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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 2019

Announcement of Results for the Year Ended 31 December 2019

- Total throughput increased by 5.5% to 123,784,335 TEU; total equity throughput increased by 7.0% to 39,670,783 TEU
- Total throughput from terminal companies in which the Group has controlling stakes increased by 11.5% to 25,104,282 TEU
- Revenue increased by 2.7% to US\$1,027,658,000
- Adjusted net profit attributable to equity holders of the Company increased by 8.1% to US\$350,869,000^{Note 2}

Financial Highlights

US\$ (million)

| | 2019 | 2018 | Change (%) |
|---|---------|---------|------------|
| Revenue | 1,027.7 | 1,000.4 | +2.7 |
| Cost of sales | 754.9 | 706.7 | +6.8 |
| Gross profit | 272.7 | 293.7 | -7.1 |
| Share of profits from joint ventures and associates | 267.5 | 292.5 | -8.5 |
| Profit attributable to equity holders of the Company | 308.0 | 324.6 | -5.1 |
| Earnings per share – Basic (US cents) | 9.82 | 10.58 | -7.2 |
| Adjusted net profit attributable to equity holders of the Company ^{Note 1} | 330.6 | 324.6 | +1.8 |
| Adjusted net profit attributable to equity holders of the Company ^{Note 2} | 350.9 | 324.6 | +8.1 |
| Adjusted earnings per share – Basic (US cents) ^{Note 2} | 11.19 | 10.58 | +5.8 |
| Dividend per share (US cents) | | | |
| - Interim | 1.900 | 2.212 | -14.1 |
| - Annual | 2.028 | 2.020 | +0.4 |
| Payout ratio | 40% | 40% | - |

Note 1: Excluding one-off dilution effect on equity interests in Qingdao Port International Co., Ltd. (“QPI”). 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 US\$22,553,000 on deemed disposal of partial interest in QPI.

Note 2: Excluding one-off dilution effect on equity interests in QPI of US\$22,553,000 and financial impact of US\$20,299,000 from Hong Kong Financial Reporting Standards (“HKFRS”) 16 “Leases” which is effective from 1 January 2019 (the “New Lease Standard”).

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 2019. 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 2019

| | <i>Note</i> | 2019 <i>US\$'000</i> | 2018 <i>US\$'000</i> |
|---|-------------|--------------------------------|-------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 3,125,239 | 3,057,069 |
| Right-of-use assets | | 937,849 | - |
| Investment properties | | 9,566 | 17,871 |
| Land use rights | | - | 262,507 |
| Intangible assets | | 455,632 | 423,811 |
| Joint ventures | | 1,278,125 | 1,269,250 |
| Loans to a joint venture | | 23,113 | 23,812 |
| Associates | | 2,752,908 | 2,578,830 |
| Loans to associates | | 147,121 | 150,269 |
| Financial asset at fair value through profit or loss | | - | 72,771 |
| Financial assets at fair value through other comprehensive income | | 173,375 | 183,263 |
| Deferred income tax assets | | 95,333 | 94,648 |
| Other non-current assets | 3 | 5,776 | 54,991 |
| | | <u>9,004,037</u> | <u>8,189,092</u> |
| Current assets | | | |
| Inventories | | 12,348 | 13,837 |
| Trade and other receivables | 4 | 227,032 | 235,421 |
| Current income tax recoverable | | 3,711 | 413 |
| Restricted bank deposits | | 30,285 | 63,674 |
| Cash and cash equivalents | | 927,194 | 543,015 |
| | | <u>1,200,570</u> | 856,360 |
| Assets classified as held for sale | 6 | 271,911 | - |
| | | <u>1,472,481</u> | <u>856,360</u> |
| Total assets | | <u>10,476,518</u> | <u>9,045,452</u> |

**CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2019**

| | <i>Note</i> | 2019 <i>US\$'000</i> | 2018 <i>US\$'000</i> |
|---|-------------|-------------------------|-------------------------|
| EQUITY | | | |
| Capital and reserves attributable to the equity holders of the Company | | | |
| Share capital | | 40,596 | 39,971 |
| Reserves | | <u>4,954,865</u> | <u>5,125,241</u> |
| | | 4,995,461 | 5,165,212 |
| Non-controlling interests | | <u>769,744</u> | <u>654,438</u> |
| Total equity | | <u>5,765,205</u> | <u>5,819,650</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred income tax liabilities | | 135,043 | 107,672 |
| Lease liabilities | | 733,948 | - |
| Long term borrowings | | 2,407,664 | 2,283,529 |
| Loans from non-controlling shareholders of a subsidiary | | 484 | 685 |
| Loans from a fellow subsidiary | | - | 8,870 |
| Derivative financial instruments | | 8,878 | 7,358 |
| Put option liability | | 217,711 | - |
| Other long term liabilities | | <u>35,035</u> | <u>36,880</u> |
| | | <u>3,538,763</u> | <u>2,444,994</u> |
| Current liabilities | | | |
| Trade and other payables and contract liabilities | 5 | 586,963 | 565,209 |
| Current income tax liabilities | | 14,338 | 16,079 |
| Current portion of lease liabilities | | 36,425 | - |
| Current portion of long term borrowings | | 228,957 | 87,824 |
| Short term borrowings | | 279,829 | 108,550 |
| Derivative financial instruments | | <u>3,209</u> | <u>3,146</u> |
| | | 1,149,721 | 780,808 |
| Liabilities directly associated with assets classified as held for sale | 6 | <u>22,829</u> | - |
| | | <u>1,172,550</u> | <u>780,808</u> |
| Total liabilities | | <u>4,711,313</u> | <u>3,225,802</u> |
| Total equity and liabilities | | <u>10,476,518</u> | <u>9,045,452</u> |

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019**

| | <i>Note</i> | 2019 <i>US\$'000</i> | 2018 <i>US\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| Revenues | 2 | 1,027,658 | 1,000,350 |
| Cost of sales | | <u>(754,934)</u> | <u>(706,659)</u> |
| Gross profit | | 272,724 | 293,691 |
| Administrative expenses | | (123,998) | (110,871) |
| Other operating income | 7 | 94,345 | 37,375 |
| Other operating expenses | | <u>(30,561)</u> | <u>(7,001)</u> |
| Operating profit | 8 | 212,510 | 213,194 |
| Finance income | 9 | 12,415 | 12,342 |
| Finance costs | 9 | <u>(108,863)</u> | <u>(78,022)</u> |
| Operating profit (after finance income and costs) | | 116,062 | 147,514 |
| Share of profits less losses of | | | |
| - joint ventures | | 86,359 | 90,969 |
| - associates | | <u>181,095</u> | <u>201,483</u> |
| Profit before income tax | | 383,516 | 439,966 |
| Income tax expenses | 10 | <u>(33,566)</u> | <u>(66,042)</u> |
| Profit for the year | | <u>349,950</u> | <u>373,924</u> |
| Profit attributable to: | | | |
| Equity holders of the Company | | 308,017 | 324,583 |
| Non-controlling interests | | <u>41,933</u> | <u>49,341</u> |
| | | <u>349,950</u> | <u>373,924</u> |
| Earnings per share for profit attributable to equity holders of the Company | | | |
| - Basic | 11 | <u>US9.82 cents</u> | <u>US10.58cents</u> |
| - Diluted | 11 | <u>US9.82 cents</u> | <u>US10.57cents</u> |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

NOTES

1. BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2019 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”). These accounting policies have been consistently applied to all the years presented unless otherwise mentioned.

The consolidated financial statements of the Company have been prepared in accordance with all applicable HKFRS issued by the HKICPA. The consolidated financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities (including derivative instruments) and investment properties measured at fair value.

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

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

New standard, interpretation and amendments

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

Annual Improvements 2015 – 2017 Cycle

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

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

1.2 Change in accounting policies

(a) Adoption of HKFRS 16

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

1. BASIS OF PREPARATION (CONTINUED)

1.2 Change in accounting policies (Continued)

(a) Adoption of HKFRS 16 (Continued)

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

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

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

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

1. BASIS OF PREPARATION (CONTINUED)

1.2 Change in accounting policies (Continued)

(a) Adoption of HKFRS 16 (Continued)

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

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

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

The recognised right-of-use assets relate to the following types of assets:

| | 31 December 2019 | 1 January 2019 |
|----------------------------------|-------------------------|-----------------|
| | <i>US\$'000</i> | <i>US\$'000</i> |
| Concession | 698,805 | 642,004 |
| Buildings | 4,203 | 11,115 |
| Plant and machinery | 15,240 | 49,605 |
| Land use right | 219,601 | 262,507 |
| Total right-of-use assets | <u>937,849</u> | <u>965,231</u> |

1. BASIS OF PREPARATION (CONTINUED)

1.2 Change in accounting policies (Continued)

(b) Effect on adoption of HKFRS 16

(i) Consolidated balance sheet on 1 January 2019

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

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

1. BASIS OF PREPARATION (CONTINUED)

1.2 Change in accounting policies (Continued)

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

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

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

(c) How the Group's leasing activities are accounted for

Until the 2018 financial year, leases were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

1. BASIS OF PREPARATION (CONTINUED)

1.2 Change in accounting policies (Continued)

(c) How the Group's leasing activities are accounted for (Continued)

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

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to be paid to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

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

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

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

1. BASIS OF PREPARATION (CONTINUED)

1.2 Change in accounting policies (Continued)

(c) How the Group's leasing activities are accounted for (Continued)

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

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

1.3 New standard and amendments to existing standards that are not yet effective for the year ended 31 December 2019 and have not been early adopted by the Group

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

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

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

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

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

Segment assets

| | Terminals and related businesses US\$'000 | Others US\$'000 | Elimination US\$'000 | Total US\$'000 |
|---|--|--------------------|-------------------------|-------------------|
| At 31 December 2019 | | | | |
| Segment assets | <u>9,741,724</u> | <u>1,281,322</u> | <u>(546,528)</u> | <u>10,476,518</u> |
| Segment assets include: | | | | |
| Joint ventures | 1,278,125 | - | - | 1,278,125 |
| Associates | 2,752,908 | - | - | 2,752,908 |
| Financial assets at fair value through other comprehensive income ("FVOCI") | <u>173,375</u> | <u>-</u> | <u>-</u> | <u>173,375</u> |
| At 31 December 2018 | | | | |
| 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 fair value through profit or loss ("FVPL") | 72,771 | - | - | 72,771 |
| Financial assets at FVOCI | <u>183,263</u> | <u>-</u> | <u>-</u> | <u>183,263</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> |
|--|---|---------------------------|--------------------------------|--------------------------|
| Year ended 31 December 2019 | | | | |
| Revenues - total sales | <u>1,027,658</u> | <u>-</u> | <u>-</u> | <u>1,027,658</u> |
| Segment profit/(loss) attributable to equity holders of the Company | <u>354,025</u> | <u>(46,008)</u> | <u>-</u> | <u>308,017</u> |
| Segment profit/(loss) attributable to equity holders of the Company includes: | | | | |
| Finance income | 1,196 | 35,754 | (24,535) | 12,415 |
| Finance costs | (82,952) | (50,420) | 24,509 | (108,863) |
| Share of profits less losses of | | | | |
| - joint ventures | 86,359 | - | - | 86,359 |
| - associates | 181,095 | - | - | 181,095 |
| Income tax (expenses)/credit | (40,081) | 6,515 | - | (33,566) |
| Depreciation and amortisation | (186,549) | (3,511) | - | (190,060) |
| Other non-cash expenses | <u>(984)</u> | <u>-</u> | <u>-</u> | <u>(984)</u> |
| Additions to non-current assets | <u>(397,500)</u> | <u>(2,117)</u> | <u>-</u> | <u>(399,617)</u> |
| Additions arising from business combinations | <u>(164,391)</u> | <u>-</u> | <u>-</u> | <u>(164,391)</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 2018 | | | | |
| 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)

(b) Geographical information

(i) Revenues

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

| | 2019 <i>US\$'000</i> | 2018 <i>US\$'000</i> |
|--|--------------------------------|-------------------------|
| Terminals and related businesses | | |
| - Mainland China (excluding Hong Kong) | 467,532 | 459,860 |
| - Europe | 554,525 | 540,490 |
| - Others | 5,601 | - |
| | <u>1,027,658</u> | <u>1,000,350</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, right-of-use assets, investment properties, land use rights, intangible assets, joint ventures, associates and other non-current assets.

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

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

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

3. OTHER NON-CURRENT ASSETS

Other non-current assets of the Group in 2018 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. The relevant balances were reclassified to right-of-use assets upon the adoption of HKFRS 16 on 1 January 2019.

4. TRADE AND OTHER RECEIVABLES

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

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:

| | 2019 <i>US\$'000</i> | 2018 <i>US\$'000</i> |
|----------------|-------------------------|-------------------------|
| Within 30 days | 58,707 | 71,226 |
| 31 - 60 days | 26,093 | 36,528 |
| 61 - 90 days | 8,722 | 6,317 |
| Over 90 days | 4,932 | 9,782 |
| | 98,454 | 123,853 |

5. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

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

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

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

6. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 18 September 2019, the Company entered into agreements in respect of the disposal of COSCO Ports (Yangzhou) Limited (“CP (Yangzhou)”) and Win Hanverky Investments Limited (“Win Hanverky”) together with their equity investments. The disposals completed on 10 February 2020 with details set out in note 13. Assets and liabilities of such disposed entities were reclassified as assets classified as held for sale and liabilities directly associated with assets classified as held for sale as at 31 December 2019.

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

7. OTHER OPERATING INCOME

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

8. OPERATING PROFIT

Operating profit is stated after charging the following:

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

Note: For the year ended 31 December 2019, the amounts represent variable lease payments linked to revenues/throughput.

9. FINANCE INCOME AND COSTS

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

10. INCOME TAX EXPENSES

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

Hong Kong profits tax was provided at a rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. Deferred income tax is calculated in full on temporary differences under the liability method using tax rates substantively enacted by the balance sheet date.

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.

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

(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.

11. EARNINGS PER SHARE (CONTINUED)

(b) Diluted (Continued)

For the year ended 31 December 2019, the outstanding share options granted by the Company did not have any dilutive effect on the earnings per share, and the diluted earnings per share is equal to the basic earnings per share.

| | 2019 | 2018 |
|--|-----------------------------|------------------------|
| Profit attributable to equity holders of the Company | <u>US\$308,017,000</u> | <u>US\$324,583,000</u> |
| Weighted average number of ordinary shares in issue | 3,135,085,181 | 3,067,491,368 |
| Adjustments for assumed issuance of shares on exercise of dilutive share options | <u>-</u> | <u>2,613,104</u> |
| Weighted average number of ordinary shares for diluted earnings per share | <u>3,135,085,181</u> | <u>3,070,104,472</u> |
| Diluted earnings per share | <u>US9.82 cents</u> | <u>US10.57 cents</u> |

12. DIVIDENDS

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

Note:

At a meeting held on 26 March 2020, the directors recommended the payment of a final dividend of HK15.7 cents (equivalent to US2.028 cents) per ordinary share. The proposed dividend will be payable in cash and with a scrip dividend alternative. This proposed final dividend is not reflected as dividend payable in these consolidated financial statements until it has been approved at the annual general meeting, but will be reflected as an appropriation of retained profits for the year ending 31 December 2020.

13. EVENTS AFTER BALANCE SHEET DATE

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

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

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

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 2019 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 2019 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 HK15.7 cents (2018: HK15.8 cents) per share for the year ended 31 December 2019 with an option to receive new fully paid shares in lieu of cash (“Scrip Dividend Scheme”).

The proposed final dividend will be payable on 17 July 2020 to shareholders whose names appear on the register of members of the Company at the close of business on 26 May 2020. 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 21 May 2020 (“2020 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 17 July 2020.

Details of the Scrip Dividend Scheme and the election form will be sent to shareholders on or about 23 June 2020.

CLOSURES OF REGISTER OF MEMBERS

(a) For determining the entitlement to attend and vote at the 2020 AGM

The 2020 AGM of the Company is scheduled to be held on Thursday, 21 May 2020. For determining the entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from 18 May 2020 to 21 May 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2020 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 15 May 2020.

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

The proposed final dividend for the year ended 31 December 2019 is subject to approval by the shareholders of the Company at the 2020 AGM. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 27 May 2020 to 1 June 2020, 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, 26 May 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

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

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

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

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

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

FINANCIAL ANALYSIS

Revenues

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

Cost of sales

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

Administrative expenses

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

Other operating income/(expenses), net

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

Finance costs

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

Share of profits less losses of joint ventures and associates

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

Income tax expenses

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

Financial Position

Cash flow

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

During the year, an amount of US\$242,462,000 (2018: US\$312,824,000) was paid in cash by the Group for the expansion of berths and the purchase of property, plant and equipment. An amount of HK\$467,891,000 (equivalent to approximately US\$59,723,000) was used to purchase circulating foreign shares in QPI with 1.34% equity interest during the year and US\$15,214,000 was used to invest in CSP Zeebrugge CFS. In addition, an amount of US\$14,259,000 was used by the Group to purchase 24.5% equity interest of Tianjin Orient Container Terminal Co., Ltd (“TOCT”) and US\$6,488,000 was used to purchase 3.073% equity interest of Tianjin Five Continents International Container Terminal Co., Ltd (“FICT”), together with 28% pre-existing equity interest in FICT, for exchange of 16.01% equity interest in Tianjin Container Terminal. Furthermore, an amount of US\$56,250,000 was also paid to acquire 60% equity interest in CSP Chancay Terminal, a subsidiary of the Company. Moreover, the Group increased its equity interest of Beibu Gulf Port in 2019 at a consideration of US\$129,212,000. On the other hand, the Group received US\$52,442,000 from the disposal of CP (Nanjing) and its 16.14% stakes in Nanjing Longtan Terminal in 2019. In 2018, an amount of US\$59,761,000 was paid by the Group to subscribe for the preference shares of COSCO-PSA Terminal Private Limited (“COSCO-PSA Terminal”). In addition, in 2018, the Group subscribed for 70,943,455 shares in Beibu Gulf Port at a consideration of RMB6.64 per share, representing 4.34% equity interests, with a net investment cash outflow of US\$68,632,000. On the other hand, the Group completed the disposal of 15% equity interests in CSP Zeebrugge Terminal for a consideration of US\$8,780,000 in 2018.

Financing and credit facilities

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

Assets and liabilities

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

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

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

Debt analysis

| By repayment term | As at 31 December 2019 | | As at 31 December 2018 | |
|---------------------------------|-------------------------------|--------------|-------------------------------|--------------|
| | US\$ | (%) | US\$ | (%) |
| Within the first year | 508,786,000 | 17.5 | 196,374,000 | 7.9 |
| Within the second year | 265,941,000 | 9.1 | 233,126,000 | 9.4 |
| Within the third year | 411,968,000 | 14.1 | 258,830,000 | 10.5 |
| Within the fourth year | 707,903,000 | 24.3 | 379,635,000 | 15.3 |
| Within the fifth year and after | 1,021,852,000 | 35.0 | 1,411,938,000 | 56.9 |
| | 2,916,450,000 * | 100.0 | 2,479,903,000 * | 100.0 |

| By category | | | | |
|----------------------|------------------------|--------------|------------------------|--------------|
| Secured borrowings | 990,140,000 | 34.0 | 1,017,631,000 | 41.0 |
| Unsecured borrowings | 1,926,310,000 | 66.0 | 1,462,272,000 | 59.0 |
| | 2,916,450,000 * | 100.0 | 2,479,903,000 * | 100.0 |

| By denominated currency | | | | |
|--------------------------------|------------------------|--------------|------------------------|--------------|
| US dollar borrowings | 1,163,246,000 | 39.9 | 721,698,000 | 29.1 |
| RMB borrowings | 577,486,000 | 19.8 | 560,147,000 | 22.6 |
| Euro borrowings | 829,024,000 | 28.4 | 853,360,000 | 34.4 |
| HK dollar borrowings | 346,694,000 | 11.9 | 344,698,000 | 13.9 |
| | 2,916,450,000 * | 100.0 | 2,479,903,000 * | 100.0 |

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

Financial guarantee contracts

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

Treasury policy

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

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

Interest rate swap contracts with financial institutions are used to achieve the optimum ratio between fixed and floating rates and to manage the related interest rate exposure. As at 31 December 2019, 37.0% (31 December 2018: 41.1%) of the Group's borrowings were at fixed rates. In light of market conditions, the Group will continue to monitor and regulate its fixed and floating-rate debt portfolio, with a view to minimising its potential interest rate exposure.

Events after balance sheet date

Please refer to the explanatory note 13 "EVENTS AFTER BALANCE SHEET DATE" on page 25 of this announcement.

OPERATIONAL REVIEW

Market Review

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

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

Overall Performance

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

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

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

Greater China

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

Bohai Rim

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

Yangtze River Delta

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

Southeast Coast and Others

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

Pearl River Delta

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

Southwest Coast

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

Overseas

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

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

PROSPECTS

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

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

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

COSCO SHIPPING Ports will continue to speed up the terminal extension business. On 3 April 2019, the Group signed an investment agreement with Guangzhou Nansha Economic and Technology Development Zone Commercial Bureau to invest in the supply chain base project of COSCO SHIPPING Ports in Nansha District, Guangzhou, with a view to build up a port supply chain platform, develop mid to high-end warehousing and related businesses, and extend to upstream and downstream industries. Looking ahead, apart from Guangzhou, the Company will develop its terminal extended business to Abu Dhabi, Nantong, Xiamen, Wuhan and other regions so as to further improve its profitability.

COSCO SHIPPING Ports will continue to deploy its resources prudently, continuously optimise its cost structure, enhance operational efficiency and strengthen its risk management. The Group strives to remain committed to building a well-balanced and global terminal network, catering the needs of shipping alliances with more comprehensive services. Meanwhile, it will seize any development opportunity to strengthen its global terminal network.

Throughput of the Group for the year ended 31 December 2019 was set out below:

| | 2019 (TEU) | 2018 (TEU) | Change (%) |
|--|--------------------|--------------------|---------------|
| Bohai Rim | 40,659,612 | 38,328,815 | +6.1 |
| Qingdao Port International Co., Ltd. | 21,010,000 | 19,320,000 | +8.7 |
| Dalian Container Terminal Co., Ltd. | 8,525,291 | 9,512,744 | -10.4 |
| Dalian Dagang China Shipping Container Terminal Co., Ltd. | 22,006 | 22,047 | -0.2 |
| Tianjin Port Euroasia International Container Terminal Co., Ltd. | 2,860,127 | 2,717,331 | +5.3 |
| Tianjin Five Continents International Container Terminal Co., Ltd. ^{Note 1} | 1,906,220 | 2,708,817 | -29.6 |
| Tianjin Port Container Terminal Co., Ltd. ^{Note 1} | 2,568,105 | N/A | N/A |
| Yingkou Terminal ^{Note 2} | 2,380,569 | 2,752,429 | -13.5 |
| Jinzhou New Age Container Terminal Co., Ltd. | 770,037 | 710,746 | +8.3 |
| Qinhuangdao Port New Harbour Container Terminal Co., Ltd. | 617,257 | 584,701 | +5.6 |
| Yangtze River Delta | 20,238,468 | 19,808,646 | +2.2 |
| Shanghai Pudong International Container Terminals Limited | 2,550,390 | 2,602,151 | -2.0 |
| Shanghai Mingdong Container Terminals Limited | 6,160,365 | 6,252,083 | -1.5 |
| Ningbo Yuan Dong Terminals Limited | 3,010,164 | 3,060,010 | -1.6 |
| Lianyungang New Oriental International Terminals Co., Ltd. | 2,819,448 | 2,876,355 | -2.0 |
| Zhangjiagang Win Hanverky Container Terminal Co., Ltd. | 657,849 | 761,849 | -13.7 |
| Yangzhou Yuanyang International Ports Co., Ltd. | 500,599 | 500,340 | +0.1 |
| Nanjing Port Longtan Container Co., Ltd. | 3,000,506 | 2,930,391 | +2.4 |
| Taicang International Container Terminal Co., Ltd. | 403,307 | 561,212 | -28.1 |
| Nantong Tonghai Port Co., Ltd. ^{Note 3} | 1,135,840 | 264,255 | +329.8 |
| Southeast Coast and others | 5,783,821 | 5,699,718 | +1.5 |
| Xiamen Ocean Gate Container Terminal Co., Ltd. | 2,061,341 | 1,968,613 | +4.7 |
| Quan Zhou Pacific Container Terminal Co., Ltd. | 1,588,589 | 1,559,899 | +1.8 |
| Jinjiang Pacific Ports Development Co., Ltd. | 498,846 | 425,533 | +17.2 |
| Kao Ming Container Terminal Corp. | 1,635,045 | 1,745,673 | -6.3 |
| Pearl River Delta | 27,469,330 | 27,388,896 | +0.3 |
| Yantian International Container Terminals Co., Ltd. | 13,069,120 | 13,159,705 | -0.7 |
| Guangzhou Terminal ^{Note 4} | 11,333,019 | 10,969,992 | +3.3 |
| Hong Kong Terminal ^{Note 5} | 3,067,191 | 3,259,199 | -5.9 |
| Southwest Coast | 1,638,621 | 1,371,051 | +19.5 |
| Qinzhou International Container Terminal Co., Ltd. | 1,638,621 | 1,371,051 | +19.5 |
| Overseas | 27,994,483 | 24,768,234 | +13.0 |
| Piraeus Container Terminal S.A. | 5,158,626 | 4,409,205 | +17.0 |
| CSP Zeebrugge Terminal NV | 483,601 | 392,484 | +23.2 |
| CSP Spain Group | 3,585,276 | 3,622,200 | -1.0 |
| CSP Abu Dhabi Terminal L.L.C. ^{Note 6} | 386,258 | N/A | N/A |
| COSCO-PSA Terminal Private Limited | 5,011,091 | 3,198,874 | +56.7 |
| Reefer Terminal S.p.A. | 54,430 | 66,565 | -18.2 |
| Euromax Terminal Rotterdam B.V. | 2,792,987 | 3,054,115 | -8.6 |
| Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret A. Ş. | 1,281,850 | 1,258,294 | +1.9 |
| Suez Canal Container Terminal S.A.E. | 3,161,084 | 2,609,978 | +21.1 |
| Antwerp Gateway NV | 2,109,308 | 2,230,418 | -5.4 |
| SSA Terminals (Seattle), LLC | 204,068 | 167,824 | +21.6 |
| Busan Port Terminal Co., Ltd. | 3,765,904 | 3,758,277 | +0.2 |
| Total | 123,784,335 | 117,365,360 | +5.5 |

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

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 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2019, except the following deviation for a short period of time: Mr. ZHANG Wei (張為) has been re-designated from the Vice Chairman of the Board to the Chairman of the Board for the period from 25 April 2019 to 12 September 2019. As he continues to be the Managing Director of the Company (i.e. Chief Executive of the Company), there was deviation from the requirement under code provision A.2.1 (the roles of chairman and chief executive should be separated and should not be performed by the same individual). Mr. ZHANG Wei (張為) resigned as Chairman of the Board and Managing Director of the Company on 13 September 2019 due to work commitments, and thereafter, the roles of Chairman and Managing Director has been performed by different individual: Mr. FENG Boming has been the Chairman of the Board of the Company and Mr. ZHANG Dayu has been the Managing Director of the Company. Despite the short period of deviation mentioned above, as the management reported all major decisions of the Company to and obtained the approval of the Board Committees and the Board, and the Company had an effective internal control system, the Company was able to ensure adequate check-and-balance for such arrangements.

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 2019.

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 <https://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 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company’s listed shares during 2019.

OVERALL MANAGEMENT AND AWARDS

COSCO SHIPPING Ports’ efforts in the fields of corporate governance and investor relations have been widely acclaimed externally and in 2019, our high level of corporate transparency and good corporate governance continued to earn market recognition.

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

INVESTOR RELATIONS

COSCO SHIPPING Ports highly values investor relations. It strengthens the communication with investors during its daily operations as an important part of its corporate governance. The Company is continuously committed to enhancing its corporate transparency, adopting stringent and transparent disclosure standards, and precisely announcing corporate information on a timely basis.

Year 2019 is the third operational year since the completion of reorganisation of the Group in 2016. While continuously enhancing the global terminal network, the Company realises that making investors and shareholders understand the business and development strategies of the Group on a timely manner is the most important task in terms of investor relations.

Investor Relation Department strives to strengthen the communication with shareholders, investors and analysts, precisely announce the corporate information, and timely respond to the inquiries from investors. It voluntarily announces monthly throughput of terminals and quarterly results; enhances corporate transparency; actively organises activities such as investor presentation, telephone conferences on results, and press conferences, with an aim to strengthen their understanding on the Group's business, and prepares the environmental, social and governance report, so as to improve the corporate governance of the Company.

As the window of the Company, the Group launched a series of activities on the investor relations in 2019, aiming at enhancing the transparency of the Company, including active participating in the investor meetings organised by brokers, strengthening the communication with the shareholders of the Company, and answering the questions from the market on a timely basis. By doing so, more investors understand the operations and development strategies of the Company, increasing the market confidence to our Company. The Group met with over 300 funds and institutions in 2019, and received more than 400 investors and related personnel from China, the United Kingdom, the United States, Australia, Singapore, and Malaysia, showing that the Group has actively organised and participated in investor activities while improving the communication between the shareholders, investors and analysts.

CORPORATE SUSTAINABLE DEVELOPMENT

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

Caring for our People

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

Customers First

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

Green Development

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

Win-win Cooperation

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

Investing in Communities

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

MEMBERS OF THE BOARD

As at the date of this announcement, the board of directors of the Company comprises Mr. FENG Boming¹ (Chairman), Mr. ZHANG Dayu¹ (Managing Director), Mr. DENG Huangjun¹, Mr. ZHANG Wei², Mr. CHEN Dong², Dr. WONG Tin Yau, Kelvin¹, Dr. FAN HSU Lai Tai, Rita³, Mr. Adrian David LI Man Kiu³, Mr. LAM Yiu Kin³ and Prof. CHAN Ka Lok³.

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director

By Order of the Board
COSCO SHIPPING Ports Limited
FENG Boming
Chairman

Hong Kong, 26 March 2020