**(272,720)**	(267,454)
	135,857	116,062
Aggregate tax at domestic rates applicable to profits in respective territories concerned	**44,798**	47,554
Income not subject to taxation	**(1,476)**	(4,664)
Expenses not deductible for taxation purposes	**864**	1,614
Over provision in prior years	**(1,249)**	(2,367)
Utilisation of previously unrecognised tax losses	**(63)**	(524)
Effect on deferred tax balance resulting from a change in tax rate	**–**	357
Tax losses not recognised	**2,080**	4,718
Release of withholding income tax upon distribution of profits and payment of interest	**(6,664)**	(13,156)
Recognition of temporary difference previously unrecognised	**(2,806)**	–
Others	**(517)**	34
Taxation charged	**34,967**	33,566

Except for the taxation of US$6,084,000 (2019: US$1,163,000) relating to the deferred tax reversed on the fair value loss on financial assets at FVOCI in 2020, and US$419,000 (2019: US$447,000) deferred tax asset relating to the cash flow hedges, there was no taxation relating to components of OCI for the year ended 31 December 2020 and 2019.

31 Earnings per share

(a) BASIC

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
Profit attributable to equity holders of the Company	**US$347,474,000**	US$308,017,000
Weighted average number of ordinary shares in issue	**3,213,469,814**	3,135,085,181
Basic earnings per share	**US10.81 cents**	US9.82 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 2020, 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.

32 Dividends

	2020 US$'000	2019 US$'000
Interim dividend paid of US2.068 cents (2019: US1.900 cents) per ordinary share	**67,135**	60,069
Second interim dividend, declared of US2.256 cents (2019: final dividend of US2.028 cents) per ordinary share	**74,793**	64,125
	141,928	124,194

Note:

At a meeting held on 30 March 2021, the directors declared a second interim dividend (in lieu of a final dividend) of HK17.5 cent (equivalent to US2.256 cents) per ordinary share. The dividend will be payable in cash. The second interim dividend declared is not reflected as dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained profits for the year ending 31 December 2021.

33 Retirement benefit costs

The retirement benefit costs charged to the consolidated income statement represent contributions payable by the Group to the retirement benefit schemes and amounted to US$13,648,000 (2019: US$22,096,000). Contributions totalling US$2,097,000 (2019: US$1,066,000) were payable to the retirement benefit schemes as at 31 December 2020 and were included in trade and other payables. No forfeited contributions were available as at 31 December 2020 and 2019 to reduce future contributions.

34 Directors' and management's emoluments

(a) DIRECTORS' EMOLUMENTS

The aggregate amounts of emoluments paid to directors of the Company during the year are set out as follows:

	2020 US$'000	2019 US$'000
Fees	**240**	216
Salaries, housing and other allowances	**2,117**	2,107
Bonuses	**392**	573
Contributions to retirement benefit schemes	**2**	2
	2,751	2,898

Directors' fees disclosed above include US$240,000 (2019: US$216,000) paid to independent non-executive directors. The fees comprises, among others, an annual fee of US$36,000 (2019: US$33,000) paid to each independent non-executive director and fees paid to them for acting as chairman or members of the committees established under the Board (as applicable).

As at 31 December 2020, three directors (2019: three directors) of the Company had 3,600,000 (2019: 3,600,000) 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 2020, no share option was exercised (2019: Nil).

Details and movements of share options granted during the year are set out in note 20 to the consolidated financial statements.

The directors' emoluments are analysed as follows:

		Year ended 31 December 2020								
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	–	749	39	20	–	–	–	–	808
Mr. ZHANG Dayu	ii	–	675	122	20	–	–	–	–	817
Mr. DENG Huangjun		–	255	123	20	–	–	–	–	398
Mr. ZHANG Wei (張煒)		–	–	–	–	–	–	–	–	–
Mr. CHEN Dong		–	–	–	–	–	–	–	–	–
Dr. WONG Tin Yau, Kelvin		–	356	108	22	–	2	–	–	488
Dr. FAN HSU Lai Tai, Rita		53	–	–	–	–	–	–	–	53
Mr. Adrian David LI Man Kiu		59	–	–	–	–	–	–	–	59
Mr. LAM Yiu Kin		43	–	–	–	–	–	–	–	43
Prof. CHAN Ka Lok		40	–	–	–	–	–	–	–	40
Mr. WANG Haimin	v	–	–	–	–	–	–	–	–	–
Mr. FAN Ergang	vi	18	–	–	–	–	–	–	–	18
Mr. YANG Liang Yee, Philip	vii	27	–	–	–	–	–	–	–	27
		240	2,035	392	82	–	2	–	–	2,751

34 Directors' and management's emoluments (Continued)

(a) DIRECTORS' EMOLUMENTS (CONTINUED)

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

		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

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) Appointed as an Independent Non-executive Director on 29 April 2020

The above analysis includes four (2019: four) directors whose emoluments were among the five highest in the Group.

34 Directors' and management's emoluments (Continued)

(b) MANAGEMENT'S EMOLUMENTS

Details of the aggregate emoluments paid to one (2019: one) individual whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2020 US$'000	2019 US$'000
Salaries, share options, and other allowances	**322**	319
Bonuses	**109**	103
Contributions to retirement benefit schemes	**2**	2
	433	424

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

	Number of individuals	
	2020	2019
Emolument bands		
US$386,623-US$451,061 (HK$3,000,001-HK$3,500,000)	**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.

35 Capital commitments

The Group has the following significant capital commitments as at 31 December 2020 and 2019:

	2020 US$'000	2019 US$'000
Contracted but not provided for		
– Investments (note)	**362,437**	337,742
– Other property, plant and equipment	**328,776**	300,068
	691,213	637,810

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

	2020 US$'000	2019 US$'000
Contracted but not provided for	**4,296**	5,179

Note:

The capital commitments in respect of investments of the Group as at 31 December 2020 and 2019 are as follows:

	2020 US$'000	2019 US$'000
Contracted but not provided for		
Investments in:		
– Antwerp Gateway NV	**56,796**	50,384
– Tianjin Port Euroasia International Container Terminal Co., Ltd.	**107,588**	100,629
– Vado	**14,906**	13,578
– Others	**116,917**	111,205
	296,207	275,796
Terminal projects in:		
– Shanghai Yangshan Port Phase II	**61,304**	57,338
– Others	**4,926**	4,608
	66,230	61,946
	362,437	337,742

36 Operating lease arrangements

As at 31 December 2020 and 2019, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	2020 US$'000	2019 US$'000
Buildings, leasehold land and land use rights		
– not later than one year	**1,364**	358
– between 1 and 2 years	**117**	153
– between 2 and 3 years	**117**	109
– between 3 and 4 years	**6**	107
– between 4 and 5 years	**4**	6
– later than five years	**16**	18
	1,624	751
Investment properties		
– not later than one year	**104**	486
– between 1 and 2 years	**4**	288
– between 2 and 3 years	**–**	288
– between 3 and 4 years	**–**	288
– between 4 and 5 years	**–**	288
– later than five years	**–**	7,083
	108	8,721
Plant and machinery		
– not later than one year	**77**	1,425
– between 1 and 2 years	**–**	1,427
– between 2 and 3 years	**–**	1,427
– between 3 and 4 years	**–**	1,427
– between 4 and 5 years	**–**	1,427
– later than five years	**–**	20,948
	77	28,081
	1,809	37,553

37 Notes to the consolidated cash flow statement

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

	2020 US$'000	2019 US$'000
Profit before taxation	**408,577**	383,516
Amortised amount of		
– discount on issue of notes	**119**	175
– transaction costs on bank loans and notes	**3,177**	2,941
Depreciation and amortisation	**200,444**	190,060
Dividends income from a listed financial assets at FVPL	**–**	(1,149)
Dividends income from listed and unlisted financial assets at FVOCI	**(2,321)**	(2,008)
Fair value gain on a financial asset at FVPL	**–**	(24,383)
Gain on disposal of a subsidiary and an associate	**–**	(28,299)
Gain on disposal of subsidiaries	**(71,150)**	–
Gain on disposal of an associate	**(9,951)**	–
Gain on remeasurement of equity investments	**(9,896)**	(6,861)
Interest expenses	**108,818**	102,793
Interest income	**(14,690)**	(12,415)
Loss on deemed disposal of an associate	**–**	22,553
Loss on disposal of property, plant and equipment, net	**2,784**	1,411
Other incidental borrowing costs and charges	**2,536**	2,954
Provision for impairment of trade receivables	**413**	38
Provision for impairment of construction in progress	**891**	–
Provision for inventories	**105**	396
Receivables written off during the year as uncollectible	**(654)**	–
Share-based payment expense	**1,889**	2,282
Share of profits less losses of		
– joint ventures	**(78,219)**	(86,359)
– associates	**(194,501)**	(181,095)
Write back of provision of impairment for trade receivables	**(137)**	(1,353)
Operating profit before working capital changes	**348,234**	365,197
(Increase)/decrease in inventories	**(2,610)**	310
(Increase)/decrease in trade and other receivables	**(14,974)**	22,766
(Increase)/decrease in amounts due from fellow subsidiaries	**(464)**	3,593
(Increase)/decrease in amounts due from associates	**(3,040)**	634
Decrease/(increase) in amounts due from joint ventures	**1,644**	(4,889)
(Increase)/decrease in amounts due from non-controlling shareholders of subsidiaries	**(43)**	2,011
Decrease in amount due from a related company	**–**	99
Increase in trade and other payables and contract liabilities	**19,599**	7,157
Increase/(decrease) in amounts due to fellow subsidiaries	**295**	(2,483)
Increase/(decrease) in amounts due to non-controlling shareholders of subsidiaries	**3,450**	(5,401)
Increase/(decrease) in other long term liabilities	**2,167**	(799)
Cash generated from operations	**354,258**	388,195

37 Notes to the consolidated cash flow statement (Continued)

(b) MAJOR NON-CASH TRANSACTIONS

	2020 US$'000	2019 US$'000
Acquisition of 26% equity interests in an associate by contribution of 40% equity interests in another associate (note 12(b))	**389,063**	–
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 12(b))	**–**	81,181
Addition of right-of-use assets (note 9)	**22,686**	74,169

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

	2020 US$'000	2019 US$'000
Total time deposits, bank balances and cash (note i)	**1,341,513**	957,479
Restricted bank deposits included in current assets	**(31,224)**	(30,285)
	1,310,289	927,194
Representing:		
Time deposits with original maturity of three months or less	**579,539**	231,344
Bank balances and cash	**304,081**	343,454
Balances placed with other financial institution (note iii)	**426,669**	352,396
	1,310,289	927,194

Notes:

(i) As at 31 December 2020, cash and cash equivalents of US$484,305,000 (2019: US$503,392,000) of the Group denominated in Renminbi and US dollar with bank and other financial institution 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:

	2020 US$'000	2019 US$'000
US dollar	**711,844**	458,648
Renminbi	**362,196**	302,102
Euro	**178,840**	152,552
Hong Kong dollar	**51,910**	11,253
Other currencies	**5,499**	2,639
	1,310,289	927,194

(iii) Balances placed with other financial institution, namely COSCO SHIPPING Finance bear interest at prevailing market rates.

37 Notes to the consolidated cash flow statement (Continued)

(d) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings	Loans from non-controlling shareholders of a subsidiary	Loans from a joint venture and an associate	Lease liabilities	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Balance as at 1 January 2020	2,916,450	93,168	49,454	770,373	3,829,445
Changes from financing cash flows					
Loans drawn down	744,277	–	–	–	744,277
Loans repaid	(740,932)	–	–	–	(740,932)
Repayment of loans from non-controlling shareholder of a subsidiary	–	(10,984)	–	–	(10,984)
Loans from a joint venture and an associate	–	–	50,659	–	50,659
Repayment of loans from a joint venture and an associate	–	–	(68,841)	–	(68,841)
Principal elements of lease payment	–	–	–	(25,294)	(25,294)
Payment of lease interest	–	–	–	(14,358)	(14,358)
Other changes					
Addition of lease liabilities	–	–	–	21,116	21,116
Finance cost of lease liabilities	–	–	–	28,352	28,352
Foreign exchange adjustments	124,538	2,819	3,211	48,503	179,071
Other non-cash movements	3,408	–	–	(2,356)	1,052
	131,291	(8,165)	(14,971)	55,963	164,118
Balance as at 31 December 2020	3,047,741	85,003	34,483	826,336	3,993,563

37 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 joint venture and an associate	Lease liabilities	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Balance as at 1 January 2019	2,479,903	139,870	47,354	–	2,667,127
Adoption of HKFRS 16	(719)	–	–	705,004	704,285
Restated balance as at 1 January 2019	2,479,184	139,870	47,354	705,004	3,371,412
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 loans from a joint venture	–	–	(14,510)	–	(14,510)
Principal elements of lease payment	–	–	–	(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 39)	–	–	–	14,580	14,580
Transfer to assets classified as for sale	–	–	–	(4,066)	(4,066)
Finance cost of lease liabilities	–	–	–	26,749	26,749
Foreign exchange adjustments	(22,802)	7,601	(802)	(9,164)	(25,167)
Other non-cash movements	(1,663)	–	–	1,895	232
	437,266	(46,702)	2,100	65,369	458,033
Balance as at 31 December 2019	2,916,450	93,168	49,454	770,373	3,829,445

38 Related party transaction

The Group is controlled by COSCO SHIPPING Holdings which owns 50.23% of the Company's shares as at 31 December 2020. 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. 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.

38 Related party transaction (Continued)

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

	2020 US$'000	2019 US$'000
Management fee and service fee income from (note i)		
– joint ventures	**5,223**	5,165
– associates	**1,267**	1,342
– an investee company	**213**	191
Terminal handling and storage income received from (note ii, xii)		
– fellow subsidiaries	**268,409**	231,488
– non-controlling shareholders of subsidiaries	**89,242**	96,999
Container handling and logistics service fees to non-controlling shareholders of subsidiaries (note iii, xii)	**(3,180)**	(5,776)
Electricity and fuel expenses paid to (note iv, xii)		
– fellow subsidiaries	**(6,059)**	(4,509)
– non-controlling shareholders of subsidiaries	**(4,931)**	(9,497)
Handling, storage and maintenance expenses to (note v, xii)		
– fellow subsidiaries	**(4,172)**	(5,396)
– non-controlling shareholders of subsidiaries	**(3,541)**	(4,186)
Rental expenses paid to a non-controlling shareholder of a subsidiary (note vi, xii)	**(2,823)**	(3,455)
Rental income received from a non-controlling shareholder of a subsidiary (note vii)	**316**	2,545
Purchase of materials from fellow subsidiaries (note viii, xii)	**(1,638)**	(196)
Insurance expenses paid to a fellow subsidiary (note ix)	**(749)**	(873)
Concession fee to a fellow subsidiary (note x, xii)	**(60,286)**	(60,315)
Payments of lease liabilities to (note xi, xii)		
– fellow subsidiaries	**(16,510)**	(18,680)
– non-controlling shareholders of subsidiaries	**(2,474)**	(2,930)
Proceeds from partial disposal of a subsidiary to an associate (note xiii)	**59,276**	–

38 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$22,121,000 (equivalent to US$2,851,000) (2019: HK$22,078,000 (equivalent to US$2,817,000)) 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 related service income received from fellow subsidiaries and non-controlling shareholders of subsidiaries in relation to the cargoes shipped from/to 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 terminal related service income received from fellow subsidiaries in relation to the cargoes shipped from/to Piraeus Ports, Zeebrugge, Spain and Abu Dhabi were charged at rates as mutually agreed.

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

(vi) Rental expenses for short-term and low value leases paid to non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(vii) Rental income received from a non-controlling shareholder of a subsidiary were charged at rates as mutually agreed.

(viii) The purchase of materials from fellow subsidiaries were conducted at terms as set out in the agreements entered into between the Group and the respective parties in concern.

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

(x) Concession fee paid to a fellow subsidiary was charged and mutually agreed at a variable annual concession fee based on the aggregate revenue of Piraeus Container Terminal Single Member S.A..

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

(xii) 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").

(xiii) On 23 April 2020, the Company sold 6,667 shares representing 33.335% equity interests in COSCO SHIPPING Ports (Abu Dhabi) Limited, a wholly owned subsidiary of the Company, to QPI, an associate of the Group, for a consideration of US$59,276,000.

38 Related party transactions (Continued)

(b) KEY MANAGEMENT COMPENSATION

	2020 US$'000	2019 US$'000
Salaries, bonuses and other allowances	**3,102**	3,647
Contributions to retirement benefit schemes	**5**	5
Share-based payments	**306**	574
	3,413	4,226

Key management includes directors of the Company and two (2019: three) senior management members of the Group.

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

	Number of individuals 2020	Number of individuals 2019
Emolument bands		
US$128,875-US$257,749 (HK$1,000,001-HK$2,000,000)	**1**	1
US$257,750-US$322,186 (HK$2,000,001-HK$2,500,000)	**–**	–
US$322,187-US$386,623 (HK$2,500,001-HK$3,000,000)	**–**	1
US$386,624-US$451,061 (HK$3,000,001-HK$3,500,000)	**1**	1
	2	3

39 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 will 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

39 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 asset	3,379
Other non-current assets	2,495
Deferred tax assets	1,448
Other receivables	168,773
Cash and cash equivalents	57,274
Deferred 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 issue of acquisitions are included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

39 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 tax liabilities	(20)
Total identifiable net assets acquired	15,412
Purchase consideration settled in cash	(15,412)
Cash and cash equivalents in acquired terminal 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.

40 Events after balance sheet date

(a) ACQUISITION OF 20% SHARES IN RED SEA GATEWAY TERMINAL COMPANY LIMITED

On 27 January 2021, Sound Joyce Enterprises Limited (a wholly-owned subsidiary of the Company) (as purchaser), Saudi Industrial Services Company, City Island Holdings Limited, Xenel Industries Limited and Saudi Trade and Export Development Company Limited (together as Sellers), and Red Sea Ports Development Company entered into a share purchase agreement pursuant to which, the sellers have conditionally agreed to sell, and Sound Joyce Enterprises Limited has conditionally agreed to purchase shares which represent approximately 20.00% of the total issued share capital of Red Sea Gateway Terminal Company Limited ("RSGT") (the "RSGT Acquisition") at a consideration of US$140,000,000 in cash.

After completion of the RSGT Acquisition, RSGT will become an associate of the Company. As at the date of this report, the RSGT Acquisition was not completed.

(b) ACQUISITION OF 34.99% INTEREST IN TIANJIN PORT CONTAINER TERMINAL CO., LTD

On 26 February 2021, COSCO SHIPPING Ports (Tianjin) Limited (a wholly-owned subsidiary of the Company) (as purchaser), Tianjin Port Holdings Co., Ltd. (as seller) and the Company entered into an equity transfer agreement in relation to the acquisition of 34.99% equity interests in Tianjin Port Container Terminal Co., Ltd. ("Tianjin Container Terminal") (the "TCT Acquisition") at a consideration of RMB1,348,371,228.15 in cash. The final consideration for the TCT Acquisition shall be adjusted upon completion of the transaction.

Together with the 16.01% equity interests in Tianjin Container Terminal currently held by the Group, the Company will have 51% in Tianjin Container Terminal after completion of the TCT Acquisition and Tianjin Container Terminal will become a subsidiary of the Company. As at the date of this report, the TCT Acquisition was not completed.

41 Balance sheet and reserve movement of the Company

	Note	2020 US$'000	2019 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**2,655**	75
Subsidiaries		**5,223,807**	5,791,276
Amounts due from subsidiaries		**57,526**	178,046
		5,283,988	5,969,397
Current assets			
Other receivables		**733**	28,922
Amounts due from subsidiaries		**667,152**	531,965
Amount due from an intermediate holding company		**–**	1
Cash and cash equivalents		**730,586**	385,848
		1,398,471	946,736
Assets classified as held for sale		**–**	127,482
		1,398,471	1,074,218
Total assets		**6,682,459**	7,043,615

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

	Note	**2020 US$'000**	2019 US$'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**42,574**	40,596
Reserves	(a)	**4,571,663**	4,517,084
Total equity		**4,614,237**	4,557,680
LIABILITIES			
Non-current liabilities			
Long term borrowings		**950,643**	1,118,787
		950,643	1,118,787
Current liabilities			
Current portion of long term borrowings		**154,862**	–
Short term borrowing		**–**	120,000
Other payables		**23,996**	24,357
Current tax liabilities		**15,015**	3,086
Amounts due to subsidiaries		**923,706**	1,116,252
		1,117,579	1,263,695
Liabilities directly associated with assets classified as held for sale		**–**	103,453
		1,117,579	1,367,148
Total liabilities		**2,068,222**	2,485,935
Total equity and liabilities		**6,682,459**	7,043,615

On behalf of the Board

FENG Boming
Executive Director and Chairman of the Board

ZHANG Dayu
Executive Director and Managing Director

41 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 2020	**1,838,778**	**414,214**	**3,467**	**2,260,625**	**4,517,084**
Profit for the year	**–**	**–**	**–**	**105,576**	**105,576**
Issue of shares on settlement of scrip dividends	**78,378**	**–**	**–**	**–**	**78,378**
Fair value of share options granted	**–**	**–**	**1,885**	**–**	**1,885**
Dividends paid to equity holders of the Company					
– 2019 final	**–**	**–**	**–**	**(64,125)**	**(64,125)**
– 2020 interim	**–**	**–**	**–**	**(67,135)**	**(67,135)**
At 31 December 2020	**1,917,156**	**414,214**	**5,352**	**2,234,941**	**4,571,663**
Representing:					
Reserves	**1,917,156**	**414,214**	**5,352**	**2,160,148**	**4,496,870**
2020 second interim dividend declared	**–**	**–**	**–**	**74,793**	**74,793**
At 31 December 2020	**1,917,156**	**414,214**	**5,352**	**2,234,941**	**4,571,663**
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 paid to equity holders of the Company					
– 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

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.

42 Details of subsidiaries

Details of the subsidiaries as at 31 December 2020 are as follows:

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest	
						2020	2019
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	COSCO Ports (Nansha) Limited	British Virgin Islands	British Virgin Islands	Investment holding	10,000 ordinary shares of US$1 each	**66.10%**	66.10%
1, 2, 4	COSCO Ports (Yangzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**–**	100.00%
5	COSCO SHIPPING Ports (Abu Dhabi) Limited	British Virgin Islands	Hong Kong	Investment holding	US$20,000 divided into 20,000 ordinary shares	**44.45%**	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	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO SHIPPING 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	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	British Virgin Islands	British Virgin Islands	Investment holding	2 ordinary shares of US$1 each	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Dalian) Limited	British Virgin Islands	British Virgin Islands	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Dalian RoRo) Limited	British Virgin Islands	British Virgin Islands	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%

42 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2020	2019
1	COSCO SHIPPING Ports (Fangchenggang) 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 (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	Hong Kong	Hong Kong	Investment holding	HK$1 divided into 1 ordinary share	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Jinjiang) Limited	British Virgin Islands	British Virgin Islands	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%**	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	British Virgin Islands	British Virgin Islands	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Port Said) Limited	British Virgin Islands	British Virgin Islands	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Pudong) Limited	British Virgin Islands	British Virgin Islands	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Quanzhou) Limited	British Virgin Islands	British Virgin Islands	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO SHIPPING Ports (Rotterdam) Limited	Hong Kong	Hong Kong	Investment holding	HK$1 divided into 1 ordinary share	**100.00%**	100.00%

42 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest	
						2020	2019
1, 2	COSCO SHIPPING Ports (Singapore) Limited	British Virgin Islands	British Virgin Islands	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.	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.	Spain	Spain	Investment holding	36,250,000 ordinary shares of Euro 1 each	**51.00%**	51.00%
1	COSCO SHIPPING Ports (Tianjin) Limited	British Virgin Islands	British Virgin Islands	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Tianjin Euroasia) Limited	British Virgin Islands	British Virgin Islands	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	British Virgin Islands	British Virgin Islands	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Yangshan) Limited	British Virgin Islands	British Virgin Islands	Inactive	1 ordinary share of US$1 each	**100.00%**	100.00%
1	COSCO SHIPPING Ports (Yantian) Limited	British Virgin Islands	British Virgin Islands	Investment holding	50,000 ordinary shares of US$1 each	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Yingkou) Limited	British Virgin Islands	British Virgin Islands	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%

42 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2020	2019
1	COSCO SHIPPING Ports (Zeebrugge CFS) Limited (formerly known as Rise Treasure Investment Limited)	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 ordinary shares	**100.00%**	100.00%
	COSCO SHIPPING Ports Chancay Peru S.A.	Peru	Peru	Operation of terminals	698,520,318 ordinary shares of Sol 1 each	**60.00%**	60.00%
1	COSCO 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	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	Inactive	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%
1	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	**40.00%**	90.00%
	CSP Guinea Terminal Management SARL	Guinea	Guinea	Provision of management services	GNF 100,000,000	**100.00%**	–
	CSP Iberian Billbao Terminal, S.L.	Spain	Spain	Operation of container	30,694,951 ordinary shares of Euro 0.43 each	**39.51%**	39.51%
	CSP Iberian 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.	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.	Spain	Spain	Operation of rail terminals	3,000 ordinary shares of Euro 1 each	**30.60%**	30.60%

42 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest	
						2020	2019
	CSP Zeebrugge Terminal NV	Belgium	Belgium	Operation of container terminals	3,500,001 ordinary shares of Euro 10 each	**85.45%**	85.00%
	CSP Zeebrugge CFS NV	Belgium	Belgium	Operation of terminals	Euro4,062,000 divided into 81,895 ordinary shares	**100.00%**	100.00%
1	Golden Creation Development Limited	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 ordinary shares	**100.00%**	100.00%
2, 3	Guangzhou South China Oceangate Container Terminal Company Limited	PRC	PRC	Operation of container terminals	RMB1,928,293,400	**39.00%**	39.00%
2	Guangzhou Nansha CSP Supply Co., Ltd.	PRC	PRC	Logistics	RMB200,000,000	**100.00%**	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 and US$80,605,443.36 divided into 2,000 ordinary shares	**51.00%**	51.00%
1	Nice Grand Development Limited	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 ordinary shares	**100.00%**	100.00%
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 Single Member S.A. (formerly known as Piraeus Container Terminal S.A.)	Greece	Greece	Operation of container	Euro77,299,800	**100.00%**	100.00%

42 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2020	Group equity interest 2019
2, 3	Quan Zhou Pacific Container Terminal Co., Ltd.	PRC	PRC	Operation of terminals	US$80,770,000	**82.35%**	82.35%
1	Sound Joyce Enterprises Limited	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 ordinary shares	**100.00%**	100.00%
1	Sagtransinter, S.L.U	Spain	Spain	Inactive	13,631,405 ordinary shares of Euro 1 each	**51.00%**	51.00%
2, 3	Shanghai China Shipping Terminal Development Co., Ltd.	PRC	PRC	Investment holding	RMB7,322,000,000	**100.00%**	100.00%
1	Taicang Container Terminals Holdings Limited	British Virgin Islands	British Virgin Islands	Inactive	1 ordinary share of US$1	**100.00%**	–
1, 4	Win Hanverky Investments Limited	Hong Kong	Hong Kong	Investment holding	HK$100,000 divided into 10,000 ordinary shares	**–**	100.00%
2, 3	Wuhan CSP Terminal Company Limited	PRC	PRC	Operation of terminals	RMB280,000,000	**70.00%**	70.00%
2.3	Xiamen CSP Supply Chain Co., Limited	PRC	PRC	Logistics	RMB68,000,000	**100.00%**	100.00%
2, 3	Xiamen Ocean Gate Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminals	RMB1,813,680,000	**70.00%**	70.00%
2, 3, 4	Yangzhou Yuanyang International Ports Co., Ltd.	PRC	PRC	Operation of terminals	US$73,800,000	**–**	55.59%
2, 3, 4	Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminals	US$36,800,000	**–**	51.00%

Notes:

1 Shares held directly by the Company.

2 Subsidiaries not audited by PricewaterhouseCoopers.

3 China Shipping Terminal Development Co., Limited, COSCO SHIPPING Ports Investments (Shanghai) Co., Ltd. and Xiamen CSP Supply Chain 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 Subsidiaries sold during the year.

5 The directors of the Company considered that the Group has control over COSCO SHIPPING Ports (Abu Dhabi) Limited through its representatives on the board of directors of COSCO SHIPPING Ports (Abu Dhabi) Limited and therefore classified COSCO SHIPPING Ports (Abu Dhabi) Limited as a subsidiary as at 31 December 2020 and 2019.

43 Details of joint ventures

Details of the principal joint ventures as at 31 December 2020, 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 2020	2019
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%
Guangxi Qinzhou International Container Terminal Co., Ltd. (note iii)	PRC	Operation of container terminals	RMB500,000,000	**–**	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%
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 Limited effectively holds 80% equity interest in Asia Container Terminal Limited, which engages in the operation, management and development of container terminals in Hong Kong, and is considered as a subsidiary of COSCO-HPHT ACT Limited.

(ii) Euro-Asia Oceangate S.à.r.l. effectively holds 65% equity interest in Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret A.Ş., which engages in container terminal operations in Turkey, and is considered as a subsidiary of Euro-Asia Oceangate S.à.r.l.

(iii) Guangxi Qinzhou International Container Terminal Co., Ltd. become a wholly owned subsidiary with Guangxi Beibu Gulf International Container Terminal Co., Ltd. during the year.

44 Details of associates

Details of the associates as at 31 December 2020, 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 2020	2019
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 v)	PRC	Operation of terminals	RMB1,634,616,854	**10.65%**	10.65%
COSCO Shipping Terminals (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 Euro 1 each and 35,000"B" shares of Euro 1 each	**35.00%**	35.00%
Fangchenggang Chista Terminal Co., Limited	PRC	Operation of container terminals	RMB10,000,000	**20.00%**	20.00%
Guangxi Beibu Gulf International Container Terminal Co., Ltd	PRC	Operation of container terminals	RMB2,371,600,000	**26.00%**	–
Guangxi New Corridor International Container Terminal Co., Ltd	PRC	Operation of container terminals	RMB10,000,000	**25.00%**	25.00%
Jiangsu Yantze Petrochemical Co., Ltd. (note vi)	PRC	Operation of bulk liquid storage	RMB219,635,926	**–**	30.40%
Kao Ming Container Terminal Corp. Taiwan	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%
Ningbo Meishan Bonded Port New Harbour 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	**19.79%**	18.46%
Qingdao Qianwan Intelligent Container Terminal Co., Ltd (note vii)	PRC	Operation of container terminals	RMB642,000,000	**–**	20.00%

44 Details of associates (Continued)

Name	Place of establishment operation	Principal activities	Issued share capital/ registered capital	Group equity interest	
				2020	2019
Qinhuangdao Port New Harbour Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB400,000,000	**30.00%**	30.00%
Servicios Intermodales Bilbaoport, S.L. (note ii)	Spain	Container storage and transportation	860,323 ordinary shares of Euro 0.57 each	**5.53%**	5.53%
Shanghai Mingdong Container Terminals Limited	PRC	Operation of container terminals	RMB4,000,000,000	**20.00%**	20.00%
Sigma Enterprises Limited (note iii)	British Virgin Islands	Investment holding	2,005 "A" shares of US$1 each and 8,424 "B" shares of US$1 each	**16.49%**	16.49%
Suez Canal Container Terminal S.A.E.	Egypt	Operation of container terminals	1,856,250 ordinary shares of US$100 each	**20.00%**	20.00%
Taicang International Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB450,800,000	**39.04%**	39.04%
Tianjin Port Container Terminal Co., Ltd (note iv)	PRC	Operation of container terminals	RMB2,408,312,700	**16.01%**	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) 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 2020 and 2019.

(iii) The directors of the Company considered that the Group has significant influence over Sigma and Wattrus through its representatives on the boards of directors of Sigma and Wattrus with 20% voting rights respectively and therefore classified Sigma and Wattrus as associates as at 31 December 2020 and 2019.

(iv) 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.

(v) 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.

(vi) The associate was sold during the year.

(vii) The associate was dissolved during the year.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2020	2019	2018	2017	2016
	US$'000	US$'000	US$'000	US$'000	US$'000
Revenues	**1,000,629**	1,027,658	1,000,350	634,710	556,377
Operating profit after finance income and costs	**135,857**	116,062	147,514	409,290	57,365
Share of profits less losses of					
– joint ventures	**78,219**	86,359	90,969	86,531	112,081
– associates	**194,501**	181,095	201,483	150,037	88,161
Gain on disposal of a subsidiary (note 3)	**–**	–	–	–	59,021
Profit before income tax from a discontinued operation	**–**	–	–	–	7,901
Profit before taxation	**408,577**	383,516	439,966	645,858	324,529
Taxation (note 4)	**(34,967)**	(33,566)	(66,042)	(94,709)	(48,545)
Profit for the year	**373,610**	349,950	373,924	551,149	275,984
Profit attributable to:					
Equity holders of the Company	**347,474**	308,017	324,583	512,454	247,031
Non-controlling interests	**26,136**	41,933	49,341	38,695	28,953
	373,610	349,950	373,924	551,149	275,984
Dividends	**141,928**	124,194	130,516	91,370	405,113
Basic earnings per share (US cents)	**10.81**	9.82	10.58	16.93	8.30
Dividend per share (US cents)	**4.324**	3.928	4.232	3.000	13.637

	As at 31 December				
	2020	2019	2018	2017	2016
	US$'000	US$'000	US$'000	US$'000	US$'000
Total assets	**11,224,345**	10,476,518	9,045,452	8,954,080	6,786,456
Total liabilities	**(4,847,119)**	(4,711,313)	(3,225,802)	(3,108,706)	(2,020,652)
Net assets	**6,377,226**	5,765,205	5,819,650	5,845,374	4,765,804

Notes:

1 The consolidated results of the Group for the two years ended 31 December 2020 and the assets and liabilities of the Group as at 31 December 2020 have been extracted from the audited consolidated financial statements of the Group as set out on pages 135 to 142 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 Balance represents the gain on disposal of Florens in 2016 which was classified as discontinued operation in 2016.

4 Balances in 2016 included income tax expenses of Florens which was classified as discontinued operation.

HISTORICAL STATISTICS SUMMARY

Financial statistics		2011	2012	2013
Consolidated income statement	US$M			
Revenue				
Terminals		320.1	398.5	452.2
Container leasing, management, sale and related businesses		276.5	336.2	347.7
Container handling, transportation and storage		3.3	3.7	2.9
Elimination of inter-segment		(0.7)	(2.9)	(4.2)
Total		599.2	735.5	798.6
EBITDA		621.9	618.3	1,007.7
Depreciation & amortisation		(142.2)	(167.9)	(190.5)
EBIT		479.7	450.4	817.2
Interest expenses		(58.4)	(77.3)	(84.5)
Interest income		5.1	9.2	18.1
Profit before taxation		426.4	382.3	750.8
Operating profit after finance income and costs		126.1	159.3	180.4
Profit attributable to equity holders of the Company		388.8	342.2	702.7
Breakdown of profit attributable to equity holders of the Company				
Terminals and related businesses		184.9	189.0	186.8
Container leasing, management, sale and related businesses		116.5	139.5	125.2
Container manufacturing and related businesses		119.8	61.9	416.5
Net corporate finance income/(costs)		(0.6)	(1.9)	10.7
Net corporate expenses		(31.8)	(46.3)	(36.5)
Total		388.8	342.2	702.7
Consolidated balance sheet				
Consolidated total assets		6,472.2	7,363.9	7,551.3
Consolidated total liabilities		2,592.0	3,146.5	2,707.8
Consolidated net assets		3,880.2	4,217.4	4,843.5
Consolidated total debts		2,168.0	2,601.7	2,046.2
Consolidated cash balances		581.1	849.3	1,237.6
Consolidated net debts		1,586.9	1,752.4	808.6
Per share data				
Capital and reserves attributable to the equity holders of the Company per share	US$	1.34	1.42	1.56
Basic earnings per share	US cents	14.34	12.51	24.95
Dividend per share	US cents	5.736	5.004	9.980
Net asset value per share	US$	1.43	1.51	1.66
Net asset value per share	HK$	11.115	11.732	12.895
Share price (as at 31 December)	US$	1.167	1.424	1.372
	HK$	9.07	11.04	10.64
Ratios				
P/E (as at 31 December)	Times	8.1	11.4	5.5
Dividend payout ratio	%	40.0	40.0	40.0
Return on total assets	%	6.6	4.9	9.4
Return on net assets	%	10.5	8.5	15.5
Return on equity holders of the Company	%	11.1	9.0	16.5
Net debt-to-equity ratio	%	40.9	41.6	16.7
Interest coverage	Times	8.3	5.9	9.9
Other information				
Total number of shares issued (as at 31 December)	M	2,711.8	2,786.1	2,912.3
Weighted average number of ordinary shares issued	M	2,711.8	2,735.1	2,816.2
Market capitalisation (as at 31 December)	US$M	3,166.4	3,968.5	3,996.4

Notes:
1. The amount in 2016 included a conditional special cash dividend of HK80.0 cents (equivalent to US10.317 cents) per share.
2. The financial figures for the year 2011 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 2011 to 2014. No separate disclosures of continuing operations and discontinued operations were made on the financial figures for the year 2011 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 Qingdao Qianwan Container Terminal Co., Ltd. was excluded in the calculation of dividend layout ratio of the year 2017.

HISTORICAL STATISTICS SUMMARY

2014	2015 (Restated)	2016	2017	2018	2019	**2020**
514.7	547.3	553.9	634.7	1,000.4	1,027.7	**1,000.6**
357.1	–	–	–	–	–	**–**
2.3	2.9	2.5	–	–	–	**–**
(4.0)	–	–	–	–	–	**–**
870.1	550.2	556.4	634.7	1,000.4	1,027.7	**1,000.6**
610.4	463.6	393.4	796.0	652.8	670.1	**708.9**
(211.7)	(98.0)	(98.5)	(106.8)	(147.1)	(190.1)	**(200.4)**
398.7	365.6	294.9	689.2	505.7	480.0	**508.5**
(72.5)	(54.7)	(52.1)	(56.0)	(78.0)	(108.9)	**(114.6)**
25.7	22.2	14.8	12.7	12.3	12.4	**14.7**
351.9	333.1	257.6	645.9	440.0	383.5	**408.6**
180.7	112.0	57.4	409.3	147.5	116.1	**135.9**
292.8	429.3	247.0	512.5	324.6	308.0	**347.5**
221.0	286.6	242.9	573.3	364.0	354.0	**387.9**
95.8	82.8	66.1	–	–	–	**–**
–	79.2	–	–	–	–	**–**
32.0	27.7	8.0	2.8	(10.4)	(14.7)	**(13.8)**
(56.0)	(47.0)	(70.0)	(63.6)	(29.0)	(31.3)	**(26.6)**
292.8	429.3	247.0	512.5	324.6	308.0	**347.5**
7,616.7	8,860.6	6,786.5	8,954.1	9,045.5	10,476.5	**11,224.3**
2,558.0	2,593.5	2,020.7	3,108.7	3,225.8	4,711.3	**4,847.1**
5,058.7	6,267.1	4,765.8	5,845.4	5,819.7	5,765.2	**6,377.2**
1,860.2	2,087.0	1,503.0	2,334.3	2,479.9	2,916.5	**3,047.7**
1,116.5	924.2	837.1	566.4	606.7	957.5	**1,341.5**
743.7	1,162.8	665.9	1,767.9	1,873.2	1,959.0	**1,706.2**
1.61	1.97	1.44	1.70	1.66	1.58	**1.67**
10.01	14.58	8.30	16.93	10.58	9.82	**10.81**
4.004	5.148	13.637 [note 1]	3.000	4.232	3.928	**4.324**
1.72	2.11	1.58	1.91	1.87	1.82	**1.92**
13.342	16.373	12.254	14.879	14.643	14.200	**14.913**
1.421	1.102	1.005	1.0448	0.9830	0.8192	**0.6953**
11.02	8.54	7.79	8.13	7.70	6.38	**5.39**
14.2	7.6	12.1	6.17	9.29	8.34	**6.43**
40.0	40.0	40.0 [note 3]	40.0 [note 4]	40.0	40.0	**40.0**
3.9	5.2	3.2	6.5	3.6	3.2	**3.2**
5.9	7.6	4.5	9.7	5.6	5.3	**5.7**
6.3	8.1	4.8	10.7	6.3	6.1	**6.6**
14.7	18.6	14.0	30.2	32.2	34.0	**26.8**
5.9	7.1	5.9	12.5	6.6	4.5	**4.6**
2,940.4	2,966.6	3,016.0	3,057.1	3,113.1	3,162.0	**3,315.3**
2,924.9	2,945.4	2,976.4	3,027.4	3,067.5	3,135.1	**3,213.5**
4,178.3	3,268.9	3,029.6	3,194.0	3,060.3	2,590.4	**2,305.0**

HISTORICAL STATISTICS SUMMARY

Operational statistics		2011	2012	2013
Container throughput	TEU			
COSCO-HIT Terminal		1,625,819	1,683,748	1,639,275
Yantian Terminal		10,264,440	10,666,758	10,796,113
Zhangjiagang Win Hanverky Terminal		1,065,382	1,228,935	1,374,596
Shanghai Pudong Terminal		2,388,156	2,151,297	2,246,026
Qingdao Qianwan Terminal		12,426,090	14,045,503	14,981,635
COSCO-PSA Terminal		1,106,262	1,232,954	1,048,846
Yangzhou Yuanyang Terminal		400,224	401,003	449,849
Yingkou Container Terminal		1,303,068	1,600,094	1,716,106
Nanjing Longtan Terminal		1,600,523	2,035,617	2,400,370
Dalian Port Terminal		1,900,204	2,216,353	2,732,174
Tianjin Five Continents Terminal		2,100,321	2,180,184	2,300,918
Antwerp Terminal		1,168,930	1,101,163	1,370,609
Quan Zhou Pacific Terminal		1,186,799	1,201,279	1,090,660
Guangzhou South China Oceangate Terminal		3,914,348	4,230,574	4,449,311
Ningbo Yuan Dong Terminal		2,145,653	2,402,554	2,806,406
Suez Canal Terminal		3,246,467	2,863,167	3,124,828
Jinjiang Pacific Terminal		314,101	358,836	418,242
Piraeus Terminal		1,188,148	2,108,090	2,519,664
Tianjin Euroasia Terminal		1,350,962	1,705,667	1,803,407
Xiamen Ocean Gate Terminal		–	271,449	609,393
Kao Ming Terminal		–	–	1,170,704
Taicang Terminal		–	–	235,759
Asia Container Terminal		–	–	–
Dalian International Terminal		–	–	–
Dalian Dagang Terminal		–	–	–
Yingkou New Century Terminal		–	–	–
Jinzhou New Age Terminal		–	–	–
Qinhuangdao New Harbour Terminal		–	–	–
Shanghai Mingdong Terminal		–	–	–
Lianyungang New Oriental Terminal		–	–	–
Guangzhou Nansha Stevedoring Terminal		–	–	–
Qinzhou International Terminal		–	–	–
CSP Zeebrugge Terminal		–	–	–
Seattle Terminal		–	–	–
Busan Terminal		–	–	–
Kumport Terminal		–	–	–
Euromax Terminal		–	–	–
CSP Spain Related Companies		–	–	–
Vado Reefer Terminal		–	–	–
QPI		–	–	–
Dalian Container Terminal		–	–	–
Tianjin Container Terminal		–	–	–
Nantong Tonghai Terminal		–	–	–
CSP Abu Dhabi Terminal		–	–	–
Beibu Gulf Terminal		–	–	–
Beibu Gulf Port		–	–	–
Total		50,695,897	55,685,225	61,284,891

	2014	2015 (Restated)	2016	2017	2018	2019	**2020**
	1,639,995	1,575,858	1,343,859	1,920,597	1,794,152	1,688,454	**1,699,256**
	11,672,798	12,165,687	11,696,492	12,703,733	13,159,705	13,069,120	**13,348,546**
	798,773	672,295	675,062	735,918	761,849	657,849	**48,008**
	2,373,620	2,508,121	2,556,220	2,650,396	2,602,151	2,550,390	**2,443,406**
	16,108,145	16,995,934	17,499,703	–	–	–	**–**
	1,311,747	1,526,328	1,809,428	2,044,536	3,198,874	5,011,091	**5,090,751**
	481,704	482,106	454,104	489,108	500,340	500,599	**31,841**
	1,716,128	1,560,138	1,586,108	1,496,050	1,338,535	1,200,159	**1,258,502**
	2,495,608	2,633,753	2,773,005	2,881,008	2,930,391	3,000,506	**–**
	2,732,136	2,495,053	2,683,879	2,604,631	–	–	**–**
	2,569,695	2,570,233	2,571,772	2,580,943	2,708,817	1,906,220	**–**
	1,727,116	2,015,306	1,922,281	2,166,096	2,230,418	2,109,308	**2,270,425**
	1,160,480	1,221,692	1,308,652	1,384,479	1,559,899	1,588,589	**1,332,207**
	4,647,266	4,486,627	4,781,665	5,056,257	5,164,923	5,624,830	**5,753,628**
	3,214,703	3,040,762	2,536,182	2,980,839	3,060,010	3,010,164	**3,103,386**
	3,400,397	2,954,080	2,547,597	2,528,647	2,609,978	3,161,084	**3,783,388**
	467,610	347,226	364,255	495,993	425,533	498,846	**443,748**
	2,986,904	3,034,428	3,470,981	3,691,815	4,409,205	5,158,626	**4,896,886**
	2,004,170	2,032,389	2,232,973	2,469,753	2,717,331	2,860,127	**3,060,267**
	806,183	1,034,753	1,131,197	1,501,001	1,968,613	2,061,341	**2,070,159**
	1,333,226	1,525,359	1,728,922	1,698,187	1,745,673	1,635,045	**1,599,548**
	538,304	539,771	513,296	520,799	561,212	403,307	**400,095**
	1,139,414	1,252,815	1,088,891	1,568,298	1,465,047	1,378,737	**1,387,558**
	–	2,826,893	3,182,368	2,828,933	–	–	**–**
	–	15,971	21,094	24,582	22,047	22,006	**21,003**
	–	1,850,064	1,870,076	1,515,057	1,413,894	1,180,410	**1,342,018**
	–	351,773	449,016	571,113	710,746	770,037	**722,981**
	–	500,879	515,482	559,330	584,701	617,257	**621,862**
	–	5,668,946	5,900,056	6,500,062	6,252,083	6,160,365	**6,246,932**
	–	3,525,770	3,100,243	2,872,563	2,876,355	2,819,448	**1,089,116**
	–	5,757,635	5,786,311	5,800,302	5,805,069	5,708,189	**5,709,482**
	–	920,737	1,138,057	1,357,005	1,371,051	1,638,621	**1,599,524**
	–	268,261	277,363	316,448	392,484	483,601	**609,277**
	–	128,332	151,534	188,455	167,824	204,068	**248,370**
	–	–	2,084,592	3,554,512	3,758,277	3,765,904	**3,759,210**
	–	–	665,398	1,063,335	1,258,294	1,281,850	**1,217,240**
	–	–	653,808	2,693,337	3,054,115	2,792,987	**2,454,617**
	–	–	–	554,028	3,622,200	3,585,276	**3,387,820**
	–	–	–	39,455	66,565	54,430	**60,256**
	–	–	–	12,270,000	19,320,000	21,010,000	**22,010,000**
	–	–	–	1,324,584	9,512,744	8,525,291	**4,981,782**
	–	–	–	–	–	2,568,105	**7,866,145**
	–	–	–	–	264,255	1,135,840	**1,405,658**
	–	–	–	–	–	386,258	**665,500**
	–	–	–	–	–	–	**421,875**
	–	–	–	–	–	–	**3,362,302**
	67,326,122	90,485,975	95,071,922	100,202,185	117,365,360	123,784,335	**123,824,575**

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]
Mr. YANG Liang Yee Philip[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

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

49th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong
Telephone: +852 2809 8188
Fax: +852 2907 6088
Website: https://ports.coscoshipping.com

Independent Auditor

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

Solicitors

Holman Fenwick Willan
Linklaters
Paul Hastings
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.

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

The Stock Exchange of Hong Kong Limited: 1199
Bloomberg: 1199HK
Reuters: 1199.HK

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