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# COSCO SHIPPING Ports Limited

## 中遠海運港口有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

### ANNUAL RESULTS ANNOUNCEMENT FOR 2018

#### Announcement of Results for the Year Ended 31 December 2018

- Total throughput increased by 17.1% to 117,365,360 TEU
- Organic growth of total throughput was 7.8% <sup>Note 1</sup>
- Total throughput from subsidiaries increased by 29.7% to 22,507,686 TEU
- Total equity throughput increased by 15.8% to 37,062,172 TEU

#### Financial Highlights

US\$ (million)

	Reported			Like-for-like (Excluding new acquisitions, projects under construction, etc.)		
	2018	2017	Change (%)	2018	2017	Change (%)
Revenue	<b>1,000.4</b>	634.7	+57.6	<b>689.5</b> <sup>Note 2</sup>	588.8 <sup>Note 2</sup>	+17.1
Cost of sales	<b>706.7</b>	425.4	+66.1	<b>447.5</b> <sup>Note 2</sup>	388.6 <sup>Note 2</sup>	+15.2
Gross profit	<b>293.7</b>	209.3	+40.3	<b>242.0</b> <sup>Note 2</sup>	200.2 <sup>Note 2</sup>	+20.9
Share of profits from joint ventures and associates	<b>292.5</b>	236.6	+23.6	<b>196.7</b> <sup>Note 4</sup>	183.0 <sup>Note 4</sup>	+7.5
Profit attributable to equity holders of the Company	<b>324.6</b>	512.5	-36.7	<b>240.5</b> <sup>Note 5</sup>	176.5 <sup>Note 5</sup>	+36.2
Earnings per share						
– Basic (US cents)	<b>10.58</b>	16.93	-37.5			
Adjusted net profit attributable to equity holders of the Company	<b>324.6</b>	227.1 <sup>Note 3</sup>	+42.9			
Adjusted earnings per share						
– Basic (US cents)	<b>10.58</b>	7.50 <sup>Note 3</sup>	+41.1			
Dividend per share (US cents)						
– Interim	<b>2.212</b>	1.316	+68.1			
– Final	<b>2.020</b>	1.684	+20.0			
Payout ratio <sup>Note 3</sup>	<b>40%</b>	40%	-			

Note 1: Excluding Qingdao Port International Co., Ltd. (“QPI”), COSCO SHIPPING Ports (Spain) Holding, S.L. (formerly Noatum Port Holdings, S.L.), together with its two container terminals and three railway companies (collectively the “CSP Spain Group”) and Nantong Tonghai Port Co., Ltd. (“Nantong Tonghai Terminal”).

Note 2: Excluding the CSP Spain Group, CSP Zeebrugge Terminal NV (“CSP Zeebrugge Terminal”), CSP Abu Dhabi Terminal L.L.C. (“Abu Dhabi Terminal”), Nantong Tonghai Terminal and CSP Wuhan Company Limited (“Wuhan Terminal”).

Note 3: Excluding completions of 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”).

Note 4: Excluding QPI.

Note 5: Excluding QPI, the CSP Spain Group, CSP Zeebrugge Terminal, Abu Dhabi Terminal, Nantong Tonghai Terminal, Wuhan Terminal and a gain after tax of One-off Exceptional Items.

## FINAL RESULTS

The board of directors (the “Board”) of COSCO SHIPPING Ports Limited (the “Company” or “COSCO SHIPPING Ports”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2018. The following financial information, including comparative figures, has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

### CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018

	<i>Note</i>	2018 <i>US\$'000</i>	2017 <i>US\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		3,057,069	2,980,498
Investment properties		17,871	8,410
Land use rights		262,507	278,706
Intangible assets		423,811	451,859
Joint ventures		1,269,250	1,196,648
Loans to joint ventures		23,812	1,672
Associates		2,578,830	2,579,493
Loans to associates		150,269	158,539
Financial asset at fair value through profit or loss		72,771	-
Financial assets at fair value through other comprehensive income		183,263	-
Available-for-sale financial assets		-	276,553
Deferred income tax assets		94,648	108,277
Other non-current assets	3	54,991	61,283
		<u>8,189,092</u>	<u>8,101,938</u>
<b>Current assets</b>			
Inventories		13,837	10,942
Trade and other receivables	4	235,421	271,430
Current income tax recoverable		413	3,370
Restricted bank deposits		63,674	6,333
Cash and cash equivalents		543,015	560,067
		<u>856,360</u>	<u>852,142</u>
<b>Total assets</b>		<u>9,045,452</u>	<u>8,954,080</u>

**CONSOLIDATED BALANCE SHEET (Continued)**  
**AS AT 31 DECEMBER 2018**

	<i>Note</i>	<b>2018</b> <i>US\$'000</i>	2017 <i>US\$'000</i>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital		39,971	39,254
Reserves		<u>5,125,241</u>	<u>5,149,313</u>
		5,165,212	5,188,567
<b>Non-controlling interests</b>		<u>654,438</u>	<u>656,807</u>
<b>Total equity</b>		<u>5,819,650</u>	<u>5,845,374</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		107,672	133,439
Long term borrowings		2,283,529	1,823,770
Loans from non-controlling shareholders of subsidiaries		685	53,012
Loans from a fellow subsidiary		8,870	20,293
Derivative financial instruments		7,358	6,527
Other long term liabilities		<u>36,880</u>	<u>39,886</u>
		2,444,994	2,076,927
<b>Current liabilities</b>			
Trade and other payables and contract liabilities	5	565,209	502,440
Current income tax liabilities		16,079	15,925
Current portion of long term borrowings		87,824	33,858
Short term borrowings		108,550	476,721
Derivative financial instruments		<u>3,146</u>	<u>2,835</u>
		780,808	1,031,779
<b>Total liabilities</b>		<u>3,225,802</u>	<u>3,108,706</u>
<b>Total equity and liabilities</b>		<u>9,045,452</u>	<u>8,954,080</u>

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<i>Note</i>	<b>2018</b> <i>US\$'000</i>	2017 <i>US\$'000</i>
Revenues	2	<b>1,000,350</b>	634,710
Cost of sales		<u><b>(706,659)</b></u>	<u>(425,435)</u>
<b>Gross profit</b>		<b>293,691</b>	209,275
Administrative expenses		<b>(110,871)</b>	(114,290)
Other operating income	7	<b>37,375</b>	40,274
Other operating expenses		<b>(7,001)</b>	(5,056)
Gain on remeasurement of previously held interest of an available-for-sale financial asset at fair value upon further acquisition to become an associate	6	-	38,434
Gain on disposal of a joint venture	6	<u>-</u>	<u>283,961</u>
<b>Operating profit</b>	8	<b>213,194</b>	452,598
Finance income	9	<b>12,342</b>	12,668
Finance costs	9	<u><b>(78,022)</b></u>	<u>(55,976)</u>
Operating profit (after finance income and costs)		<b>147,514</b>	409,290
Share of profits less losses of			
- joint ventures		<b>90,969</b>	86,531
- associates		<u><b>201,483</b></u>	<u>150,037</u>
<b>Profit before income tax</b>		<b>439,966</b>	645,858
Income tax expenses	10	<u><b>(66,042)</b></u>	<u>(94,709)</u>
<b>Profit for the year</b>		<u><b>373,924</b></u>	<u>551,149</u>
<b>Profit attributable to:</b>			
Equity holders of the Company		<b>324,583</b>	512,454
Non-controlling interests		<u><b>49,341</b></u>	<u>38,695</u>
		<u><b>373,924</b></u>	<u>551,149</u>
<b>Earnings per share for profit attributable to equity holders of the Company</b>			
- Basic	11	<u><b>US10.58 cents</b></u>	<u>US16.93 cents</u>
- Diluted	11	<u><b>US10.57 cents</b></u>	<u>US16.93 cents</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 <i>US\$'000</i>	2017 <i>US\$'000</i>
<b>Profit for the year</b>	<b>373,924</b>	<b>551,149</b>
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Share of other comprehensive income of an associate		
- other reserves	(4,172)	9,451
Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax	(64,135)	-
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates	(246,247)	255,745
Release of investment revaluation reserve of an available-for-sale financial asset at fair value upon further acquisition to become an associate	-	(38,434)
Release of reserve upon disposal of a joint venture	-	(11,495)
Release of reserve upon remeasurement of equity investments	-	(1,414)
Release of reserve upon further acquisition of an associate to become a subsidiary	-	3,975
Fair value gain on available-for-sale financial assets, net of tax	-	151,055
Cash flow hedges, net of tax		
- fair value (loss)/gain	(1,225)	243
- transfer to consolidated income statement	-	399
Share of other comprehensive income of joint ventures and associates		
- exchange reserve	(4,821)	10,174
- other reserves	345	(497)
<b>Other comprehensive (loss)/income for the year, net of tax</b>	<b>(320,255)</b>	<b>379,202</b>
<b>Total comprehensive income for the year</b>	<b>53,669</b>	<b>930,351</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	39,359	858,150
Non-controlling interests	14,310	72,201
	<b>53,669</b>	<b>930,351</b>

## NOTES

### 1. BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2018 have been prepared in accordance with HKFRS issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”). These accounting policies have been consistently applied to all the years presented unless otherwise mentioned.

The consolidated financial statements of the Company have been prepared in accordance with all applicable HKFRS issued by the HKICPA. The consolidated financial statements have been prepared under the historical cost convention except that, financial assets at fair value through other comprehensive income (“FVOCI”), financial asset at fair value through profit or loss (“FVPL”), derivative financial instruments and investment properties are carried at fair value.

#### 1.1 Adoption of new standards, interpretation, amendments and improvements to existing standards

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

##### **New standards, interpretation and amendments**

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

##### **Annual Improvements 2014 – 2016 Cycle**

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

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

## 1. BASIS OF PREPARATION (Continued)

### 1.2 Change in accounting policies

#### (a) Impact on the financial statements

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

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

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

#### (b) HKFRS 9 Financial Instruments

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

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

## 1. BASIS OF PREPARATION (Continued)

### 1.2 Change in accounting policies (Continued)

#### (b) HKFRS 9 Financial Instruments (Continued)

##### (i) Classification and measurement

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

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

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

Note:

##### *Equity investments previously classified as available-for-sale*

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



## 1. BASIS OF PREPARATION (Continued)

### 1.2 Change in accounting policies (Continued)

#### (b) HKFRS 9 Financial Instruments (Continued)

##### (i) Classification and measurement (Continued)

###### *Reclassifications of financial instruments on adoption of HKFRS 9*

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

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

##### (ii) Impairment of financial assets

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

## **1. BASIS OF PREPARATION (Continued)**

### **1.2 Change in accounting policies (Continued)**

#### **(c) HKFRS 15 Revenue from Contracts with Customers**

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

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

##### *Presentation of liabilities related to contracts with customers*

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

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

#### **(d) Revenue for ports and related services**

Revenue for ports and related services is recognised over time in which the services are rendered as the Group's performance provides all of the benefits received and consumed simultaneously by the customer. Revenue is recognised based on the price specified in the contract, net of the estimated volume discounts. Where the contracts include multiple performance obligation, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Accumulated experience is used to estimate and provide for the discounts, using either the expected value or the most likely amount approach, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A contract liability (included in trade and other payables and contract liabilities) is recognised for expected volume discounts to customers in relation to sales made until the end of the reporting period.

## 1. BASIS OF PREPARATION (Continued)

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

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

<b>New standards, interpretation and amendments</b>		<b>Effective for accounting periods beginning on or after</b>
HKAS1 and HKAS 8 Amendment	Definition of Material	1 January 2020
HKAS 19 Amendment	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 Amendment	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 9 Amendment	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 3 Amendment	Definition of a Business	1 January 2020
HKFRS 17	Insurance contract	1 January 2021
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
<b>Annual Improvements 2015 – 2017</b>		
HKAS 12 Amendment	Income Taxes	1 January 2019
HKAS 23 Amendment	Borrowing Costs	1 January 2019
HKFRS 3 Amendment	Business Combination	1 January 2019
HKFRS 11 Amendment	Joint Arrangements	1 January 2019

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

## 1. BASIS OF PREPARATION (Continued)

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

#### HKFRS 16 Leases

##### *Nature of change*

HKFRS 16 was issued in January 2016. It will result lessees accounting for most leases within the scope of the standard in a manner similar to finance leases as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

##### *Impact*

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

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

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

##### *Date of adoption by Group*

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

## 2. SEGMENT INFORMATION

### (a) Operating segments

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

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

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

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

#### Segment assets

	Terminals and related businesses US\$'000	Others US\$'000	Elimination US\$'000	Total US\$'000
<b>At 31 December 2018</b>				
Segment assets	<u>8,692,503</u>	<u>898,339</u>	<u>(545,390)</u>	<u>9,045,452</u>
Segment assets include:				
Joint ventures	1,269,250	-	-	1,269,250
Associates	2,578,830	-	-	2,578,830
Financial assets at FVPL	72,771	-	-	72,771
Financial assets at FVOCI	<u>183,263</u>	-	-	<u>183,263</u>
<b>At 31 December 2017</b>				
Segment assets	<u>8,545,420</u>	<u>1,002,062</u>	<u>(593,402)</u>	<u>8,954,080</u>
Segment assets include:				
Joint ventures	1,196,648	-	-	1,196,648
Associates	2,579,493	-	-	2,579,493
Available-for-sale financial assets	<u>276,553</u>	-	-	<u>276,553</u>

## 2. SEGMENT INFORMATION (Continued)

### (a) Operating segments (Continued)

#### Segment revenues, results and other information

	Terminals and related businesses <i>US\$'000</i>	Others <i>US\$'000</i>	Elimination <i>US\$'000</i>	Total <i>US\$'000</i>
<b>Year ended</b>				
<b>31 December 2018</b>				
Revenues - total sales	<u>1,000,350</u>	<u>-</u>	<u>-</u>	<u>1,000,350</u>
Segment profit/(loss) attributable to equity holders of the Company	<u>363,958</u>	<u>(39,375)</u>	<u>-</u>	<u>324,583</u>
Segment profit/(loss) attributable to equity holders of the Company includes:				
Finance income	2,416	32,251	(22,325)	12,342
Finance costs	(57,628)	(42,689)	22,295	(78,022)
Share of profits less losses of				
- joint ventures	90,969	-	-	90,969
- associates	201,483	-	-	201,483
Income tax expenses	(58,260)	(7,782)	-	(66,042)
Depreciation and amortisation	(145,558)	(1,565)	-	(147,123)
Other non-cash expenses	<u>(1,340)</u>	<u>(9)</u>	<u>-</u>	<u>(1,349)</u>
Additions to non-current assets	<u>(365,223)</u>	<u>(853)</u>	<u>-</u>	<u>(366,076)</u>

## 2. SEGMENT INFORMATION (Continued)

### (a) Operating segments (Continued)

#### Segment revenues, results and other information (Continued)

	Terminals and related businesses <i>US\$ '000</i>	Others <i>US\$ '000</i>	Elimination <i>US\$ '000</i>	Total <i>US\$ '000</i>
Year ended 31 December 2017				
Revenues - total sales	<u>634,710</u>	<u>-</u>	<u>-</u>	<u>634,710</u>
Segment profit/(loss) attributable to equity holders of the Company	<u>573,288</u>	<u>(60,834)</u>	<u>-</u>	<u>512,454</u>
Segment profit/(loss) attributable to equity holders of the Company includes:				
Finance income	1,052	31,235	(19,619)	12,668
Finance costs	(47,249)	(28,477)	19,750	(55,976)
Share of profits less losses of				
- joint ventures	86,531	-	-	86,531
- associates	150,037	-	-	150,037
Gain on disposal of a joint venture	283,961	-	-	283,961
Gain on remeasurement of previously held interest of an available-for-sale financial asset at fair value upon further acquisition to become an associate	38,434	-	-	38,434
Income tax expenses	(81,977)	(12,732)	-	(94,709)
Depreciation and amortisation	(105,367)	(1,473)	-	(106,840)
Other non-cash (expenses)/ income	<u>(562)</u>	<u>16</u>	<u>-</u>	<u>(546)</u>
Additions to non-current assets	<u>(202,624)</u>	<u>(1,925)</u>	<u>-</u>	<u>(204,549)</u>
Additions arising from business combination	<u>(679,508)</u>	<u>-</u>	<u>-</u>	<u>(679,508)</u>

## 2. SEGMENT INFORMATION (Continued)

### (b) Geographical information

#### (i) Revenues

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

	<b>2018</b> <i>US\$'000</i>	2017 <i>US\$'000</i>
Terminals and related businesses		
- Mainland China (excluding Hong Kong)	<b>459,860</b>	405,611
- Europe	<b>540,490</b>	229,099
	<b><u>1,000,350</u></b>	<u>634,710</u>



## 2. SEGMENT INFORMATION (Continued)

### (b) Geographical information (Continued)

#### (ii) Non-current assets

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

In respect of the Geographical Non-Current Assets, they are presented based on the geographical areas in which the business operations/assets are located.

The activities of terminals and related businesses of the Group, its joint ventures and associates are predominantly carried out in Mainland China, Greece, Spain, Belgium, Abu Dhabi, Turkey, the Netherlands, Italy, Egypt, Hong Kong, Singapore and Taiwan.

	<b>2018</b> <i>US\$'000</i>	2017 <i>US\$'000</i>
Mainland China (excluding Hong Kong)	<b>5,270,666</b>	5,280,695
Europe	<b>1,246,419</b>	1,291,505
Others	<b>1,147,244</b>	984,697
	<hr/> <b>7,664,329</b> <hr/>	<hr/> 7,556,897 <hr/>

## 3. OTHER NON-CURRENT ASSETS

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

#### 4. TRADE AND OTHER RECEIVABLES

	2018 <i>US\$'000</i>	2017 <i>US\$'000</i>
Trade receivables		
- third parties	<b>86,941</b>	72,503
- fellow subsidiaries	<b>15,857</b>	14,729
- non-controlling shareholders of subsidiaries	<b>4,798</b>	4,905
- a joint venture	<b>10</b>	21
- related companies	<b>8,152</b>	9,895
	<b>115,758</b>	102,053
Bills receivables	<b>10,493</b>	9,708
	<b>126,251</b>	111,761
Less: provision for impairment	<b>(2,398)</b>	(3,161)
	<b>123,853</b>	108,600
Deposits and prepayments	<b>8,755</b>	13,292
Other receivables	<b>73,748</b>	47,903
Loans to joint ventures	<b>800</b>	78,324
Amounts due from		
- fellow subsidiaries	<b>3,979</b>	3,361
- non-controlling shareholders of subsidiaries	<b>3,783</b>	2,597
- joint ventures	<b>4,459</b>	244
- associates	<b>15,945</b>	16,732
- related companies	<b>99</b>	377
	<b>235,421</b>	271,430

The Group grants credit periods of 30 to 90 days to its customers. The ageing analysis of the trade receivables and bills receivables (net of provision) based on invoice date and issuance date respectively is as follows:

	2018 <i>US\$'000</i>	2017 <i>US\$'000</i>
Within 30 days	<b>71,226</b>	63,635
31 - 60 days	<b>36,528</b>	26,184
61 - 90 days	<b>6,317</b>	10,646
Over 90 days	<b>9,782</b>	8,135
	<b>123,853</b>	108,600

## 5. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2018 <i>US\$'000</i>	2017 <i>US\$'000</i>
Trade payables		
- third parties	51,767	104,173
- fellow subsidiaries	6,326	1,322
- non-controlling shareholders of subsidiaries	2,184	1,355
- joint ventures	179	318
- an associate	470	-
- related companies	1,878	2,210
	<u>62,804</u>	<u>109,378</u>
Accruals	49,210	54,079
Other payables	166,178	131,742
Contract liabilities	6,890	-
Dividend payable	10	10
Loans from a fellow subsidiary	7,899	10,315
Loans from a joint venture	32,784	42,622
Loan from an associate	14,570	15,304
Loans from non-controlling shareholders of subsidiaries	139,185	111,103
Amounts due to		
- fellow subsidiaries	2,125	3,897
- non-controlling shareholders of subsidiaries	83,498	23,558
- joint ventures	45	421
- an associate	11	11
	<u>565,209</u>	<u>502,440</u>

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

	2018 <i>US\$'000</i>	2017 <i>US\$'000</i>
Within 30 days	41,202	79,169
31 - 60 days	8,285	7,283
61 - 90 days	3,780	11,751
Over 90 days	9,537	11,175
	<u>62,804</u>	<u>109,378</u>

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

On 20 January 2017, Shanghai China Shipping Terminal Development Co., Ltd. (“SCSTD”, a wholly-owned subsidiary of the Company) and QPI entered into an agreement under which, SCSTD subscribed for 1,015,520,000 non-circulating domestic shares in QPI at a total consideration of RMB5,798,619,200 (equivalent to US\$843,858,000, being RMB5.71 per share), of which RMB3,198,650,840 (equivalent to US\$465,491,000) was settled by the transfer of a 20% equity interest in Qingdao Qianwan Terminal to QPI and the remaining RMB2,599,968,360 (equivalent to US\$378,367,000) was settled in cash. The disposal was completed on 19 May 2017 and resulted in a gain of US\$283,961,000 recognised in the consolidated income statement for the year ended 31 December 2017. The subscription was completed on 22 May 2017. After the subscription of the aforesaid QPI’s non-circulating domestic shares, the Group’s equity interest in QPI has been increased from 1.59% to 18.41% and QPI became an associate of the Group since then. The gain from the remeasurement of the previously held 1.59% interest in QPI of US\$38,434,000 has been recognised in the consolidated income statement for the year ended 31 December 2017.

## 7. OTHER OPERATING INCOME

	<b>2018</b> <i>US\$'000</i>	2017 <i>US\$'000</i>
Management fee and other service income	<b>7,910</b>	5,346
Dividends income from listed and unlisted available-for-sale financial assets	-	1,370
Dividends income from listed and unlisted financial assets at FVOCI	<b>1,966</b>	-
Reversal of provision for impairment of trade receivables	-	134
Rental income from		
- investment properties	<b>624</b>	434
- buildings, leasehold land and land use rights	<b>49</b>	685
Gain on disposal of property, plant and equipment	<b>723</b>	677
Gain on remeasurement of equity investments	-	7,301
Net gain on bargain purchase	-	30
Government subsidies	<b>15,295</b>	5,459
Exchange gain, net	<b>1,793</b>	15,681
Fair value gain of financial asset at FVPL	<b>4,283</b>	-
Others	<b>4,732</b>	3,157
	<b><u>37,375</u></b>	<b><u>40,274</u></b>

## 8. OPERATING PROFIT

Operating profit is stated after charging the following:

	<b>2018</b> <i>US\$'000</i>	2017 <i>US\$'000</i>
<b>Charging:</b>		
Amortisation of		
- land use rights	<b>6,937</b>	5,200
- intangible assets	<b>20,278</b>	4,499
- other non-current assets (note 3)	<b>1,689</b>	1,611
Depreciation	<b>118,219</b>	95,530
Loss on disposal of property, plant and equipment	<b>531</b>	1,053
Provision for impairment of trade receivables	<b>825</b>	-
Provision for inventories	<b>275</b>	-
Rental expenses under operating leases of		
- land and buildings leased from third parties	<b>994</b>	378
- buildings leased from a fellow subsidiary	<b>2,007</b>	1,832
- buildings leased from a joint venture	-	28
- land use rights leased from non-controlling shareholders of subsidiaries	<b>3,105</b>	3,073
- plant and machinery leased from third parties	<b>1,405</b>	279
- concession from a fellow subsidiary (note 3)	<b>64,548</b>	48,051
- concession from third parties	<b>13,529</b>	1,633
Total staff costs (including directors' emoluments and retirement benefit costs)		
- wages, salaries and other benefits	<b>262,417</b>	214,759
- share option expenses	<b>1,185</b>	-
	<b>263,602</b>	214,759

## 9. FINANCE INCOME AND COSTS

	2018 <i>US\$'000</i>	2017 <i>US\$'000</i>
<b>Finance income</b>		
Interest income on		
- bank balances and deposits	6,055	4,343
- deposits with China Shipping Finance Co., Ltd. (“CS Finance”)	-	1
- deposits with CS Finance/COSCO Finance Co., Ltd. (“COSCO Finance”) (note)	1,067	873
- loans to joint ventures and associates	5,220	7,451
	<u>12,342</u>	<u>12,668</u>
<b>Finance costs</b>		
Interest expenses on		
- bank loans	(57,978)	(31,013)
- notes wholly repayable within five years	(13,125)	-
- notes not wholly repayable within five years	-	(13,125)
- loan from CS Finance	(486)	(530)
- loans from CS Finance/COSCO Finance	(857)	(3,373)
- loans from and amounts due to a fellow subsidiary	(1,207)	(1,607)
- loans from non-controlling shareholders of subsidiaries	(4,519)	(4,586)
- loan from a joint venture	(911)	(954)
- loan from an associate	(352)	(18)
- finance lease obligations	(16)	(6)
Amortised amount of		
- discount on issue of notes	(193)	(212)
- transaction costs on bank loans and notes	(2,434)	(1,042)
	<u>(82,078)</u>	<u>(56,466)</u>
Less: amount capitalised in construction in progress	6,887	5,670
	<u>(75,191)</u>	<u>(50,796)</u>
Other incidental borrowing costs and charges	(2,831)	(5,180)
	<u>(78,022)</u>	<u>(55,976)</u>
Net finance costs	<u>(65,680)</u>	<u>(43,308)</u>

Note:

On 23 October 2018, CS Finance absorbed and merged with COSCO Finance. CS Finance continued as the financial service company and COSCO Finance ceased to exist as a legal entity.

## 10. INCOME TAX EXPENSES

	2018 <i>US\$'000</i>	2017 <i>US\$'000</i>
Current income tax		
- Hong Kong profits tax	(157)	-
- Mainland China taxation	(40,704)	(68,878)
- Overseas taxation	(18,972)	(10,712)
- Over provision in prior years	<u>58</u>	<u>369</u>
	(59,775)	(79,221)
Deferred income tax charge	<u>(6,267)</u>	<u>(15,488)</u>
	<u><u>(66,042)</u></u>	<u><u>(94,709)</u></u>

The Group's shares of income tax expenses of joint ventures and associates of US\$23,909,000 (2017: US\$24,428,000) and US\$29,642,000 (2017: US\$28,820,000) are included in the Group's shares of profits less losses of joint ventures and associates respectively. The deferred income tax charge mainly represents the withholding income tax in respect of the undistributed profits for the year of the Group's subsidiaries, joint ventures and associates.

Hong Kong profits tax was provided at a rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

## 11. EARNINGS PER SHARE

### (a) Basic

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

	2018	2017
Profit attributable to equity holders of the Company	<u>US\$324,583,000</u>	<u>US\$512,454,000</u>
Weighted average number of ordinary shares in issue	<u>3,067,491,368</u>	<u>3,027,433,793</u>
Basic earnings per share	<u>US10.58 cents</u>	<u>US16.93 cents</u>

## 11. EARNINGS PER SHARE (Continued)

### (b) Diluted

Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the year, after adjusting for the number of dilutive potential ordinary shares deemed to be issued at no considerations as if all outstanding dilutive share options granted by the Company had been exercised.

For the year ended 31 December 2017, the outstanding share options granted by the Company did not have any dilutive effect on the earnings per share, and the diluted earnings per share is equal to the basic earnings per share.

	2018	2017
Profit attributable to equity holders of the Company	<u>US\$324,583,000</u>	<u>US\$512,454,000</u>
Weighted average number of ordinary shares in issue	3,067,491,368	3,027,433,793
Adjustments for assumed issuance of shares on exercise of dilutive share options	<u>2,613,104</u>	-
Weighted average number of ordinary shares for diluted earnings per share	<u>3,070,104,472</u>	<u>3,027,433,793</u>
Diluted earnings per share	<u>US10.57 cents</u>	<u>US16.93 cents</u>

## 12. DIVIDENDS

	2018 US\$'000	2017 US\$'000
Interim dividend paid of US2.212 cents (2017: US1.316 cents) per ordinary share	67,623	39,691
Final dividend proposed of US2.020 cents (2017: US1.684 cents) per ordinary share	62,885	51,482
Additional dividend paid on shares issued due to issue of scrip dividend before the closure of register of members:		
- 2017 interim	-	197
- 2018 interim	<u>8</u>	<u>-</u>
	<u>130,516</u>	<u>91,370</u>

Note:

At a meeting held on 28 March 2019, the directors recommended the payment of a final dividend of HK15.8 cents (equivalent to US2.020 cents) per ordinary share. The proposed dividend will be payable in cash and with a scrip dividend alternative. This proposed final dividend is not reflected as dividend payable in these consolidated financial statements until it has been approved at the annual general meeting, but will be reflected as an appropriation of retained profits for the year ending 31 December 2019.



### **13. EVENTS AFTER BALANCE SHEET DATE**

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

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

## **AUDITOR’S WORK ON THE PRELIMINARY ANNOUNCEMENT**

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2018 have been compared by the Company’s auditor, PricewaterhouseCoopers, to the corresponding figures set out in the Group’s consolidated financial statements for the year ended 31 December 2018 and found to be in agreement. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **FINAL DIVIDEND**

The directors recommend the payment of a final dividend of HK15.8 cents (2017: HK13.1 cents) per share for the year ended 31 December 2018 with an option to receive new fully paid shares in lieu of cash (“Scrip Dividend Scheme”).

The proposed final dividend will be payable on 19 July 2019 to shareholders whose names appear on the register of members of the Company at the close of business on 3 June 2019. The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the final dividend by the shareholders of the Company at the Annual General Meeting to be held on 23 May 2019 (“2019 AGM”) and the granting of the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme by the Listing Committee of The Stock Exchange of Hong Kong Limited. Dividend warrants and share certificates for new shares to be issued under the Scrip Dividend Scheme will be despatched by ordinary mail on 19 July 2019.

Details of the Scrip Dividend Scheme and the election form will be sent to shareholders on or about 25 June 2019.

## **CLOSURES OF REGISTER OF MEMBERS**

### **(a) For determining the entitlement to attend and vote at the 2019 AGM**

The 2019 AGM of the Company is scheduled to be held on Thursday, 23 May 2019. For determining the entitlement to attend and vote at the 2019 AGM, the register of members of the Company will be closed from 20 May 2019 to 23 May 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2019 AGM, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company’s Hong Kong Registrar and Transfer Office, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 17 May 2019.

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

The proposed final dividend for the year ended 31 December 2018 is subject to approval by the shareholders of the Company at the 2019 AGM. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 29 May 2019 to 3 June 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company’s Hong Kong Registrar and Transfer Office, Tricor Secretaries Limited, for registration not later than 4:30 p.m. on Tuesday, 28 May 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

Following the acquisition of 51% equity interests in the CSP Spain Group, the acquisition of additional equity interests in CSP Zeebrugge Terminal in Belgium, which became a subsidiary of the Company and the subscription for the non-circulating domestic shares in QPI in 2017, COSCO SHIPPING Ports has seen significant growth in throughput and revenue from its terminals business. Meanwhile, through various efforts, the OCEAN Alliance and THE Alliance have also been calling at certain terminals of the Company since April 2017, resulting in increased terminals operations and further increase in profit from the terminals business. Excluding the profit from One-off Exceptional Items in 2017 (see note 3 on page 1 of this announcement), COSCO SHIPPING Ports recorded a profit attributable to equity holders of the Company of US\$324,583,000 in 2018 (2017: US\$227,062,000), representing a significant increase of 42.9% compared with last year; or 36.7% lower taking into account the profit from One-off Exceptional Items for 2017.

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

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

In respect of non-controlling terminals, profit from non-controlling terminals for 2018 was US\$298,257,000 (2017: US\$241,829,000), a 23.3% increase compared with last year. In May 2017, COSCO SHIPPING Ports completed the subscription for shares in QPI and started to account for its share of profit of QPI using the equity method. In 2018, COSCO SHIPPING Ports’ share of profit of QPI for the year amounted to US\$95,747,000, while it only shared QPI’s profit from May to December for the 2017, which amounted to US\$53,524,000. Excluding that of QPI, profit from non-controlling terminals business for 2018 was US\$202,510,000 (2017: US\$188,305,000), an increase of 7.5% compared with last year. The increase was mainly attributable to the fair value gain from Euromax Terminal Rotterdam B.V. (“Euromax Terminal”) in the Netherlands, Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret A. Ş. (“Kumport Terminal”) in Turkey, and Beibu Gulf Port Co., Ltd. (“Beibu Gulf Port”). Due to the increase in throughput of Euromax Terminal in the Netherlands, the share of profit of Euromax Terminal for 2018 increased to US\$9,034,000 (2017: US\$2,752,000).

With new shipping lines started to call at Kumport Terminal, throughput for 2018 recorded a significant growth of 18.3%. Meanwhile, benefited from the investment incentive policy newly introduced in Turkey, the share of profit of Kumport Terminal during the year further increased to US\$18,594,000 (2017: US\$12,673,000), an increase of 46.7% compared with last year. In December 2018, COSCO SHIPPING Ports acquired Beibu Gulf Port, and such investment was accounted for as financial assets at FVPL. The fair value gain of Beibu Gulf Port for 2018 amounted to US\$4,283,000 (2017: N/A).

## **Financial Analysis**

### **Revenues**

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

### **Cost of sales**

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

### **Administrative expenses**

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

## **Other operating income/(expenses), net**

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

## **Finance costs**

The Group’s finance costs for 2018 amounted to US\$78,022,000 (2017: US\$55,976,000), a 39.4% increase compared with last year. The average balance of bank loans for the year increased to US\$2,370,355,000 (2017: US\$1,691,875,000), representing a 40.1% increase compared with last year. The increase in finance costs was mainly attributable to bank loan interests of the terminals newly added by the Group in the second half of 2017. Taking into account the capitalised interest, the average cost of bank borrowings in 2018 (including the amortisation of transaction costs over bank loans and notes) was 3.58% (2017: 3.22%).

## **Share of profits less losses of joint ventures and associates**

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

## **Income tax expenses**

Income tax expenses for the year amounted to US\$66,042,000 (2017: US\$94,709,000), a 30.3% decrease compared with last year. Of this, income tax expenses for 2017 included taxation related to exceptional items, including income tax provision of US\$39,365,000 in respect of the disposal of Qingdao Qianwan Terminal, deferred income tax of US\$9,608,000 arising from the remeasurement gain of previously held interests of QPI at fair value upon further acquisition of equity interests to become an associate, as well as the reversal of dividend withholding income tax provision in the amount of US\$11,970,000 made in prior years in respect of the profit retained by Qingdao Qianwan Terminal. Net taxation related to exceptional items totalled US\$37,003,000 in 2017. Excluding taxation related to exceptional items, income tax expenses for 2018 amounted to US\$66,042,000 (2017: US\$57,706,000), a 14.4% increase compared with last year. Such increase was mainly contributed to the addition in income tax expenses by the CSP Spain Group during the year, and the expiry of the 50% corporate income tax exemption for both Xiamen Ocean Gate Terminal and Guangzhou South China Oceangate Terminal at the end of 2017, which resulted in the increase in their corporate income tax to 25% from 2018 onwards (2017: 12.5%).

## Financial Position

### Cash flow

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

The subscription for 1,015,520,000 non-circulating domestic shares in QPI at a total consideration of RMB5,798,619,200 (equivalent to approximately US\$843,858,000, being RMB5.71 per share) was completed in 2017, of which RMB3,198,650,840 (equivalent to approximately US\$465,491,000) was settled by the transfer of 20% equity interests in Qingdao Qianwan Terminal to QPI, and the remaining RMB2,599,968,360 (equivalent to approximately US\$378,367,000) was settled in cash. Moreover, in 2017, the Group completed the acquisition of 51% equity interests in the CSP Spain Group with a net investment amount of US\$218,035,000 in cash, the increase of equity interests in CSP Zeebrugge Terminal and provision of shareholder's loan totalling US\$40,212,000, and the acquisition of Wuhan Terminal with a net investment amount of US\$45,521,000 in cash. Furthermore, the acquisition of 40% equity interests in Reefer Terminal S.p.A. ("Vado Reefer Terminal") was completed in 2017, in connection with which an amount of US\$7,465,000 was invested and an additional shareholders' loan of US\$37,061,000 was provided to Vado Reefer Terminal. Additionally, the Group increased its investment in Qingdao Port Dongjiakou Ore Terminal Co., Ltd. for an amount of US\$22,601,000 in 2017.

### Financing and credit facilities

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

### Assets and liabilities

As at 31 December 2018, the Group's total assets and total liabilities were US\$9,045,452,000 (31 December 2017: US\$8,954,080,000) and US\$3,225,802,000 (31 December 2017: US\$3,108,706,000), respectively. Net assets were US\$5,819,650,000 (31 December 2017: US\$5,845,374,000). Net current assets as at 31 December 2018 amounted to US\$75,552,000 (31 December 2017: net current liabilities of US\$179,637,000). As at 31 December 2018, the net asset value per share of the Company was US\$1.87 (31 December 2017: US\$1.91).

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

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

## Debt analysis

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

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

## Financial guarantee contracts

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

## Treasury policy

The Group manages its foreign exchange risk by matching the currencies of its loans with the Group's functional currency of major cash receipts and underlying assets as much as possible. The functional currency of the Group's terminals business is either the Euro or Renminbi, the same currency of its borrowings, revenues and expenses, so as to provide a natural hedge against the foreign exchange volatility.

The financing activities of joint ventures and associates are denominated in their respective functional currencies so as to minimise foreign exchange exposure in investments.

Interest rate swap contracts with financial institutions are used to achieve the optimum ratio between fixed and floating rates and to manage the related interest rate exposure. As at 31 December 2018, 41.1% (31 December 2017: 29.2%) of the Group's borrowings were at fixed rates. In light of market conditions, the Group will continue to monitor and regulate its fixed and floating-rate debt portfolio, with a view to minimising its potential interest rate exposure.

## **Events after balance sheet date**

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

On 23 January 2019, the Company, CSP (Chancay) (a wholly-owned subsidiary of the Company), Volcan and TPCH entered into a subscription and investment agreement pursuant to which TPCH has conditionally agreed to issue, and CSP (Chancay) has conditionally agreed to subscribe for, shares representing 60% of the shares of TPCH at a subscription price of US\$225,000,000, and TPCH will become a subsidiary of the Company. As at the date of this announcement, the subscription was not completed.



## **OPERATIONAL REVIEW**

### **Market Review**

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

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

### **Overall Performance**

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

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

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

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

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

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

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

## **Greater China**

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

### ***Bohai Rim***

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

### ***Yangtze River Delta***

Throughput of the Yangtze River Delta region made up 16.9% of the Group's total and increased by 0.9% to 19,808,646 TEU (2017: 19,630,693 TEU) for the year. Throughput of Shanghai Pudong International Container Terminals Limited and Shanghai Mingdong Container Terminals Limited decreased by 1.8% and 3.8% compared with 2017 respectively in 2018, mainly due to adjustment of shipping routes within the port area and the prolonged foggy weather in 3Q2018. Benefit from shipping line adjustment and optimisation, throughput of Ningbo Yuan Dong Terminals Limited increased by 2.7% to 3,060,010 TEU for the year (2017: 2,980,839 TEU).

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

### ***Southeast Coast region***

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

### ***Pearl River Delta***

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

### ***Southwest Coast***

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

### ***Overseas***

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

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

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

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

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

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

## **PROSPECTS**

With the strong support from parent company and the OCEAN Alliance as well as debut of Abu Dhabi Terminal and added capacity at COSCO-PSA Terminal in 2019, COSCO SHIPPING Ports is well positioned to continue to outperform the market, especially throughput growth. Though the adoption of HKFRS 16 (non-cash impact) and the start-up costs of a new terminal will negatively impact the performance of the Group in the year, increased contributions from its subsidiaries will continue to drive the growth, and offset part of the negative impacts.

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

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

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

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

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

Throughput of the Group for the year ended 31 December 2018 was set out below:

	<b>2018</b> <b>(TEU)</b>	<b>2017</b> <b>(TEU)</b>	<b>Change</b> <b>(%)</b>
<b>Bohai Rim</b>	<b>38,328,815</b>	<b>28,244,975</b>	<b>+35.7</b>
Qingdao Port International Co., Ltd. <sup>Note 1</sup>	19,320,000	12,270,000	+57.5
Dalian Container Terminal Co., Ltd. <sup>Note 2</sup>	9,512,744	6,758,147	+40.8
Dalian Dagang China Shipping Container Terminal Co., Ltd.	22,047	24,582	-10.3
Tianjin Port Euroasia International Container Terminal Co., Ltd.	2,717,331	2,469,753	+10.0
Tianjin Five Continents International Container Terminal Co., Ltd.	2,708,817	2,580,943	+5.0
Yingkou Terminal <sup>Note 3</sup>	2,752,429	3,011,107	-8.6
Jinzhou New Age Container Terminal Co., Ltd.	710,746	571,113	+24.4
Qinhuangdao Port New Harbour Container Terminal Co., Ltd.	584,701	559,330	+4.5
<b>Yangtze River Delta</b>	<b>19,808,646</b>	<b>19,630,693</b>	<b>+0.9</b>
Shanghai Pudong International Container Terminals Limited	2,602,151	2,650,396	-1.8
Shanghai Mingdong Container Terminals Limited	6,252,083	6,500,062	-3.8
Ningbo Yuan Dong Terminals Limited	3,060,010	2,980,839	+2.7
Lianyungang New Oriental International Terminals Co., Ltd.	2,876,355	2,872,563	+0.1
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	761,849	735,918	+3.5
Yangzhou Yuanyang International Ports Co., Ltd.	500,340	489,108	+2.3
Nanjing Port Longtan Container Co., Ltd.	2,930,391	2,881,008	+1.7
Taicang International Container Terminal Co., Ltd.	561,212	520,799	+7.8
Nantong Tonghai Port Co., Ltd. <sup>Note 4</sup>	264,255	N/A	N/A
<b>Southeast Coast and others</b>	<b>5,699,718</b>	<b>5,079,660</b>	<b>+12.2</b>
Xiamen Ocean Gate Container Terminal Co., Ltd.	1,968,613	1,501,001	+31.2
Quan Zhou Pacific Container Terminal Co., Ltd.	1,559,899	1,384,479	+12.7
Jinjiang Pacific Ports Development Co., Ltd.	425,533	495,993	-14.2
Kao Ming Container Terminal Corp.	1,745,673	1,698,187	+2.8
<b>Pearl River Delta</b>	<b>27,388,896</b>	<b>27,049,188</b>	<b>+1.3</b>
Yantian International Container Terminals Co., Ltd.	13,159,705	12,703,733	+3.6
Guangzhou Terminal <sup>Note 5</sup>	10,969,992	10,856,560	+1.0
Hong Kong Terminal <sup>Note 6</sup>	3,259,199	3,488,895	-6.6
<b>Southwest Coast</b>	<b>1,371,051</b>	<b>1,357,005</b>	<b>+1.0</b>
Qinzhou International Container Terminal Co., Ltd.	1,371,051	1,357,005	+1.0
<b>Overseas</b>	<b>24,768,234</b>	<b>18,840,664</b>	<b>+31.5</b>
Piraeus Container Terminal S.A.	4,409,205	3,691,815	+19.4
CSP Zeebrugge Terminal NV	392,484	316,448	+24.0
COSCO SHIPPING Ports (Spain) Holding, S.L. <sup>Note 7</sup>	3,622,200	554,028	+553.8
COSCO-PSA Terminal Private Limited	3,198,874	2,044,536	+56.5
Reefer Terminal S.p.A. <sup>Note 8</sup>	66,565	39,455	+68.7
Euromax Terminal Rotterdam B.V.	3,054,115	2,693,337	+13.4
Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret A. Ş.	1,258,294	1,063,335	+18.3
Suez Canal Container Terminal S.A.E.	2,609,978	2,528,647	+3.2
Antwerp Gateway NV	2,230,418	2,166,096	+3.0
SSA Terminals (Seattle), LLC	167,824	188,455	-10.9
Busan Port Terminal Co., Ltd.	3,758,277	3,554,512	+5.7
<b>Total</b>	<b>117,365,360</b>	<b>100,202,185</b>	<b>+17.1</b>

- Note 1: Throughput of QPI was included since 1 May 2017.
- Note 2: The merger of Dalian Container Terminal, Dalian Port Container Terminal Co., Ltd. (“DPCT”) and Dalian International Container Terminal Co., Ltd. (“DICT”) was completed in October 2017. The figure of Dalian Container Terminal for the year 2017 included throughput of DPCT and DICT; while the figure for the year 2018 was throughput of Dalian Container Terminal after the merger.
- Note 3: Yingkou Container Terminal and Yingkou New Century Terminal began their operations under same management since May 2017. Therefore, throughput of the two terminals was combined within throughput of Yingkou Terminal.
- Note 4: Throughput of Nantong Tonghai Terminal was included since 1 August 2018.
- Note 5: The integration of operation of Guangzhou Nansha Stevedoring Terminal and Guangzhou South China Oceangate Terminal was commenced in August 2017. Therefore, throughput of the two terminals was combined within throughput of Guangzhou Terminal.
- Note 6: The co-management and operation of COSCO-HIT Terminals (Hong Kong) Limited (“COSCO-HIT Terminal”), Asia Container Terminals Limited (“Asia Container Terminal”) and Hongkong International Terminals Limited was commenced on 1 January 2017. Therefore, throughput of COSCO-HIT Terminal and Asia Container Terminal was combined within throughput of Hong Kong Terminal.
- Note 7: Throughput of the CSP Spain Group was included since 1 November 2017.
- Note 8: Throughput of Vado Reefer Terminal was included since 1 April 2017.
- Note 9: Total throughput of bulk cargo for the year was 357,314,338 tons (2017: 264,240,523 tons), representing an increase of 35.2%. Throughput of automobile was 912,472 vehicles (2017: 837,324 vehicles), representing an increase of 9.0%. Throughput of reefer of Vado Reefer Terminal was 459,760 pallets (2017: 347,509 pallets), representing an increase of 32.3%.

## **CORPORATE GOVERNANCE**

The Company continues to maintain high standards of corporate governance so as to promote transparency and ensure better protection of shareholders' interest as a whole. The Company has fully complied with the code provisions of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2018.

## **BOARD COMMITTEES**

### **Audit Committee**

The Audit Committee of the Company comprises three independent non-executive directors of the Company. The Audit Committee has reviewed, in the presence of the internal and external auditors, the Group's principal accounting policies and the consolidated financial statements for the year ended 31 December 2018.

### **Remuneration Committee**

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

### **Nomination Committee**

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

### **Other Board Committees**

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2018.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SHARES**

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

## **OVERALL MANAGEMENT AND AWARDS**

COSCO SHIPPING Ports' efforts in the fields of corporate governance and investor relations have been widely acclaimed externally and in 2018, our high level of corporate transparency and good corporate governance continued to earn market recognition.

- Awarded a “Gold Award in the H-share Companies and Other Mainland Enterprises Category” in the Best Corporate Governance Awards by the Hong Kong Institute of Certified Public Accountants for the second consecutive year;
- The “Best Port Operator 2018” from International Business magazine;
- The “Most Innovative Port Operator” from International Finance magazine;
- A “Gold Award in Environmental, Social Responsibility and Corporate Governance” from The Asset magazine, for the second consecutive year;
- The “Outstanding ESG Award” from the Economic Digest magazine;
- The “Excellence in GRI Report” grand award and the “Best ESG Report” grand award under the Mid-Cap category from Alaya Consulting magazine;
- The “Best Investor Relations Company” from the Corporate Governance Asia magazine for the seventh consecutive year, and awarded the “Best Investor Relations Professional” ;
- The “Outstanding China Enterprise Award” from Capital magazine for the seventh consecutive year;
- “Shipping In-House Team of the Year” from Asian Legal Business, a well-recognised professional magazine, for the seventh consecutive year;
- “Annual Report Design Silver Prize”, “Annual Report Photography Honors Prize”, “Annual Report Bronze Prize” under the Shipping Services category, “Sustainability Report Interior Design Bronze Prize” and “Sustainability Report Infographics Bronze Prize” in 2018 ARC Awards;
- “2017 Annual Report Bronze Prize”, “Corporate Website Honors Prize” and “Corporate Website Bronze Prize” under the Shipping and Logistics category and in the 2018 Galaxy Awards; and
- The “Best Investor Relations 2018” award under the Transportation category from the Global Business Outlook magazine.

## **INVESTOR RELATIONS**

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

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

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



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

## **CORPORATE SUSTAINABLE DEVELOPMENT**

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

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

### **Employee-oriented**

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

### **Optimise Terminal Portfolio and Enhance Operational Efficiency**

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

### **Customer-first**

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

## **Commit to the Development of “Green Ports”**

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

## **Win-Win Cooperation**

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

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

## **MEMBERS OF THE BOARD**

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

<sup>1</sup> Executive Director

<sup>2</sup> Non-executive Director

<sup>3</sup> Independent Non-executive Director

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

Hong Kong, 28 March 2019