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

2016 Annual Report

Moving Forward
Embracing Change

Company Profile

COSCO SHIPPING Ports Limited completed its reorganisation in March 2016, becoming a pure terminals operator. This involved the (1) acquisition of China Shipping Ports Development Co., Limited and the (2) disposal of Florens Container Holdings Limited, the container leasing, management and sale business. On 22 July of the same year, the Company changed its name from COSCO Pacific Limited to COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports"). The new name not only reflects the Company's strategic goals and more focused business, but also highlights the Group's synergies with its parent company.

COSCO SHIPPING Ports' largest shareholder is COSCO SHIPPING Holdings Co., Ltd (Stock Code: 1919.HK), whose ultimate parent company, China COSCO Shipping Corporation Limited ("COSCO SHIPPING"), is one of the largest integrated shipping companies in the world. COSCO SHIPPING Ports benefits from the competitive advantages brought by its parent company and the synergies among COSCO SHIPPING group companies, as well as long-term support from large-scale shipping companies in China and overseas.

The Group's terminals portfolio covers five main port regions in Mainland China, Hong Kong and Taiwan, as well as overseas hub ports. As of 31 December 2016, we operated and managed 180 berths at 30 ports worldwide, of which 158 were for containers, with a combined annual handling capacity of approximately 97.25 million TEU. The Group's total throughput represents a global market share of approximately 13.0%, making it the world's largest container terminals operator by this measure. The Group's equity throughput represents a global market share of approximately 4.3%, making it the world's fifth largest container terminals operator by this measure. [Note]

In line with our business development focus since the reorganisation, COSCO SHIPPING Ports has adopted three core strategies to enhance its competitiveness and profitability:

1. Developing a global terminals portfolio: actively seeking terminal assets on a global basis that offer good potential value and long-term returns, so as to develop a comprehensive, well-balanced global terminals network.

2. Bringing into full play the synergies with parent company COSCO SHIPPING's container fleet and the OCEAN Alliance: fully exploiting the unique advantages arising from COSCO SHIPPING's container fleet and seizing significant market share within the OCEAN Alliance.

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

COSCO SHIPPING Ports has adopted "The Ports For ALL" as its mission. In working towards this goal, we will expand our global portfolio and strive to be a leading global ports operator. Our vision is the creation of a synergistic platform that offers mutual benefits to all in the shipping industry, connecting global routes and becoming truly "the ports for all people".

Note: Data is sourced from Drewry's "Global Container Terminal Operators Annual Review and Forecast (2016)"

Contents

Inspired by Globalisation

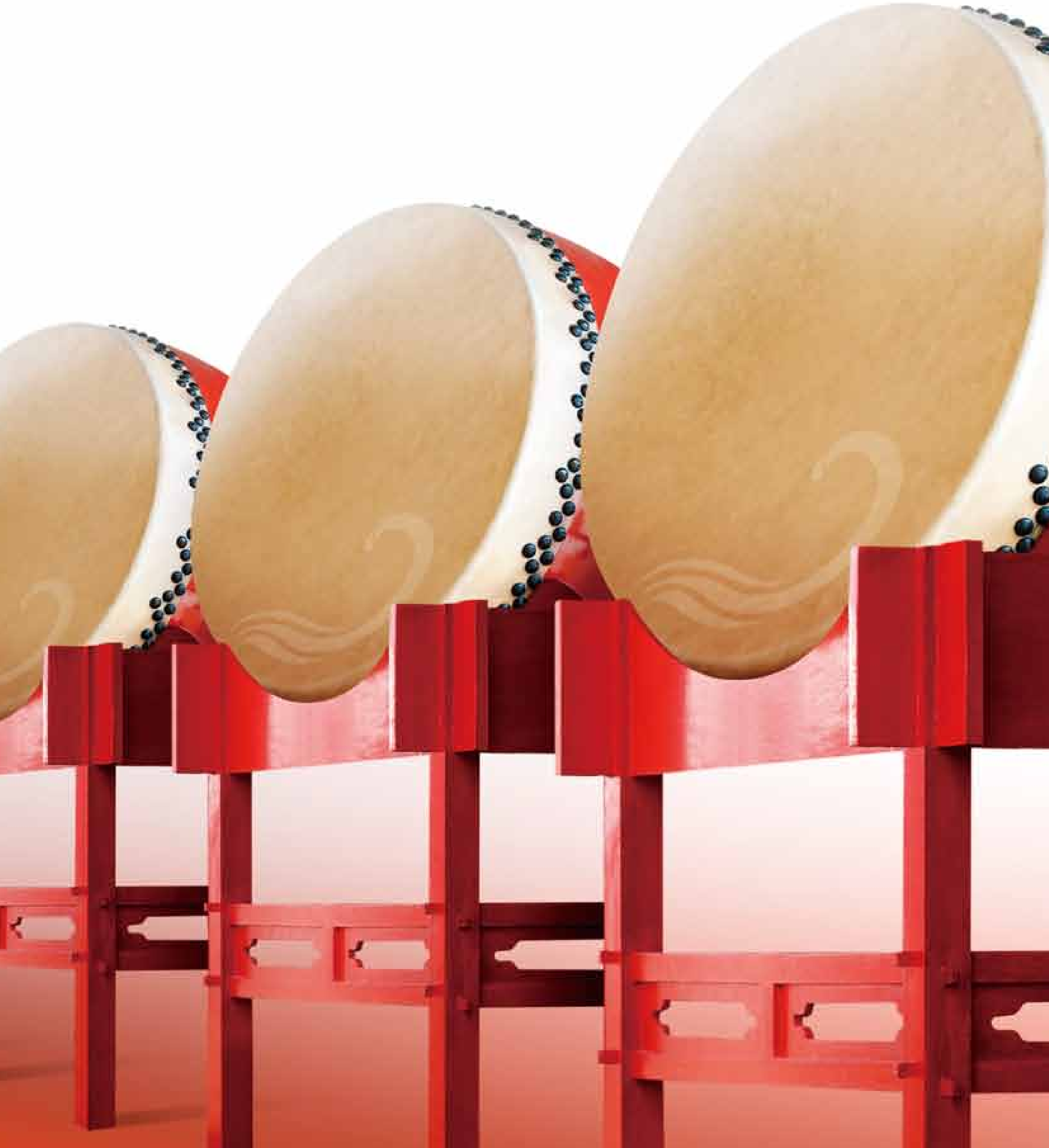
COSCO SHIPPING Ports is open to the world. We will speed up the globalisation of our network, improve our capabilities and serve customers from all over the world. We will increase our international brand presence and become a leading ports operator.

Realising Synergies

COSCO SHIPPING Ports has transformed through its restructuring. With a clear focus, we will exploit the synergies with our parent company's container fleet and enhance our core competitive advantages.

Unity and Control

COSCO SHIPPING Ports is united in working toward our five-year goals. With our pursuit of excellence and sharp focus, we will strengthen our control over port management. By adopting a united management system and continually improving its performance assessment, we will enhance the Company's management quality and efficiency.



The Ports For ALL

This is our newly defined mission. COSCO SHIPPING Ports as a responsible participant in the shipping industry revolution, will expand our global portfolio, create a synergistic platform that offers mutual benefits and maximised value for all parties, connecting global routes and becoming truly 'the ports for all people'.


Become the World's Leading Ports Operator
Vision
Maximise Shareholder Value
Achieve Sustainability

MAJOR EVENTS

February

- A Special General Meeting was held, at which the resolution relating to the disposal of the entire issued share capital of Florens Container Holdings Limited held by the Company and the acquisition of the entire issued share capital of China Shipping Ports Development Co., Limited was approved by the overwhelming majority of independent Shareholders

March

- Mr. HUANG Xiaowen was appointed as Chairman of the Board of Directors and a non-executive director of the Company
- The acquisition of China Shipping Ports Development Co., Limited and the disposal of Florens Container Holdings Limited were completed
- A co-operation agreement was entered into with PSA Corporation Limited ("PSA") in relation to the investment in a major container terminal in Singapore, further deepening the cooperation between the Company and PSA
- The first meeting of the Board of Directors of the Company in 2016 was held
- Announced the 2015 final results and held a press conference and analysts' panel discussion

April

- Mr. ZHANG Wei was re-designated from a non-executive director to an executive director and was appointed as Vice Chairman and Managing Director of the Company
- Held the second meeting of the Board of Directors of the Company in 2016
- Announced the 2016 first quarter results on a voluntary basis

May

- The Company entered into a share sale and purchase agreement with ECT Participations B.V. and Europe Container Terminals B.V. to acquire a 35% equity interest in Euromax Terminal
- Held the Annual General Meeting and a press conference

June

- Awarded "Best Investor Relations Company" for the fifth consecutive year by Corporate Governance Asia magazine
- Received the "Top Ten Innovative Corporate Legal Team" award issued by the Financial Times, a well-known business newspaper

July

- A Special General Meeting was held, at which the resolution relating to the change of name of the Company from "COSCO Pacific Limited" to "COSCO SHIPPING Ports Limited" and the adoption of "中遠海運港口有限公司" as the Company's Chinese name was approved. The change of name took effect on 22 July 2016
- Received the "Outstanding China Enterprise Award" from Capital magazine for the fifth consecutive year

August

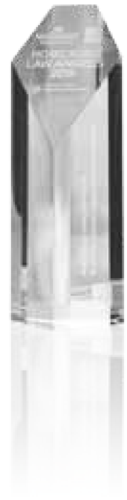
- The Company held a Renaming Ceremony and Project Promotion Conference. Mr. CAO Liqiang, District Governor of the Hongkou People's Government, Mr. XU Lirong, Chairman of COSCO SHIPPING, Mr. WAN Min, President of COSCO SHIPPING and Mr. ZHANG Wei, Vice Chairman and Managing Director of COSCO SHIPPING Ports jointly unveiled the Company's new name and lit up the new motto "The Ports For ALL", which symbolises that COSCO SHIPPING Ports lights up the future

- Held the third meeting of the Board of Directors of the Company in 2016
- Announced the 2016 interim results and held a press conference and analysts' panel discussion

September

- Completion of acquisition of 35% equity interest in Euromax Terminal
- The Company entered into a concession agreement with Abu Dhabi Ports Company PJSC ("AD Ports") in relation to the establishment of a joint venture to construct, manage and operate Khalifa Port Container Terminal Phase II. The Company will hold a 90% equity interest in the joint venture, and AD Ports will hold the remaining 10% equity interest

- The 2015 Annual Report was awarded the "Chairman's Letter Silver Award" and "Written Text Honors" in the Marine Transportation category at the 2016 ARC Awards.
- Given the "Shipping In-House Team of the Year Award" by Asian Legal Business, a renowned magazine for the legal profession for the fifth consecutive year



October

- The Company entered into a share sale and purchase agreement with APM Terminals B.V. to acquire 40% of the issued share capital of APM Terminals Vado Holding B.V.
- The 2015 Annual Report was awarded an "Excellence Award for H Share & Red Chip Entries" at the 2016 annual report awards held by the Hong Kong Management Association
- Held the fourth meeting of the Board of Directors of the Company in 2016
- Announced the 2016 third quarter results on a voluntary basis

December

- COSCO SHIPPING Ports and Hutchison Port Holdings Trust announced that Hongkong International Terminals Limited, COSCO-HIT Terminal and Asia Container Terminal had entered into a formal collaboration agreement for the efficient co-management and operation of berths across Terminals 4, 6, 7, 8 and 9 at Kwai Tsing, New Territories, Hong Kong

- COSCO SHIPPING Ports launched its new logo, which reflects the change of name of the Company and its globalisation development strategy for the new era
- Honoured with the "Gold Award in Corporate Governance, Environmental Responsibility and Investor Relations" from The Asset magazine

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Revenue

- In 2016, the sluggish growth in the global economy and ports industry, as well as the decline in China's foreign trade compared with last year, put pressure on the growth of the Group's terminals business. The Group's revenue increased by 1.1% to US$556,377,000 (2015: US$550,217,000). Within this, Piraeus Terminal and Guangzhou South China Oceangate Terminal recorded significant growth in their revenues. The throughput of Piraeus Terminal rose to 3,470,981 TEU (2015: 3,034,428 TEU), a 14.4% increase, generating a revenue of US$176,226,000 (2015: US$156,126,000), a 12.9% increase compared with last year. However, the bulk cargo throughput of certain controlling terminals in 2016 decreased compared with last year, partially offsetting the increase.

Gross Profit

- Cost of sales for 2016 was US$357,294,000 (2015: US$351,128,000), a 1.8% increase compared with last year. As a result, gross profit margin decreased slightly by 0.4 percentage points to 35.8% (2015: 36.2%) due to the increase in cost of sales. Gross profit remained flat at US$199,083,000 (2015: US$199,089,000).

Profit

- Profit from the terminals business of the Company was US$242,898,000 (2015: US$286,584,000), a 15.2% decrease compared with last year, partly due to the provision for impairment loss recognised for Qinhuangdao Port Co., Ltd. ("Qinhuangdao Port") of US$19,800,000. Excluding the provision for impairment loss made for Qinhuangdao Port, profit from the terminals business for 2016 was US$262,698,000 (2015: US$286,584,000), an 8.3% decrease compared with last year.

- Profit attributable to equity holders of the Company dropped by 42.5% to US$247,031,000 (2015: US$429,313,000). Excluding discontinued operations [1], profit attributable to equity holders of the Company dropped by 32.3% to US$180,937,000 (2015: US$267,312,000)

Assets and Liabilities

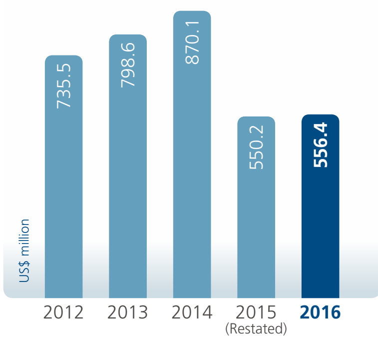
- As at 31 December 2016, the Group's total assets and total liabilities were US$6,786,456,000 (31 December 2015: US$8,860,645,000) and US$2,020,652,000 (31 December 2015: US$2,593,569,000) respectively. Net assets were US$4,765,804,000, a 24.0% decrease as compared with that of US$6,267,076,000 as at 31 December of 2015. The decrease was mainly due to the decrease in overall net assets as a result of the recognition of differences between the consideration for the acquisition of China Shipping Ports Development Co., Limited and its net asset value of US$1,164,077,000 reflected as the distribution of cash dividends (including conditional special cash dividend) during the year.

Dividend

- The proposed final dividend is HK7.8 cents per share (2015: HK22.9 cents), and the dividend will be payable in cash and with a scrip dividend alternative. The full-year interim and final dividend amounted to HK25.8 cents [3] (2015: HK40.2 cents), representing a payout ratio of 40.0% (2015: not applicable [2]).

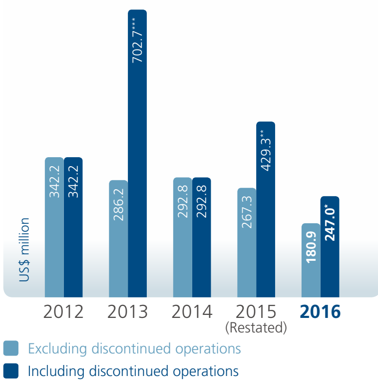
Revenue

US$556.4 million



Profit Attributable to Equity Holders of the Company

US$247.0* million



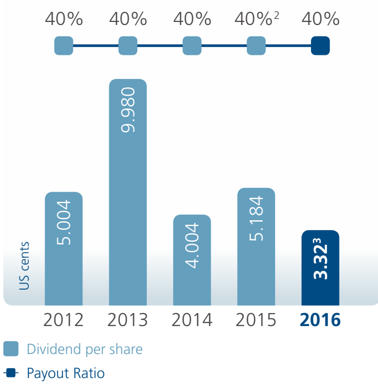
* Including the gain on disposal of FCHL of US$59,021,000 and the Group's share of profit from FCHL in 2016 of US$7,073,000

** Including the write back of provision on the disposal of CIMC in 2013 of US$79,152,000 and Group's share of profit from FCHL in 2015 of US$82,849,000

*** Including the gain on disposal of CIMC of US$393,411,000 the Group's share of profit from CIMC in 2013 of US$23,059,000

Dividend per Share and Payout Ratio

US3.32[3] cents



Results Highlights

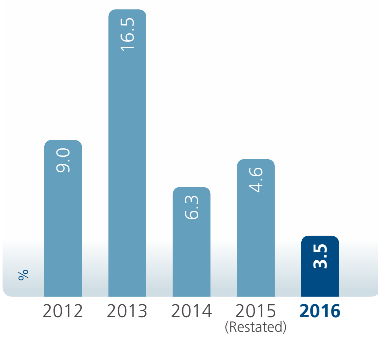
	2016	2015	Change
	US$	US$	%
Revenue	**556,337,000**	550,217,000	+1.1
Operating profit after finance income and finance costs	**57,365,000**	111,987,000	-48.8
Share of profit less losses of joint ventures and associates	**200,242,000**	221,139,000	-9.4
Profit attributable to equity holders of the Company (including discontinued operations) [1]	**247,031,000**	429,313,000	-42.5
Profit attributable to equity holders of the Company (excluding discontinued operations) [1]	**180,937,000**	267,312,000	-32.3
	US cents	US cents	%
Basic earnings per share (including discontinued operations) [1]	**8.30**	14.58	-43.1
Basic earnings per share (excluding discontinued operations) [1]	**6.08**	9.08	-33.0
Dividend per share	**13.637**	5.184	+163.1
– Conditional special cash dividend [3]	**10.317**	–	Not Applicable
– Interim dividend	**2.320**	2.236	+3.8
– Final dividend	**1.000**	2.948	-66.1
Payout ratio [2 and 3]	**40.0%**	Not Applicable	Not Applicable
	US$	US$	%
Consolidated total assets	**6,786,456,000**	8,860,645,000	-23.4
Consolidated total liabilities	**2,020,652,000**	2,593,569,000	-22.1
Consolidated net assets	**4,765,804,000**	6,267,076,000	-24.0
Capital and reserves attributable to the equity holders of the Company	**4,354,861,000**	5,849,081,000	-25.5
Consolidated net debts	**1,502,991,000**	2,087,004,000	-28.0
	%	%	ppt
Return on equity holders of the Company (excluding discontinued operations) [1]	**3.5**	4.6	-1.1
Return on total assets (excluding discontinued operations) [1]	**2.3**	3.0	-0.7
Net debt-to-total-equity ratio	**14.0**	18.6	-4.6
Interest coverage	**5.9 times**	7.1 times	-1.2 times
Dividend yield [3]	**3.3**	4.7	-1.4

Note :

1. On 24 March 2016, the Company completed the disposal of Florens Container Holdings Limited (now known as Florens International Limited) ("FCHL"), and recorded a gain on disposal of US$59,021,000. For the three months ended 31 March 2016 the profit of FCHL attributable to equity holders of the Company was US$7,073,000 (full year of 2015: US$82,849,000). In addition, the write back of provision of US$79,152,000 was recognised for the discontinued container manufacturing business in 2015.
2. According to 2015 annual report, the 2015 payout ratio was 40.0% (before restatement).
3. In addition to interim and final dividends, the Company distributed a conditional special cash dividend of HK80.0 cents per share on 4 May 2016.
4. The financial figures for the year 2012 to 2014 were extracted from the 2015 annual report. No retrospective adjustment for the common control combination during the year were made on the financial figures for the year 2012 to 2014.

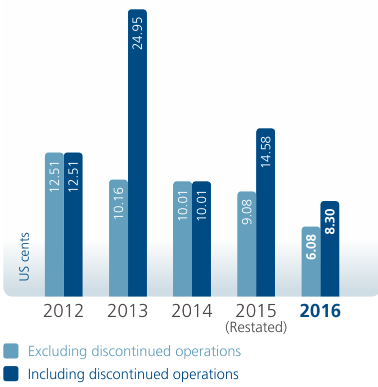
Return on Equity Holders of the Company

3.5%



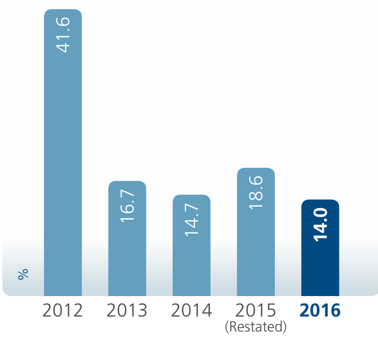
Basic Earnings per Share

US8.30 cents



Net Debt-to-Total-Equity Ratio

14.0%



CHAIRMAN'S STATEMENT

HUANG Xiaowen
Chairman

COSCO SHIPPING Ports has adopted as its new motto "The Ports For ALL". Our vision is to build a global port network, working towards a synergistic platform that offers mutual benefits for the entire shipping industry, connecting global routes to become truly "the ports for all people".

Dear Shareholders,

On behalf of the Board of Directors ("Board") of the Company, I am pleased to report to you the Company's final results for 2016 and to outline our development strategy for the future.

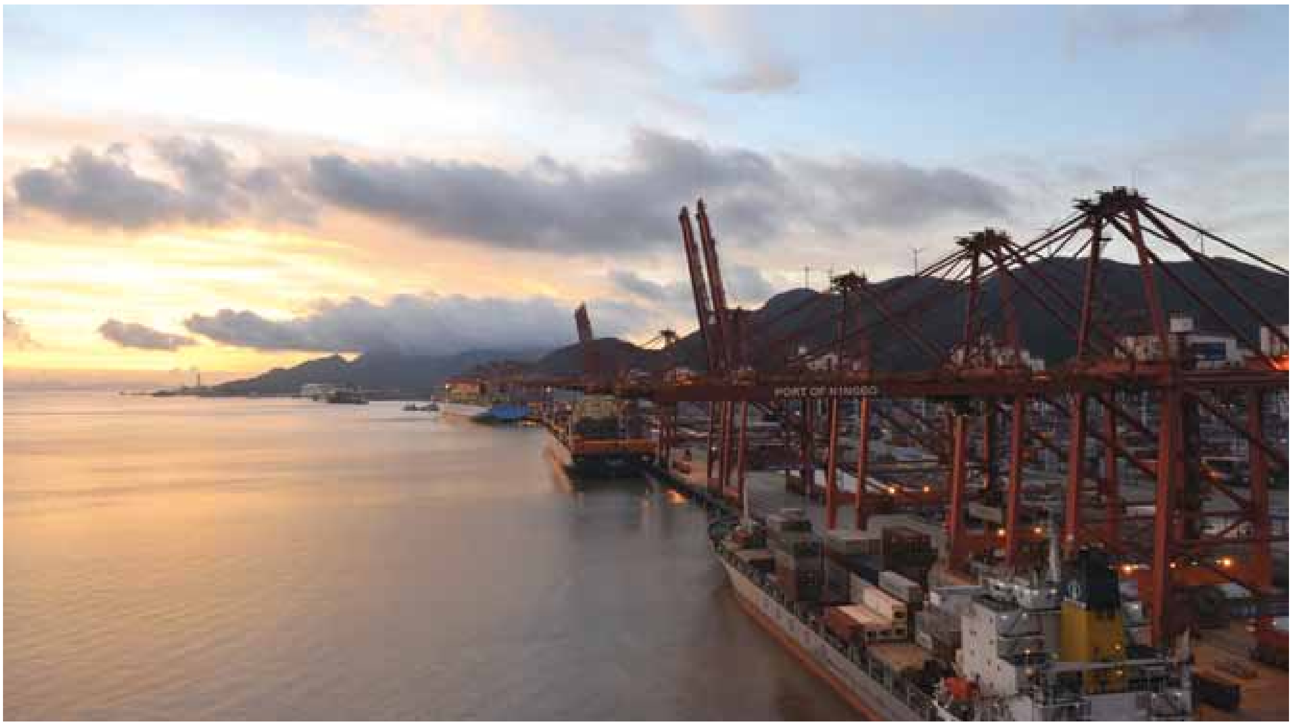
In 2016, the Group's profit attributable to equity holders decreased by 42.5% to US$247,031,000 (2015: US$429,313,000). Earnings per share were US8.30 cents (2015: US14.58 cents), a 43.1% decrease when compared with last year. Excluding discontinued business, the profit attributable to equity holders of the Company dropped 32.3% to US$180,937,000 (2015: US$267,312,000).

The Board is recommending a final dividend of HK7.8 cents per share (2015: HK22.9 cents). This is a cash distribution with a scrip dividend alternative. Excluding the conditional special cash dividend of HK80.0 cents per share that was distributed in 2016, the full-year interim and final dividend will be HK25.8 cents (2015: HK40.2 cents), with the payout ratio at 40.0% (2015: not applicable [Note]). The Board regards a stable payout ratio and steady implementation of long-term business development plans as key commitments to shareholders. The Group will continue to make good use of our capital, to ensure sustainable development of our business, creating and enhancing value for shareholders on a continuous basis.

Note: According to 2015 annual report, the 2015 payout ratio was 40.0% (before restatement).

Moving Forward, Embracing Change

The year 2016 was an important milestone for the Group. I wish to thank our shareholders for their trust and support, as a result of which the Group's reorganisation proposal was approved on 1 February by a large majority of independent shareholders. The reorganisation was completed in March and the Company was successfully transformed into a pure terminals operator, with an enlarged global network. On 22 July, the Company changed its name to COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports"). The new name not only reflects the Company's strategic goals and more focused business, but also highlights the Group's synergies with its parent company. On the back of this reorganisation, the Group studied the external environment and its own strengths in order to devise a new strategic development plan for its long-term growth. This has brought a new growth momentum to COSCO SHIPPING Ports, enabling us to aim higher and further.



"The Ports For ALL"

In the past few years, the global shipping market has witnessed sluggish growth and intense competition. Some large shipping companies have even collapsed, while the operating environment has become highly complex. Against this backdrop, there has emerged a new trend of shipping companies forming strategic alliances and these have a growing voice in the global shipping industry. Given these circumstances, port and terminal operators must respond to changes in the business environment much more actively than before, and the importance of maintaining long-term, trusting and synergistic relationships with the shipping alliances cannot be neglected. COSCO SHIPPING Ports enjoys unique advantages from its parent, which has the world's fourth largest container fleet and is a member of the OCEAN Alliance. The relationship means we enjoy a steady source of business and have a strong competitive edge in uncovering and bidding for investment opportunities. This represents a powerful backing for the Group's future development.

The shipping alliances are large in scale and have huge market share, with operations on a global basis. In light of this, COSCO SHIPPING Ports has adopted as its new motto "The Ports For ALL". Our vision is to build a global port network, working towards a synergistic platform that offers mutual benefits for the entire shipping industry, connecting global routes to become truly "the ports for all people".

The Ports For ALL is not merely an idea. It defines COSCO SHIPPING Ports as a responsible participant in this transitional era, working for its long-term development and promoting win-win outcomes for all in the port and shipping industry.

Guided by the philosophy embodied in "The Ports For ALL", COSCO SHIPPING Ports is committed to making itself responsible to all stakeholders. Since 2015, we have been publishing sustainability reports annually, disclosing the Company's efforts with regards to sustainability as well as other related information. This year, we have expanded the survey of our stakeholders to gain a better appreciation of their concerns. Through continuous monitoring, measurement and disclosure, we are enhancing our transparency as a company.

Three Strategies for Even Greater Success

The new strategic development plan devised by COSCO SHIPPING Ports will enhance the Company's competitiveness in three ways:

1. Developing a global terminals portfolio: actively seeking terminal assets on a global basis that offer good intrinsic value and long-term returns, so as to develop a comprehensive, well-balanced global terminals network.

2. Fully exploit the synergies with the container fleet of parent company COSCO SHIPPING and the OCEAN Alliance: fully exploiting the dominance arising from COSCO SHIPPING's container fleet and seizing significant market share within the OCEAN Alliance.

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

Pursuing New Goals

In the coming five years, COSCO SHIPPING Ports will adhere to its development philosophy of "The Ports For ALL" and implement the three strategies in stages. We believe that successful implementation of these strategies will enhance the quality of the Group's terminal assets and their management efficiency, providing global shipping companies and the shipping alliances with value-added services of higher quality and broader scope. On this basis, COSCO SHIPPING Ports will maximise its unique competitive advantages. Seizing the development opportunities offered by China's "One Belt, One Road" policy, we will strive to increase our market share, with the aim of becoming the world's leading terminals operator, achieve sustainability in our business and enhance our overall profitability and shareholder returns.

I have been honoured to serve as COSCO SHIPPING Ports' Chairman during 2016 and to witness the Group's transformation and development. Over the past year, the Group has completed its reorganisation as well as several mergers and acquisitions, and has successfully laid out and begun implementing its new strategic plan. These achievements have been made possible by the trust of our shareholders and the dedicated efforts of our staff at every level of the organisation. On behalf of the Board, I would like to express my heartfelt gratitude to every one of you for your support for COSCO SHIPPING Ports. We shall continue to work together and deliver results, enabling COSCO SHIPPING Ports to reach higher and further.

HUANG Xiaowen
Chairman
28 March 2017

VICE CHAIRMAN'S REPORT

ZHANG Wei
Vice Chairman
and Managing Director

> The Group devised its five-year goals encompassing the three strategies and strives to achieve 50% growth in total assets, 60% growth in equity throughput and to double net profit from continuing operations by 2021.

Building on Our Strengths to Address Global Complexities

Looking back at the past year, sluggish global economic growth impeded the revival of the global ports and shipping industries. The International Monetary Fund ("IMF") projected that global economic growth in 2016 would be 3.1%, a similar level to 2015, whereas global trade growth would slow down by 0.8 percentage points to 1.9%, and global container throughput will grow by 1.3%, on a par with 2015. Despite uncertainties in the global economic outlook, intensifying operational difficulties and the trend towards shipping alliances faced by the ports industry, the Group was successfully reorganised last year. This has enabled us to concentrate our efforts on the terminals business, boosting our competitiveness and building on our strengths amid global uncertainties and complexities.

In 2016, the Company's terminals business grew steadily, with equity container throughput increasing by 5% over the previous year to 29,473,573 TEU. The increase was mainly attributable to our overseas terminals business. The equity throughput of our overseas terminals rose by a substantial 25.4% as a result of our development of overseas markets. By contrast, China's foreign trade dropped by 6.8% year-on-year, which limited the growth of the Group's container terminals business on the mainland, and our equity throughput in the Greater China region rose only marginally, by 0.8%, when compared with 2015.

In spite of a challenging business environment in 2016, the Group's terminals with controlling stakes performed well overall, with income increasing by 1.1% year-on-year. Profit contribution grew by 7.1% to US$59,048,000, although gross profit was on a par with the previous year. Impacted by one-off items and declining container throughput at some terminals, the profit of terminals with non-controlling stakes declined by 20.6% to US$183,851,000. In particular, a US$19,800,000 provision for impairment loss was recognised for Qinhuangdao Port Co., Ltd, in contrast to a profit of US$3,808,000 from the disposal of shares and equity interest of two companies that was recorded in 2015. The tax incentives for Shanghai Mingdong Terminal ended in 2015 and the number of operating berths at Ningbo Yuan Dong Terminal fell by two, with the result that the combined profit of these two companies decreased by US$7,069,000. The container throughput volumes of both the Suez Canal Terminal and COSCO-HIT Terminal have been persistently declining, resulting in a total reduction in profit contribution of US$13,358,000. As a result of the above factors, the profit of the terminals business dropped by 15.2% to US$242,898,000.

The Group also converted a majority of its Renminbi bank deposits into US dollar bank deposits during the year, and finance income dwindled by US$7,344,000 as a result of the interest rate differential.

Excluding the discontinued container leasing business and the write back of provision of US$79,152,000 recognised for the discontinued container manufacturing business in 2015, the profit attributable to equity holders of the Company dropped by 32.3% to US$180,937,000.

Healthy Financial Position

The Group adopts a prudent and pragmatic approach towards managing its assets and towards financing, maintaining interest coverage at healthy levels. In light of our five-year strategy and development focus, we have to manage and raise capital effectively. This is of vital importance to the Group's investment in new projects, operations management and cost control.

The foreign exchange market saw major fluctuations in 2016, posing interest rate risks and exchange risks to the Group's operations. We have therefore undertaken appropriate measures to mitigate these risks, including strengthening capital flows and developing new financing channels.

The capital expenditure of the terminals business in 2016 was US$313,902,000, within which acquisition of terminals accounted for US$147,303,000, mainly for acquiring the 35% equity interest in Euromax Terminal. As of the end of 2016, the total value of the Group's assets was US$6,786,456,000, with consolidated net debt at US$665,891,000 and a net debt-to-total equity ratio of 14.0%. The financial situation was healthy.

Corporate Sustainable Development

As a major global terminals operator, COSCO SHIPPING Ports is committed to environmental protection and hopes to drive the development of "green" ports. In line with national policies, the Group continued to promote energy-efficient technologies to reduce carbon emissions during 2016. We support projects that save energy costs and lower carbon emissions in terminals where we have controlling stakes, such as through powering rubber tyred gantry (RTG) with electricity instead of bunker fuel and promoting shoreside power at terminals. We also seek to replace bunker fuel with electricity, adopt LED lighting systems and low-carbon automated management as soon as possible for newly acquired projects, raising energy efficiency and thereby establishing green ports.

Clear Five-year Goals Encompassing Three Strategies

After the reorganisation, the Group examined the business environment and industry trends to develop a corporate vision: The Ports For ALL.

The Group devised its five-year goals encompassing three strategies: developing a global terminals portfolio; bringing into full play the synergies with parent company COSCO SHIPPING's container shipping fleet and the OCEAN Alliance; and strengthening control and management of the ports and terminals business. In line with these strategies, we actively seek investment opportunities in overseas terminals and in ports on the mainland, while integrating and strengthening control over our existing terminals and raising their management efficiency, with the goal of higher equity throughput and faster profit growth. To quantify our goals for the next five years, based on 2016, the Group strives to achieve 50% growth in total assets, 60% growth in equity throughput and to double net profit from continuing operations by 2021.

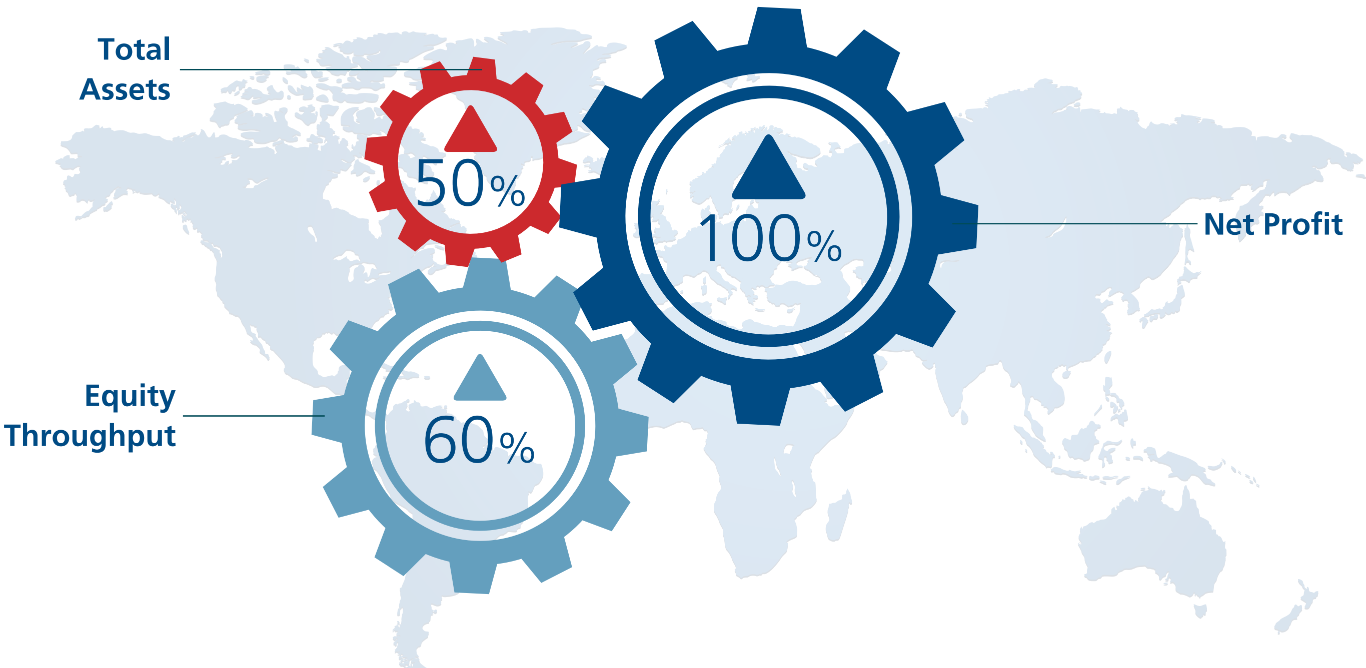
A Global Strategy for a Balanced Portfolio

Owing to the development of alliances and mega-vessels, competition in the container shipping market in 2017 is set to intensify. The Group will capitalise on the unique advantages brought by its parent company's container shipping fleet and the OCEAN Alliance to speed up the development of its global network and strengthen the brand influence of COSCO SHIPPING Ports worldwide.

In 2016, the Group pushed forward with overseas investments and announced the acquisition of three facilities, namely Euromax Terminal in the Netherlands, Vado Ligure Port in Italy and Khalifa Port in Abu Dhabi. We also reached an agreement for large-scale container berths of collaboration with PSA Corporation Limited of Singapore. These projects have contributed to higher overseas throughput and consolidated our global market share. This expansion of our global container terminals network has enhanced our terminals footprint and balanced out the risks in our regional operations.

Looking ahead, the Group will focus on regional projects in Europe, Central and South America and Southeast Asia, while eyeing investment opportunities in Africa. In deciding upon investments and acquisitions, we prioritise control, the ability to generate higher shareholder returns, as well as the value brought to our terminals network at large.

The Group has a vast terminals portfolio in China that gives us an advantageous strategic position in the industry. To boost management efficiency and enable our business on the mainland to make a greater profit contribution, we will focus on large-scale strategic hub ports and select terminals that are low-risk yet offer huge growth potential, reconfiguring our terminals network in the Greater China region to minimise risks and raise profitability.



Promoting Synergies to Increase our Advantages

Since the reorganisation, the Group has narrowed its business focus and moved forward with a clearer sense of direction. We have also benefited from the container shipping fleet of our parent company COSCO SHIPPING, which is an unshakeable core competitive advantage. Since the establishment of COSCO SHIPPING, its container shipping fleet has expanded to approximately 1,600,000 TEU[Note], ranking it fourth in the world with a market share of about 8%. The Group can leverage the unique advantages brought by its parent company's sizeable shipping fleet. Faced with the trend towards shipping alliances, our sister company, COSCO SHIPPING Lines Co., Ltd., formed the OCEAN Alliance with Le Groupe CMA CGM of France, Evergreen Marine Corporation and Orient Overseas Container Line Limited. The alliance's combined shipping capacity of about 5,350,000 TEU makes it one of the world's biggest shipping alliances, with a market share of about 26%, supporting COSCO SHIPPING in the global market. The Group's global strategy improves its ability to serve the shipping alliances, thereby consolidating collaboration with our parent company's container shipping fleet and the OCEAN Alliance and securing a stable source of business. When we acquire terminals, we also enjoy stronger bargaining power, backed by the strength of our parent company and the OCEAN Alliance. This will help us expand our terminals portfolio strategically and generate gains for all parties.

Note: The data is from Alphaliner's "Top 100 World Liner Operating Fleet" as per 10 March 2017.

Strengthening Control and Raising Efficiency

Following reorganisation, the Group's terminals portfolio has expanded further and we now operate and manage a total of 180 berths. As we execute our global strategy, we must raise the efficiency with which we operate and manage the entire terminals portfolio. In this regard, COSCO SHIPPING Ports will work on the following three areas:

1. Increase the proportion of terminals with controlling stakes and raise COSCO SHIPPING Ports' bargaining power in terminal operations, applying the Group's successful experience with Piraeus Terminal in Greece to the entire terminals portfolio.

2. Make strategic equity investments in ports groups to increase our bargaining power in entire port districts, thereby strengthening the Group's leading position in the Greater China region and enabling us to manage entire ports, so that we can enjoy the full development potential of entire port districts in future.

3. Adopt a standardised management and information system for all terminals with controlling stakes, so that the corporate headquarters can monitor the operations of all terminals in real time and regularly assess business performance using standardised metrics, thereby raising the efficiency with which COSCO SHIPPING Ports manages terminal companies.

We will also actively seek to integrate our existing terminals portfolio. To this end, the Group is studying proposals to integrate overlapping investments in the same port, streamline terminal resources and increase terminal profitability.

In addition, the Group will take major steps to bring together high-quality ports resources and integrate its current terminals portfolio on the mainland. On 20 January 2017, the Group announced it would make a strategic equity investment of 16.82% issued share capital in Qingdao Port International Co., Ltd. ("QPI"), involving the transfer of a 20% equity interest in Qingdao Qianwan Terminal together with cash for a total consideration of RMB5,798,619,200. Following completion, the Group's presence has expanded from operating a terminal to managing the entire port in Qingdao, increasing our bargaining power in the whole port and maximising the development potential of the port district to generate sustainable future growth. This new strategic approach to equity investments by the Group serves as an important reference as we plan our future business on the mainland.

To raise operating efficiency and meet the needs of the shipping alliances, the Group announced in December 2016 that it would manage the Kwai Tsing container terminals jointly with Hutchison Port Holdings Trust. This significantly increases the flexibility and processing capacities of the terminals' overall berth and yard planning, maximising the benefits of the facilities and their human resources.

Executing New Strategies and Setting New Milestones

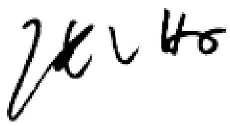
In 2017, the global economy and the shipping industry are expected to grow faster, but caution regarding policy risk is essential. According to the IMF forecast, the global economy will grow by 3.4% year-on-year in 2017, 0.3 percentage points higher than the growth rate in 2016. Of particular note, economic activity will accelerate in both emerging markets and developing economies. Stronger global economic growth is expected to stimulate global trade and the container shipping industry. The IMF forecasts that global trade in 2017 will grow by 3.8% year-on-year, more than double the growth rate of 1.9% in 2016.

Furthermore, in its report dated October 2016, Drewry forecast that global container throughput in 2017 would grow by 2.4% year-on-year, 1.1 percentage points higher than a growth of 1.3% in 2016. However, there is significant uncertainty about the policy trends of the new US government. The political situation indicates that the consensus on cross-border economic integration is weakening, which, together with a return to championing local manufacturing and the rise of protectionism, may pressure the development of global trade.

Against this backdrop, the Group aims to achieve its five-year goals in accordance with its three strategies. We will emphasise investment returns and strategic value, drive the globalisation of our terminals network and enhance our container hub ports network globally so as to raise service levels for shipping companies and the shipping alliances. We will actively seek investment opportunities in terminals where we have controlling stakes to raise their profile and strengthen control over them, in order to raise the operating capacity and efficiency of our terminals portfolio. We will also integrate our current terminals portfolio to enhance the quality of our terminal assets and the effectiveness of their management.

Acknowledgements

The restructured COSCO SHIPPING Ports is imbued with renewed vigour, but we also face new challenges. Backed by our entire team, the Group is making every effort to respond to the support and trust of shareholders. On behalf of the management, I hereby extend my gratitude to all COSCO SHIPPING Ports staff around the world for their dedication and professionalism. With the trust of our shareholders, the efforts of our colleagues and the support of our parent company, COSCO SHIPPING Ports is setting new milestones on the path towards our vision for the next five years.



ZHANG Wei
Vice Chairman and Managing Director
28 March 2017

CORPORATE STRUCTURE

Terminals and Related Businesses

Bohai Rim

24%	Dalian Automobile Terminal
35%	Dalian Dagang Terminal
40%	Dalian International Terminal
20%	Dalian Port Terminal
25%	Dongjiakou Ore Terminal
51%	Jinzhou New Age Terminal
16%	Qingdao New Qianwan Terminal
31.2%	Qingdao Qianwan Intelligent Terminal
20%	Qingdao Qianwan Terminal
5.6%	Qingdao Qianwan United Advance Terminal
8%	Qingdao Qianwan United Terminal
30%	Qinhuangdao New Harbour Terminal
30%	Tianjin Euroasia Terminal
28%	Tianjin Five Continents Terminal
40%	Yingkou New Century Terminal
50%	Yingkou Terminal

Yangtze River Delta

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

Southeast Coast and others

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

Pearl River Delta

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

Southwest Coast

40%	Qinzhou International Terminal

Overseas

20%	Antwerp Terminal
49%	COSCO-PSA Terminal
5.5%	Busan Terminal
35%	Euromax Terminal
90%	Khalifa Terminal Phase II
26%	Kumport Terminal
100%	Piraeus Terminal
13.33%	Seattle Terminal
20%	Suez Canal Terminal
24%	Zeebrugge Terminal

Terminal Related Businesses

50%	Piraeus Consolidation and Distribution Centre S.A.
100%	Plangreat

OPERATIONAL REVIEW

Worldwide Container Terminal Network

Mainland China, Hong Kong and Taiwan

Terminal Coverage	Container Berths	Annual Handling Capacity
21 Ports	116	73,795,000TEU

Bohai Rim

- Percentage of total annual handling capacity 24.3%
- Container berths 43
- Annual handling capacity 23,600,000TEU

Yangtze River Delta

- Percentage of total annual handling capacity 15.3%
- Container berths 29
- Annual handling capacity 14,870,000TEU

Southeast Coast and others

- Percentage of total annual handling capacity 7.3%
- Container berths 12
- Annual handling capacity 7,100,000TEU

Pearl River Delta

- Percentage of total annual handling capacity 27.8%
- Container berths 30
- Annual handling capacity 27,025,000TEU

Southwest Coast

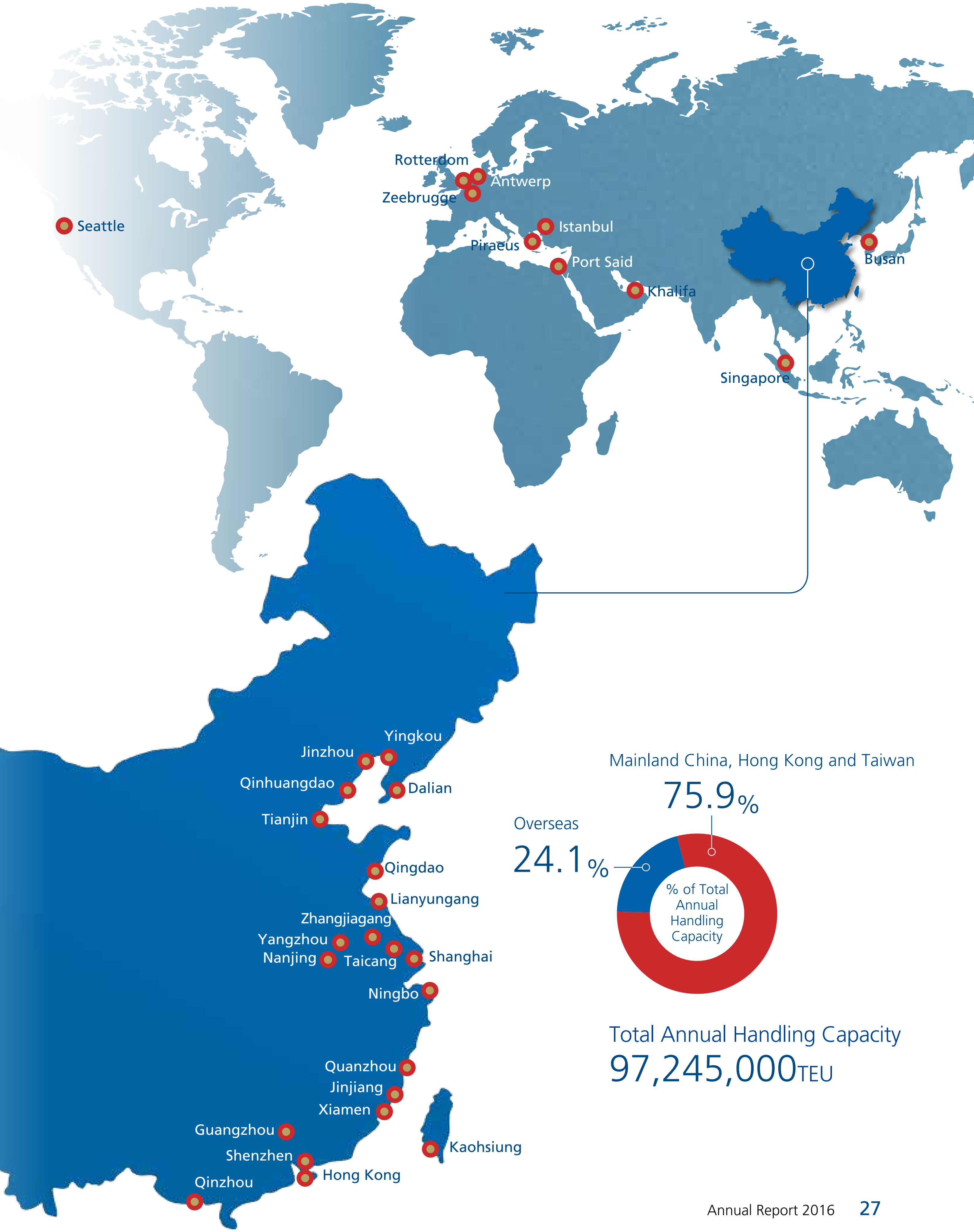
- Percentage of total annual handling capacity 1.2%
- Container berths 2
- Annual handling capacity 1,200,000TEU

Overseas

Terminal Coverage	Container Berths	Annual Handling Capacity
9 Ports	42	23,450,000TEU

Overseas

- Percentage of total annual handling capacity 24.1%
- Container berths 42
- Annual handling capacity 23,450,000TEU



Total Annual Handling Capacity
97,245,000TEU

OPERATIONAL REVIEW

The global economy grew slowly in 2016, hindering the recovery of the global shipping and port industries. According to the forecast made by Drewry in December 2016, global container throughput growth was 1.3% in 2016, largely unchanged from 2015 and indicative of the sluggish recovery.

For China, figures published by the National Bureau of Statistics of China show that annual gross domestic product rose by 6.7% from last year. Despite ongoing restructuring, China's economy remained on a steady, positive trend as it benefited from growth in the retail and real estate sectors in the second half of the year. China's foreign trade was affected by slow growth in overseas demand and competition from other exporting countries. In 2016, the total value of China's imports and exports fell by 6.8% year-on-year to US$3,684.9 billion, with exports and imports decreasing by 7.7% and 5.5% respectively.

As at 31 December 2016, there were 158 berths under the Group's operating container terminals and the total annual handling capacity was 97,245,000 TEU. There were 20 bulk berths in operation, with a total annual handling capacity of 49,950,000 tons.

During the period, total throughput of the Group's container terminals increased by 5.1% year-on-year to 95,071,922 TEU (2015: 90,485,975 TEU). Of this, 15,735,175 TEU (2015: 15,156,669 TEU) were handled by its subsidiaries, accounting for 16.6% (2015: 16.8%), while 79,336,747 TEU (2015: 75,329,306 TEU) were handled by its non-subsidiaries, accounting for 83.4% (2015: 83.2%).

Total equity throughput of the Group's container terminals increased by 5.0% year-on-year to 29,473,573 TEU (2015: 28,065,774 TEU). Of this, 10,027,597 TEU (2015: 9,521,834 TEU) were handled by terminal companies in which the Group has controlling stakes, accounting for 34.0% (2015: 33.9%), while 19,445,977 TEU (2015: 18,543,939 TEU) were handled by its non-controlling terminals, accounting for 66.0% (2015: 66.1%).

During the period, Kumport Terminal in Turkey, Busan Terminal in Korea and Euromax Terminal in Rotterdam began to contribute to the Group's throughput. These three terminals in total contributed throughput of 3,403,798 TEU and equity throughput of 751,157 TEU. Excluding the contribution by these three terminals, the Group's total container throughput increased by 1.3% and its equity throughput increased by 2.3% in 2016.

Operation Status by Region

The throughput of the Greater China region accounted for 85.7% of the Group's total throughput, increasing by 1.2% to 81,488,940 TEU (2015: 80,559,240 TEU). The throughput in Mainland China (excluding Hong Kong and Taiwan) accounted for 81.3% of the Group's total throughput, increasing by 1.5% to 77,327,268 TEU (2015: 76,205,208 TEU).

Bohai Rim

The Bohai Rim region accounted for 34.3% (2015: 34.5%) of the Group's total throughput, reaching 32,612,471 TEU (2015: 31,199,327 TEU), representing a 4.5% year-on-year increase. Within this, Qingdao Qianwan Terminal recorded steady growth, with a 3.0% increase in its throughput compared with last year to 17,499,703 TEU (2015: 16,995,934 TEU).

In addition, Dalian Port launched "Samsung Route" and "Liaoning-Mongolia-Europe" cross-border trains in 2016, through which a wide range of goods can be transported to Europe using sea-rail combined transportation. This, together with an active local market in the fourth quarter of the year, resulted in considerable growth in the throughput of local terminals. The total throughput of Dalian Port Terminal, Dalian International Terminal and Dalian Dagang Terminal was 5,887,341 TEU (2015: 5,337,917 TEU), up 10.3% year-on-year.

Yangtze River Delta

The Yangtze River Delta region accounted for 19.4% (2015: 21.1%) of the Group's total throughput, reaching 18,508,168 TEU (2015: 19,071,524 TEU), representing a 3.0% year-on-year decrease, mainly attributable to the performance of Ningbo Yuan Dong Terminal.

The contract term of two berths in Ningbo Yuan Dong Terminal expired in July 2015, since when the number of berths in operation at the terminal has decreased to three, resulting in its 2016 throughput decreasing by 16.6% year-on-year to 2,536,182 TEU (2015: 3,040,762 TEU). However, the remaining three berths recorded a strong performance, with the

average throughput per berth in 2016 reaching 845,394 TEU (2015: 763,186 TEU), representing a 10.8% year-on-year increase.

Meanwhile, the throughput of Shanghai Mingdong Terminal and Shanghai Pudong Terminal grew steadily. In 2016, the throughput of Shanghai Mingdong Terminal was 5,900,056 TEU (2015: 5,668,946 TEU), representing a 4.1% year-on-year increase, and the throughput of Shanghai Pudong Terminal was 2,556,220 TEU (2015: 2,508,121 TEU), representing a 1.9% year-on-year increase.

Southeast Coast and Others

The Southeast Coast and other regions accounted for 4.8% (2015: 4.5%) of the Group's total throughput, reaching 4,533,026 TEU (2015: 4,129,030 TEU), representing a 9.8% year-on-year increase. Of this, the throughput of Kao Ming Terminal increased by 13.3% year-on-year to 1,728,922 TEU (2015: 1,525,359 TEU), mainly attributable to the fact that its renewed automated equipment has boosted operational efficiency.

Due to a new shipping route to the US and Canada calling and a significant increase in the cargo transport volume on the shipping route to the eastern US, the throughput of Xiamen Ocean Gate Terminal increased by 9.3% year-on-year to 1,131,197 TEU (2015: 1,034,753 TEU).

Pearl River Delta

The Pearl River Delta region accounted for 26.0% (2015: 27.9%) of the Group's total throughput, reaching 24,697,218 TEU (2015: 25,238,622 TEU), a 2.1% year-on-year decrease.

Impacted by the relocation of China's manufacturing industry northward with less dependency globally on Chinese exports, as will as fierce competition in the region, ports operation in the Pearl River Delta came under pressure.

In 2016, the throughput of COSCO-HIT Terminal decreased by 14.7% year-on-year to 1,343,859 TEU (2015: 1,575,858 TEU), while the throughput of Asia Container Terminal decreased by 13.1% year-on-year to 1,088,891 TEU (2015: 1,252,815 TEU).

With a decline in the volume of transshipments handled by Yantian Terminal during the year, its throughput also decreased slightly by 3.9% to 11,696,492 TEU (2015: 12,165,687 TEU).

Southwest Coast

During the period, the Southwest Coast region accounted for 1.2% (2015: 1.0%) of the Group's total throughput, reaching 1,138,057 TEU (2015: 920,737 TEU), representing a 23.6% year-on-year increase, mainly attributable to the significant increase in cargo volume following the transfer of the container routes of Fangcheng Port and Beihai Port to Qinzhou Port as a result of the internal business restructuring of Beibu Gulf Port.

Overseas

In 2016, overseas business accounted for 14.3% (2015: 11.0%) of the Group's total throughput, reaching 13,582,982 TEU (2015: 9,926,735 TEU), representing a 36.8% year-on-year increase, mainly attributable to the fact that Kumport Terminal in Turkey, Busan Terminal in Korea and Euromax Terminal in Rotterdam began to contribute, with a combined throughput attributable to the Group of 3,403,798 TEU in 2016. Excluding the cargo volume of these three terminal companies, the overseas throughput of the Group increased by 2.5% to 10,179,184 TEU in 2016.

During the period, Piraeus Terminal posted a satisfactory performance with its throughput increasing by 14.4% year-on-year to 3,470,981 TEU (2015: 3,034,428 TEU). The throughput of Suez Canal Terminal decreased by 13.8% year-on-year to 2,547,597 TEU (2015: 2,954,080 TEU), mainly due to the sluggish shipping market and policy adjustments made by the local port authority.

Total throughput by region

	Throughput (TEU)	Year-on-year change (%)	Percentage of total (%)
Bohai Rim	32,612,471	+4.5	34.3
Yangtze River Delta	18,508,168	-3.0	19.4
Southeast Coast and others	4,533,026	+9.8	4.8
Pearl River Delta	24,697,218	-2.1	26.0
Southwest Coast	1,138,057	+23.6	1.2
Overseas	13,582,982	+36.8	14.3
Total	**95,071,922**	**+5.1**	**100.0**

Equity throughput by region

	Throughput (TEU)	Year-on-year change (%)	Percentage of total (%)
Bohai Rim	7,807,075	+5.8	26.5
Yangtze River Delta	5,403,919	-6.5	18.3
Southeast Coast and others	2,506,701	+8.4	8.5
Pearl River Delta	7,211,156	-2.1	24.5
Southwest Coast	455,223	+23.6	1.5
Overseas	6,089,499	+25.4	20.7
Total	**29,473,573**	**+5.0**	**100.0**

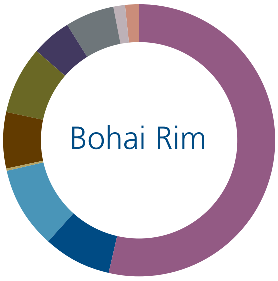
Total Container Throughput

95,071,922 TEU ↑ 5.1%

Total Container Throughput in China

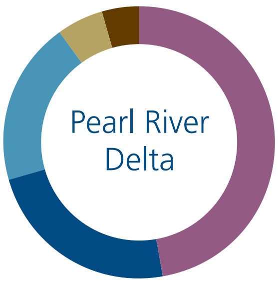
(including Hong Kong & Taiwan)

81,488,940 TEU ↑ 1.2%



32,612,471 ↑ 4.5%

Qingdao Qianwan Terminal [1]	17,499,703	↑	3.0%
Dalian Port Terminal	2,683,879	↑	7.6%
Dalian International Terminal	3,182,368	↑	12.6%
Dalian Dagang Terminal	21,094	↑	32.1%
Tianjin Euroasia Terminal	2,232,973	↑	9.9%
Tianjin Five Continents Terminal	2,571,772	↑	0.1%
Yingkou Terminal	1,586,108	↑	1.7%
Yingkou New Century Terminal	1,870,076	↑	1.1%
Jinzhou New Age Terminal	449,016	↑	27.6%
Qinhuangdao New Harbour Terminal	515,482	↑	2.9%

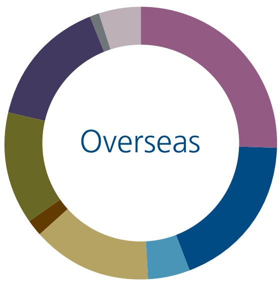


24,697,218 ↓ 2.1%

Yantian Terminal	11,696,492	↓	3.9%
Guangzhou Nansha Stevedoring Terminal	5,786,311	↑	0.5%
Guangzhou South China Oceangate Terminal	4,781,665	↑	6.6%
COSCO-HIT Terminal	1,343,859	↓	14.7%
Asia Container Terminal	1,088,891	↓	13.1%

18,508,168 ↓ 3.0%

Shanghai Pudong Terminal	2,556,220	↑	1.9%
Shanghai Mingdong Terminal	5,900,056	↑	4.1%
Ningbo Yuan Dong Terminal	2,536,182	↓	16.6%
Lianyungang New Oriental Terminal	3,100,243	↓	12.1%
Zhangjiagang Terminal	675,062	↑	0.4%
Yangzhou Yuanyang Terminal	454,104	↓	5.8%
Nanjing Longtan Terminal	2,773,005	↑	5.3%
Taicang Terminal	513,296	↓	4.9%



13,582,982 ↑ 36.8%

Piraeus Terminal	3,470,981	↑	14.4%
Suez Canal Terminal	2,547,597	↓	13.8%
Kumport Terminal [2]	665,398		N/A
Antwerp Terminal	1,922,281	↓	4.6%
Zeebrugge Terminal	277,363	↑	3.4%
COSCO-PSA Terminal	1,809,428	↑	18.5%
Busan Terminal [3]	2,084,592		N/A
Seattle Terminal	151,534	↑	18.1%
Euromax Terminal [4]	653,808		N/A

4,533,026 ↑ 9.8%

Xiamen Ocean Gate Terminal	1,131,197	↑	9.3%
Quan Zhou Pacific Terminal	1,308,652	↑	7.1%
Jinjiang Pacific Terminal	364,255	↑	4.9%
Kao Ming Terminal	1,728,922	↑	13.3%

1,138,057 ↑ 23.6%

Qinzhou International Terminal	1,138,057	↑	23.6%

Notes

1. Throughput of Qingdao Qianwan Terminal includes the throughput of Qingdao Qianwan United Terminal and Qingdao Qianwan United Advance Terminal, and these two terminals are joint ventures of Qingdao Qianwan Terminal. The throughput of the two terminals in 2016 was 5,233,708 TEU (2015: 5,123,715 TEU) and 1,365,568 TEU (2015: 1,539,128 TEU) respectively.
2. The throughput of Kumport Terminal was included in the Group's accounts from 1 January 2016.
3. The throughput of Busan Terminal was included from 1 January 2016. Busan Terminal is a new joint venture established as a result of the merger of CJ Korea Express Busan Container Terminal Corp. and Busan International Terminal Co., Ltd. in November 2016. The Group holds 5.5% of its equity interest.
4. The throughput of Euromax Terminal was included from 1 October 2016.

Accelerating the Expansion of Our Global Footprint to Achieve Sustainable Growth

One of the group's key strategies is to accelerate the expansion of its global terminals footprint. With the formal creation of new networks through the establishment of strategic alliances among shipping companies, these shipping alliances now conduct business on a very large scale. To meet the business needs of these large shipping alliances and accommodate the development of their shipping routes, terminal operators need more comprehensive global terminal networks with extensive coverage, if they are to maximise their market share. In this regard, during the year, the Group announced three overseas acquisitions, entered into agreements with PSA in Singapore in respect of co-operation on large-scale container berths and also entered into a formal collaboration with Hutchison Port Holdings Trust for the efficient co-management and operation of berths at container terminals at Kwai Tsing in Hong Kong. These strategic moves have enhanced the competitiveness of the Group's terminals network and paved the way for the pursuit of its strategic objective of globalisation and long-term co-operation with the shipping alliances.

On 28 March 2016, the Group entered into an agreement through its joint venture, COSCO-PSA Terminal, with PSA in relation to a joint investment in a major container terminal in Singapore, to enhance the co-operation between the Group and PSA. Under the agreement, COSCO-PSA Terminal will exchange two older berths which it operates at the port of Pasir Panjiang in Singapore for three or four new berths in Phases 3 and 4 of the port. The first two new berths will commence operation in 2017. Given their quay length and equipment, the new berths will be able to cater to the trend towards mega-vessels. The operational efficiency of the berths will be raised so as to enhance their service level and competiveness.

On 11 May 2016, the Group announced the acquisition of a 35% equity interest in Euromax Terminal in Rotterdam, the Netherlands, for an aggregate consideration of Euro125,430,000. Completion of the transaction took place on 30 September 2016. The Port of Rotterdam is the largest port in Europe and one of the world's major hub ports. It has long been one of the base ports of our parent company COSCO SHIPPING in Northwestern Europe for container business. In the future, the container shipping fleet of the COSCO SHIPPING group will continue to supply European routes with mega container vessels and the Port of Rotterdam will continue to be the main hub port in the region.

On 28 September 2016, the Group entered into a concession agreement with Abu Dhabi Ports Company PJSC in relation to Khalifa Port Container Terminal 2 in Abu Dhabi. The Group will be entitled to a 90% equity interest in Khalifa Port Container Terminal 2. The total consideration payable (including expected capital expenditure to be incurred) during the entire term of the concession agreement is estimated to have a present value of approximately US$738,000,000. Khalifa Port Container Terminal 2 is the second overseas terminal in which COSCO SHIPPING Ports holds a controlling interest. The Group is committed to develop it into a terminal for international container shipping lines so that it becomes a hub for the upper Persian Gulf region, thereby enabling Abu Dhabi Port to become a maritime trade gateway for the world's fastest growing economies.

On 12 October 2016, the Group entered into a share sale and purchase agreement with APM Terminals B.V. to acquire 40% of the issued share capital of APM Terminals Vado Holding B.V. ("Vado Holding") for an aggregate consideration of approximately Euro53,000,000. Completion of the transaction took place on 8 March 2017. Vado Holding is the holding company of Reefer Terminal S.p.A., which operates the reefer terminal at the port of Vado Ligure in Italy ("Vado Port"), one of the largest refrigerated terminals in the Mediterranean region.

In addition, Vado Holding is currently expected to complete a purchase of the entire issued share capital of APM Terminals Vado Ligure S.p.A. in 2018, which has been granted the right to construct, manage and operate a container terminal at the Vado Ligure Port ("Vado Container Terminal"). Vado Container Terminal is under construction and is scheduled to become operational in 2018. It will be a semi-automated container terminal, with the unique ability among Northern Italian ports to accommodate ultra-large container ships without any physical restrictions. Vado Container Terminal is part of the master plan of the Savona Port Authority to create new and improved supply chain capabilities for markets in Northern Italy, Switzerland and Southern Germany. Benefitting from the support of the container shipping fleets of the COSCO SHIPPING group and A.P. Møller-Maersk Group, Vado Container Terminal has a solid foundation for sources of cargo.

On 19 December 2016, the Group, Hongkong International Terminals Limited (a subsidiary of Hutchison Port Holdings Trust), COSCO-HIT Terminal and Asia Container Terminal entered into a formal collaboration for the efficient co-management and operation of berths across Terminals 4, 6, 7, 8 and 9 at Kwai Tsing, the New Territories, Hong Kong (the

"Combined Terminals"). By agreement, collaboration on the Combined Terminals will allow for the most effective use of facilities and manpower resources. Efficiency will also be enhanced under the new set-up, as one management team will be responsible for all the terminals' day-to-day operations. This new strategic arrangement will create additional capacity by increasing flexibility in berth and yard planning among all three terminal companies. This timely improvement will allow the Combined Terminals to accommodate better the needs of shipping alliances for enhanced service. This forward-looking move will help sustain Hong Kong's position as a leading transhipment hub in the region.

In 2017, COSCO SHIPPING Ports took a big step forward to integrate its domestic terminal operations and consolidate further its leading position in the Greater China region. On 20 January 2017, the Group announced that it had entered into a transaction agreement and a strategic co-operation agreement with QPI. The Group will acquire 1,015,520,000 non-circulating domestic shares in QPI, representing approximately 16.82% of the issued share capital of QPI as enlarged by the issuance of the subscription shares and the relevant H shares, and will hold approximately 18.41% of the share capital of QPI upon completion of the transaction. The transaction was approved by shareholders at the Special General Meeting held on 10 March 2017 and the Group is in the course of preparation for completion. The increased investment in QPI is in line with the Company's strategy of enhancing control over terminal assets and transitioning from investing in single container terminals to investing in entire ports. It will enable the Group to tap fully into the growth potential of Qingdao Port and achieve sustainable growth. The Group's influence in Qingdao Port will also be enhanced and it will be able to participate in the management of the entire port district.

Geographical Distribution of Terminals

Berths in operation	Number of berths	Annual handling capacity (TEU)	Percentage of total
Bohai Rim			
Container	43	23,600,000	24.3%
Bulk	2	29,000,000 tons	58.1%
Automobile	2	600,000 vehicles	100%
Yangtze River Delta			
Container	29	14,870,000	15.3%
Bulk	14	14,450,000 tons	28.9%
Southeast Coast and others			
Container	12	7,100,000	7.3%
Bulk	4	6,500,000 tons	13.0%
Pearl River Delta			
Container	30	27,025,000	27.8%
Southwest Coast			
Container	2	1,200,000	1.2%
Overseas			
Container	42	23,450,000	24.1%
Total number of terminal berths in operation	**180**		
Total number of container berths/annual handling capacity	**158**	**97,245,000**	
Total number of bulk berths/annual handling capacity	**20**	**49,950,000 tons**	
Total nubmer of automobile berths/annual handling capacity	**2**	**600,000 vehicles**	

Terminal Portfolio[1] (as of 31 December 2016)

Terminal company	Share holdings	No. of berths	Design annual handling capacity (TEU)	Depth (m)
Bohai Rim		**53**	**29,750,000**	
		3	**780,000 vehicles**	
		2	**29,000,000 tons**	
Qingdao Qianwan Terminal	20%	11	6,500,000	17.5
Qingdao New Qianwan Terminal	16%	4	2,280,000	15.0-20.0
Qingdao Qianwan United Terminal	8%	7	3,950,000	15.0-20.0
Qingdao Qianwan United Advance Terminal	5.6%	2	1,300,000	15.0-20.0
Qingdao Qianwan Intelligent Terminal	31.2%	2	1,320,000	15.0-20.0
Dongjiakou Ore Terminal	25%	2	29,000,000 tons	19.2-24.5
Dalian Port Terminal	20%	6	4,200,000	13.5-17.8
Dalian International Terminal	40%	5	3,000,000	16.0
Dalian Dagang Terminal	35%	1	100,000	9.1
Dalian Automobile Terminal	24%	3	780,000 vehicles	11.0
Tianjin Euroasia Terminal	30%	3	1,800,000	16.5
Tianjin Five Continents Terminal	28%	4	1,500,000	16.5
Yingkou Terminal	50%	2	1,000,000	14.0
Yingkou New Century Terminal	40%	2	1,400,000	15.5
Jinzhou New Age Terminal	51%	2	600,000	15.4
Qinhuangdao New Harbour Terminal	30%	2	800,000	15.8
Yangtze River Delta		**36**	**18,350,000**	
		17	**18,950,000 tons**	
Shanghai Pudong Terminal	30%	3	2,300,000	12.0
Shanghai Mingdong Terminal	20%	7	5,600,000	12.8
Ningbo Yuan Dong Terminal	20%	3	1,800,000	17.0-22.0
Ningbo Meishan Terminal	20%	2	1,200,000	17.0
Jiangsu Petrochemical	30.4%	7	4,000,000 tons	15.4
Lianyungang New Oriental Terminal	55%	4	1,200,000	15.0
Zhangjiagang Terminal	51%	3	1,000,000	10.0-11.0
Yangzhou Yuanyang Terminal	55.59%	2	700,000	12.0
		8	10,950,000 tons	8.0-12.0
Taicang Terminal	39.04%	2	550,000	12.5
		2	4,000,000 tons	12.5
Nanjing Longtan Terminal	16.14%	10	4,000,000	12.5-14.5

Terminal Portfolio[1] (as of 31 December 2016)

Terminal company	Share holdings	No. of berths	Design annual handling capacity (TEU)	Depth (m)
Southeast Coast and others		**13**	**7,600,000**	
		5	**9,200,000 tons**	
Xiamen Ocean Gate Terminal	70%	4	2,800,000	17.0
Xiamen Tongda Terminal	70%	1	4,000,000 tons	16.5
Quan Zhou Pacific Terminal	82.35%	3	1,200,000	7.0-15.1
		2	1,000,000 tons	5.1-9.6
Jinjiang Pacific Terminal	80%	2	800,000	9.5-14.8
		2	4,200,000 tons	7.3-9.1
Kao Ming Terminal	20%	4	2,800,000	16.5
Pearl River Delta		**30**	**27,025,000**	
Yantian Terminal Phases I & II	14.59%	5	4,500,000	14.0-15.5
Yantian Terminal Phase III	13.36%	11	9,925,000	16.0-16.5
Guangzhou Nansha Stevedoring Terminal	40%	4	5,000,000	14.5
Guangzhou South China Oceangate Terminal	39%	6	4,200,000	15.5
COSCO-HIT Terminal	50%	2	1,800,000	15.5
Asia Container Terminal	60%	2	1,600,000	15.5
Southwest Coast		**2**	**1,200,000**	
Qinzhou International Terminal	40%	2	1,200,000	15.1
Overseas		**51**	**30,300,000**	
Piraeus Terminal	100%	8	6,200,000	14.5-18.5
Suez Canal Terminal	20%	8	5,100,000	16.0
Kumport Terminal	26%	6	3,000,000	15.0-16.5
Antwerp Terminal	20%	6	3,500,000	14.5-16.5
Zeebrugge Terminal	24%	3	1,000,000	16.0
COSCO-PSA Terminal	49%	2	1,000,000	15.0
Busan Terminal	5.5%	8	4,000,000	15.0-16.0
Seattle Terminal	13.33%	2	900,000	15.0
Euromax Terminal	35%	5	3,200,000	16.7
Khalifa Terminal Phase II	90%	3	2,400,000	18.0
Total		**212**		
Total number of container berths/ annual handling capacity		**185**	**114,225,000**	
Total number of bulk berths/ annual handling capacity		**24**	**57,150,000 tons**	
Total number of automobile berths/ annual handling capacity		**3**	**780,000 vehicles**	

Notes:

1. The terminal portfolio includes operating and non-operating terminal companies, berths and annual handling capacity.
2. The Group has a 10% effective interest in Shanghai Terminal with ten container berths of 3,700,000 TEU annual handling capacity. Hutchison Ports Shanghai Limited, in which the Group owns an interest, jointly operates Shanghai Terminal with Shanghai International Port (Group) Co., Ltd. ("Shanghai Port Group"). Starting from January 2011, Shanghai Terminal made a strategic change in its business model and ceased handling containers. Hutchison Ports Shanghai is leading the discussions on the issue with Shanghai Port Group, which are still in progress.

FINANCIAL REVIEW

On 18 March 2016, the Company completed its acquisition of all the issued shares in China Shipping Ports Development Co., Limited ("CSPD") for a total consideration of US$1,164,077,000. CSPD therefore became a wholly-owned subsidiary of the Company after the completion of the acquisition. The Company's acquisition of CSPD is considered to be a business combination under common control as their respective ultimate holding companies are both under the common control of the State-owned Assets Supervision and Administration Commission of the State Council. As such, the consolidated financial statements for 2015 and the financial position as at 31 December 2015 disclosed in these consolidated financial statements have been restated as a result of the adoption of merger accounting as if the business combinations had occurred from the beginning of the earliest financial years presented. The adoption of merger accounting has resulted in changes to the presentation of certain comparative figures which have been restated to conform to the current year's presentation.

On 24 March 2016, the Company completed the disposal of all the issued shares in FCHL (representing the container leasing, management and sale, and related businesses of the Group) to COSCO SHIPPING Development (Hong Kong) Co., Limited (formerly known as China Shipping Container Lines (Hong Kong) Co., Limited ("CSDHK") for a total consideration of US$1,241,032,000. The FCHL's shareholder's loans in the aggregate sum of US$285,000,000 were transferred on the same day to CSDHK at a consideration of US$285,000,000. Upon completion of the disposal, FCHL ceased to be a subsidiary of the Company. The disposal gain and operation result of FCHL are disclosed as a discontinued operation, as container leasing, management and sale, and related businesses constitute a separate business of the Group. The gain on the disposal of FCHL during the year was US$59,021,000 (2015: not applicable). For the three months ended 31 March 2016, profit from FCHL attributable to equity holders of the Company was US$7,073,000 (full year of 2015: US$82,849,000).

Following the reorganisation, the Group has been transformed from the former businesses of managing and operating terminals, container leasing, management and sale to be a specialised terminal operator. Profit attributable to equity holders of the Company for 2016 was US$247,031,000 (2015: US$429,313,000), a 42.5% decrease compared with last year. Excluding the discontinued container leasing business and the write back of provision of US$79,152,000 recognised for the discontinued container manufacturing business in 2015, profit attributable to equity holders of the Company for 2016 was US$180,937,000 (2015: US$267,312,000), a 32.3% decrease compared with last year.

During the year, COSCO SHIPPING Ports' throughput of container terminals reached 95,071,922 TEU (2015: 90,485,975 TEU), and its throughput of bulk cargo was 80,821,924 tons (2015: 78,436,091 tons), 5.1% and 3.0% increases respectively, compared with last year. The equity throughput of containers was 29,473,573 TEU (2015: 28,065,774 TEU), a 5.0% increase compared with last year. The equity throughput of bulk cargo was 27,049,465 tons (2015: 26,968,358 tons), a 0.3% increase compared with last year. Profit from the terminals business for 2016 was US$242,898,000 (2015: US$286,584,000), a 15.2% decrease compared with last year. Of this, profit from terminal companies in which the Group has controlling stakes was US$59,048,000 (2015: US$55,136,000), a 7.1% increase compared with last year; profit from non-controlling terminals was US$183,851,000 (2015: US$231,448,000), a 20.6% decrease compared with last year. Profit from terminal companies for 2016 included the provision for impairment loss made for Qinhuangdao Port of US$19,800,000 (2015: Nil). Excluding the provision for impairment loss made for Qinhuangdao Port, profit from terminals business for 2016 was US$262,698,000 (2015: US$286,584,000), an 8.3% decrease compared with last year.

Profit from terminal companies in which the Group has controlling stakes was mainly attributable to Piraeus Terminal in Greece and Guangzhou South China Oceangate Terminal. Driven by the increased throughput, Piraeus Terminal recorded a profit of US$31,357,000 for 2016 (2015: US$28,845,000), an 8.7% increase compared with last year. During the year, the throughput of Guangzhou South China Oceangate Terminal grew by 6.6% compared with last year, with a rise in the proportion of loaded containers. For 2016, Guangzhou South China Oceangate Terminal recorded a profit of US$12,345,000 (2015: US$8,503,000), a 45.2% increase compared with last year. However, Yangzhou Yuanyang Terminal incurred a loss of US$2,911,000 (2015: a profit of US$48,000) for 2016 as a result of a drop of 5.8% in its container throughput compared with last year, and a drop of 16.2% in its throughput of bulk cargo compared with last year, partly offsetting the growth of controlling terminals.

In respect of non-controlling terminals, profit for 2016 was US$183,851,000 (2015: US$231,448,000), a 20.6% decrease compared with last year. The decrease in profit was mainly attributable to the provision for impairment loss of US$19,800,000 made for Qinhuangdao Port during the year (2015: Nil). Excluding the provision for impairment loss made for Qinhuangdao Port, profit from non-controlling terminals for 2016 was US$203,651,000 (2015: US$231,448,000), a 12% decrease compared with last year. The decrease was mainly attributable to Suez Canal Terminal, COSCO-HIT Terminal, Shanghai Mingdong Terminal, Ningbo Yuan Dong Terminal and Yantian Terminal. However, Qingdao Qianwan Terminal recorded better performance and both its throughput and profit increased compared with last year, partially offseting the decrease in profit from non-controlling terminals.

Financial Analysis

Revenues

Excluding the discontinued container leasing, management and sale businesses, revenues of the Group for 2016 amounted to US$556,377,000 (2015: US$550,217,000), a 1.1% increase compared with last year. Of this, Piraeus Terminal and Guangzhou South China Oceangate Terminal recorded significant growth in their revenues. However, the bulk cargo throughput of certain controlling terminals in 2016 decreased compared with last year, partially offsetting the increase. During the year, the throughput of Piraeus Terminal rose to 3,470,981 TEU (2015: 3,034,428 TEU), a 14.4% increase, generating a revenue of US$176,226,000 (2015: US$156,126,000), a 12.9% increase compared with last year. In 2016, the throughput of Guangzhou South China Oceangate Terminal was 4,781,665 TEU (2015: 4,486,627 TEU), a 6.6% increase compared with last year, with a rise in the proportion of loaded containers during the year. Guangzhou South China Oceangate Terminal recorded a revenue of US$151,629,000 (2015: US$144,796,000), a 4.7% increase compared with last year.

For other controlled terminals, Yangzhou Yuanyang Terminal recorded a decrease of 5.8% in container throughput and a drop of 16.2% in bulk cargo throughput in 2016 compared with last year, while its revenue decreased to US$24,327,000 (2015: US$32,942,000), a 26.2% decrease compared with last year. Quan Zhou Pacific Terminal recorded a bulk cargo throughput of 2,525,377 tons (2015: 2,762,499 tons), a decrease of 8.6% compared with last year, while its revenue decreased to US$45,089,000 (2015: US$50,626,000), a 10.9% decrease compared with last year. Lianyungang New Oriental Terminals recorded decreases in both container throughput and bulk cargo throughput in 2016 compared with last year, and its revenue decreased to US$44,971,000 (2015: US$48,015,000), a 6.3% decrease compared with last year. The bulk cargo throughput of Jinjiang Pacific Terminal for 2016 dropped to 2,034,441 tons (2015: 2,204,196 tons), a 7.7% decrease compared with last year. Its revenue decreased to US$17,013,000 (2015: US$19,736,000), a 13.8% decrease compared with last year.

Cost of sales

Cost of sales mainly comprised operating expenses of the terminal companies in which the Group has controlling stakes. Cost of sales for 2016 was US$357,294,000 (2015: US$351,128,000), a 1.8% increase compared with last year. The increase was mainly attributable to a rise in the related cost of sales resulting from an increase in business volume of terminals business for Piraeus Terminal and Guangzhou South China Oceangate Terminal. In 2016, cost of sales for Piraeus Terminal was US$117,772,000 (2015: US$106,465,000), a 10.6% increase compared with last year. In 2016, cost of sales for Guangzhou South China Oceangate Terminal was US$85,802,000 (2015: US$78,657,000), a 9.1% increase compared with last year. On the other hand, however, the decrease in the throughput of bulk cargo at certain terminals also offset the increase in operating costs.

Administrative expenses

Administrative expenses in 2016 were US$84,871,000 (2015: US$66,215,000), a 28.2% increase compared with last year. The increase was mainly attributable to a rise in the professional services fees for projects during the year.

Other operating (expenses)/income, net

Net other operating expenses during the year were US$19,572,000 (2015: net other operating income of US$11,568,000), which included the provision for impairment loss made for an available-for-sale financial asset – Qinhuangdao Port of US$19,800,000 in 2016 (2015: Nil). In addition, the gain on disposal of the shares in Xiamen International Port Co., Ltd. of US$3,326,000 and the gain on disposal of the equity interests in Lianyungang New Dongrun Port Co., Ltd. of US$482,000 were included in 2015, while there were no such gains in 2016. Dividends income from available-for-sale financial assets reduced to US$4,245,000 in 2016 (2015: US$7,071,000).

Finance costs

The Group's finance costs in 2016 were US$52,142,000 (2015: US$54,666,000), a 4.6% decrease compared with last year. Excluding the discontinued operation, the average balance of bank loans increased to US$1,528,991,000 (2015: US$1,220,019,000) during the year, a 25.3% increase compared with last year. The decrease in finance costs was mainly attributable to a decrease in the average cost of bank borrowings, as well as a decrease in interest expenses resulting from the reduced average balance of loans from a non-controlling shareholder of a subsidiary. Taking into account capitalised interest, the average cost of bank borrowings in 2016, including the amortisation of transaction costs over bank loans and notes, was 3.37% (2015: 3.92%).

Share of profits less losses of joint ventures and associates

The Group's share of profits less losses of joint ventures and associates for 2016 amounted to US$200,242,000 (2015: US$221,139,000), a 9.4% decrease compared with last year. The decrease in profit was primarily attributable to Suez Canal Terminal, COSCO-HIT Terminal, Shanghai Mingdong Terminal, Ningbo Yuan Dong Terminal and Yantian Terminal. Due to the sluggish shipping market and the policy adjustment by local ports, the throughput of Suez Canal Terminal in Egypt for 2016 decreased to 2,547,597 TEU (2015: 2,954,080 TEU), a 13.8% decrease compared with last year. In addition, one-off staff severance payments were also incurred during the year. As a result, the share of profit of Suez Canal Terminal for 2016 decreased significantly to US$1,873,000 (2015: US$8,743,000), a 78.6% decrease compared with last year. In 2016, the throughput of COSCO-HIT Terminal decreased by 14.7% compared with last year, and its depreciation increased during the year. The share for profit of COSCO-HIT Terminal for 2016 was US$9,888,000 (2015: US$16,376,000), a 39.6% decrease compared with last year. For Shanghai Mingdong Terminal, the tax incentive of "full exemption for five years and 50% exemption for five years" expired in 2015, and Shanghai Mingdong Terminal is required to pay tax in full beginning from 2016. The share of profit for Shanghai Mingdong Terminal for the year decreased to US$19,323,000 (2015: US$23,757,000), a 18.7% decrease compared with last year. At Ningbo Yuan Dong Terminal, since the number of its berths decreased to 3 from 5 last year, its throughput decreased by 16.6%, and the share of its profit recorded was US$7,459,000 (2015: US$10,094,000), a 26.1% decrease compared with last year. In 2016, the throughput of Yantian Terminal decreased by 3.9% compared with last year, and the share of profit for Yantian Terminal for 2016 was US$51,152,000 (2015: US$53,667,000), a 4.7% decrease compared with last year. On the other hand, Qingdao Qianwan Terminal recorded strong performance, and its throughput increased by 3.0% compared with last year. The share of profit for Qingdao Qianwan Terminal for 2016 increased to US$48,089,000 (2015: US$42,898,000), a 12.1% increase compared with last year, partially offseting the decrease in profit from non-controlling terminals.

Income tax expenses

During the year, income tax expenses amounted to US$48,170,000 (2015: US$42,439,000), a 13.5% increase compared with last year. This included a provision of approximately US$15,683,000 (2015: US$13,456,000) for withholding income tax in respect of the profit distribution made by certain investments of the Group in China, a 16.6% increase compared with last year. In addition, as a result of the increase in profit for Piraeus Terminal and Guangzhou South China Oceangate Terminal in 2016, the Group's income tax expenses for 2016 increased.

Financial Position

Cash flow

Cash inflow of the Group remained steady in 2016. During the year, net cash generated from operating activities amounted to US$300,759,000 (2015: US$447,194,000). The decrease was attributable to the fact that only cash inflow for FCHL from operating activities during the three months from January to March 2016 was included in 2016. In 2016, the Group drew bank loans of US$1,401,356,000 (2015: US$875,385,000) and repaid loans of US$1,147,394,000 (2015: US$666,703,000) during the year.

During the year, an amount of US$440,681,000 (2015: US$368,508,000) was paid in cash by the Group for the expansion of berths and the purchase of property, plant and equipment, of which US$277,447,000 (2015: US$263,031,000) was for the purchase of containers. In addition, the Company completed its acquisition of all the issued shares in CSPD and the consideration of US$1,161,963,000 was paid in 2016. Meanwhile, in 2016, the Company also completed the disposal of all the issued shares in FCHL and received a disposal consideration of US$1,508,725,000 during the year, including the consideration for the assignment of the FCHL shareholder's loans in the aggregate sum of US$285,000,000. Excluding the acquisition of the shares of CSPD and the disposal of FCHL, the Group had cash outflows from investing activities of US$147,349,000 in 2016, including investment in Euromax Terminal in the Netherlands of US$46,194,000, a shareholder's loan provided to Euromax Terminal of US$93,659,000 and investment in Qingdao Qianwan Intelligent Terminal of US$6,654,000. In 2015, the Group had cash outflows from investing activities of US$413,839,000, mainly comprising the investment in Kumport Terminal project in Turkey of US$376,056,000, the investment in Qinzhou International Terminal of US$24,130,000, and the investment in Qingdao Qianwan Intelligent Terminal of US$13,653,000.

Financing and credit facilities

As at 31 December 2016, the Group's total outstanding borrowings amounted to US$1,502,991,000 (31 December 2015: US$2,087,004,000) and cash balances amounted to US$837,100,000 (31 December 2015: US$924,191,000). Banking facilities available but unused amounted to US$266,874,000 (31 December 2015: US$927,288,000).

Assets and liabilities

As at 31 December 2016, the Group's total assets and total liabilities were US$6,786,456,000 (31 December 2015: US$8,860,645,000) and US$2,020,652,000 (31 December 2015: US$2,593,569,000) respectively. Net assets were US$4,765,804,000, a 24.0% decrease as compared with that of US$6,267,076,000 as at 31 December of 2015. The decrease was mainly due to the decrease in overall net assets as a result of the recognition of differences between consideration of acquisition of CSPD and its net asset value of US$1,164,077,000, reflected as a distribution during the year and the distribution of cash dividends (including a conditional special cash dividend) during the year. Net current assets at 31 December 2016 amounted to US$159,565,000 (31 December 2015: US$557,996,000). As at 31 December 2016, the net asset value per share of the Company was US$1.58 (31 December 2015: US$2.11).

As at 31 December 2016, the net debt-to-total-equity ratio was 14.0% (31 December 2015: 18.6%). Excluding the discontinued operation, the interest coverage was 5.9 times in 2016 (2015: 7.1 times).

As at 31 December 2016, certain other property, plant and equipment of the Group with an aggregate net book value of US$103,928,000 (31 December 2015: US$115,071,000) and the Company's interest in a subsidiary were pledged as securities against bank borrowings and a loan from the CS Finance with an aggregate amount of US$350,506,000 (31 December 2015: US$290,191,000).

Debt analysis

	As at 31 December 2016		As at 31 December 2015	
By repayment term	**US$**	**(%)**	**US$**	**(%)**
Within the first year	**431,585,000**	**28.7**	287,739,000	13.8
Within the second year	**37,565,000**	**2.5**	307,570,000	14.7
Within the third year	**46,272,000**	**3.1**	241,538,000	11.6
Within the fourth year	**220,309,000**	**14.7**	174,796,000	8.4
Within the fifth year and after	**767,260,000**	**51.0**	1,075,361,000	51.5
	1,502,991,000*	**100.0**	2,087,004,000*	100.0
By category				
Secured borrowings	**350,506,000**	**23.3**	290,191,000	13.9
Unsecured borrowings	**1,152,485,000**	**76.7**	1,796,813,000	86.1
	1,502,991,000*	**100.0**	2,087,004,000*	100.0
By denominated currency				
US dollar borrowings	**633,479,000**	**42.1**	1,388,455,000	66.5
RMB borrowings	**422,359,000**	**28.1**	448,783,000	21.5
Euro borrowings	**447,153,000**	**29.8**	249,766,000	12.0
	1,502,991,000*	**100.0**	2,087,004,000*	100.0

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

Financial guarantee contracts

As at 31 December 2016, China Shipping Terminal Development Co., Ltd., a wholly-owned subsidiary of the Group, provided guarantees on loan facilities granted to a joint venture of US$9,110,000 (31 December 2015: US$2,464,000).

Treasury policy

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

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

As at 31 December 2016, 27.2% (31 December 2015: 22.9%) of the Group's total borrowings were at fixed rates. In light of market conditions, the Group continues to monitor and regulate its fixed and floating rate debt portfolio from time to time, with a view to minimising its potential interest rate exposure.

Event after balance sheet date

On 20 January 2017, SCSTD and QPI entered into an agreement, pursuant to which SCSTD has conditionally agreed to subscribe for 1,015,520,000 non-circulating domestic shares in QPI at a total consideration of RMB5,798,619,200 (equivalent to approximately US$835,897,000, being RMB5.71 per share), of which RMB3,198,650,840 (equivalent to approximately US$461,100,000) will be settled by the transfer of a 20% equity interest in Qingdao Qianwan Terminal to QPI and the remaining RMB2,599,968,360 (equivalent to approximately US$374,797,000) will be settled in cash. As at the date of this announcement, the subscription and disposal were not completed.

CORPORATE SUSTAINABLE DEVELOPMENT

In 2016, the Company set out its five-year strategic planning goals and defined its vision of "The Ports For ALL". The aim is to accelerate the growth of the terminals business while providing excellent services to customers, and to build sustainable relationships with all corporate stakeholders and communities. Furthermore, management strongly believes in the importance of insisting on the principles of responsible investments to protect the interests of stakeholders and communities. The Company will therefore dedicate its efforts to achieving its strategic goals while at the same time ensuring it continues to act as a good corporate citizen.

Corporate Responsibility

With the support of the large shipping fleet of COSCO SHIPPING group, the Group is seizing the development opportunities brought about by China's "One Belt, One Road" policy, and implementing a "Going Global" strategy to expand its container terminals network internationally. The existing terminals portfolio, with a total annual operating capacity of 97,245,000 TEU, provides high quality value-added services to customers. On this basis, the Group makes every effort to forge mutually beneficial relationships with its business partners across the supply chain, and to explore development opportunities in the ports and terminals industry. The Group is also committed to joining with all stakeholders in the supply chain, including shareholders, business partners, customers, financial institutions, investors, employees, suppliers and the community as a whole, to develop opportunities and create value for the sustainable development of the community. In the area of sustainable development, the Group prioritises three areas, namely the environment, talent and the community.

Protecting the Environment

The Group is committed to protecting the environment through optimising its port operations and management. Through developing and implementing advanced environmentally-friendly technologies, the Group strives to improve energy efficiency and reduce the carbon footprint of its terminals. The adoption of energy efficiency policies and measures is encouraged across our businesses. As part of these efforts, the Group has been replacing its high-voltage sodium lamps with LED ones at its controlled terminals since 2014. Additionally, the implementation of "green" lighting at Ningbo Yuan Dong Terminal helped lower the annual energy consumption by 118 million kWh, which is equivalent to an annual reduction in carbon emissions of 335 tonnes of standard coal equivalent. The Group has also undertaken extensive measures to revamp its terminal operations by promoting the electrification of existing infrastructure to reduce greenhouse gas emissions. For example, our recent electrification of 64 rubber tyred gantry (RTG) at Guangzhou South China Oceangate Terminal contributed to an annual reduction in diesel oil consumption by 4,100 tonnes, which translates into an annual reduction in carbon dioxide emissions of 13,000 tonnes. In addition, our Xiamen Ocean Gate Terminal is adopting a fully-automated operation at some of its berths and yards and has gradually electrified its rubber tyred gantry cranes; these initiatives are slated to reduce carbon dioxide emission through energy saving by 84% as compared to traditional terminal operations. Additionally, the tractor at Zhangjiagang Terminal has been transformed to become aerodynamic powered, in which energy wasted processes such as braking is stored and to be released in starting and acceleration to reduce energy consumption of the engine, thereby reducing fuel consumption. This project is currently under testing phase, with an estimation of 12% additional fuel saving as compared to the performance prior to the initiative.

Caring for Our People

The Group's success would not have been possible without the diligence and commitment of its people. The Group regards its employees as its greatest asset and its corporate values are deeply rooted in a people-oriented culture. At the end of 2016, the Group had 3,372 employees worldwide. As a leading global container terminal operator, the Group maintains high standard of integrity and ethics and conveys the principles and requirements of anti-corruption to its employees. The Group attracts and secures highly skilled talent through the provision of competitive remuneration. We also encourage and support the continuous learning and development of our employees. In the process of advancing the global terminal strategy, the Group strives to foster an inclusive work environment to encourage communication and mutual understanding to cultivate a harmonious corporate culture. The Group adheres to applicable international and local labour standards and strictly prohibit the use of child and forced labour in its operations.

The Group regards occupational health and safety as primary tasks. It is also committed to enhancing safety management and practices across its operations. Our safety management mechanisms help to identify and mitigate health and safety risks and monitor performance. Our employees are given safety training to raise awareness and are equipped with knowledge concerning safety precautions and reaction measures.

Supporting the Community

The Group takes pride in contributing to the community in the locations where it operates, leveraging its core competencies to contribute through various channels, including staff support, sponsorships and donations. Our community outreach programmes aim to deepen our ties with local communities and have a long-term impact.

Improving the Level of Sustainability Disclosure

The Group will publish its 2016 Sustainability Report in June 2017. Apart from fulfilling the disclosure requirement of regulators in Hong Kong and of the Global Reporting Initiative, the Group also strives to meet the strong expectation of sustainability disclosure among international institutional investors and corporate stakeholders, in order to build a trusting relationship with them. The Group will engage with more stakeholders to gather their views and address their concerns through stakeholder engagement and sustainability reporting. The Group is committed to providing transparency to stakeholders through consistent monitoring, measuring and disclosing its sustainability performance over time. During the reporting period, the Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to environmental protection, employment and labour practices and operating practices. COSCO SHIPPING Ports believes that the trust created through its commitment to social responsibility is a valuable asset, which can enhance the Company's performance, strengthen management and create value for shareholders.

INVESTOR RELATIONS

COSCO SHIPPING Ports has always seen investors as close partners and regarded investor relations as an important aspect of corporate governance. In 2016, the Group completed a restructuring and entered a new phase of development. In this context, ensuring that investors understand the philosophy behind the change becomes an urgent task. Our investor relations team aims to provide an efficient two-way communication channel between senior management and investors. We release accurate information in a timely manner, according to standards higher and more transparent than those of the disclosure regulations governing the Company's listing. To increase corporate transparency, in addition to announcing our business results voluntarily on a quarterly basis and answering investors' queries, we compile a corporate sustainability report, making ourselves accountable to a diversity of stakeholders. This further improves the Company's governance, enhancing sustainability and shareholder value.

Building a Close Relationship with Investors

The Company understands investors' queries and concerns when faced with a volatile market and our own business restructuring. To address these concerns, besides responding promptly to investors' enquiries, we organise regular communications such as roadshows, press conferences, analyst discussions, investor meetings, luncheons and individual and group meetings with fund managers. Through sincere and honest meetings, COSCO SHIPPING Ports helps different audiences understand the Company's financial results, performance, operational strategies and development prospects. Only if the market fully understands COSCO SHIPPING Ports' strategy can the Company's share valuation reflect its true value. During the year, management proactively communicated with investors, comprehensively explaining the reasons for the business restructuring and the strategic synergies between COSCO SHIPPING Ports and the OCEAN Alliance after restructuring, to ensure that investors fully understood the rationale and the new structure.

During the year, we met investors and related parties 214 times, among which fund managers accounted for 66%, securities professionals (including analysts and brokers) for 17%, investment banks for 2% and media for 15% of meetings. We also conducted three roadshows and participated in three investor forums.

Continuously Enhancing Corporate Transparency

Since 1997, over and above regulatory requirements, we have posted the monthly throughput figures for our terminals on our website, as a valuable reference for investors and the media. Furthermore, we have released business results quarterly since the third quarter of 2007, providing timely updates on the latest developments affecting our operations and financial performance.

To understand COSCO SHIPPING Ports better, the Company's annual report is the essential reference for shareholders and investors. Every year, COSCO SHIPPING Ports spares no effort in preparing this report. Besides incorporating human elements into the design and reflecting the Company's culture, we also ensure the report is easy to read. Investors can easily extract key figures and messages at a glance. The Company also produces an independent sustainability report, enhancing transparency regarding the Company's corporate responsibility and environmental protection. We see this as demonstrating that we are responsible to stakeholders.

Business Decisions that are Market Oriented

The investor relations team regularly informs senior management of the latest market movements and market perceptions of the Company, issues of concern to investors and changes to regulations or compliance requirements, as well as international best practice in investor relations.

The Company regularly conducts analysis of the shareholder structure, a process which includes reviewing the register of institutional and retail investors to keep track of changes in shareholdings, by type of investor. This helps us establish sound relationships with existing and potential shareholders.

Awards

COSCO SHIPPING Ports believes that stakeholders such as investors are the Company's most important partners. We proactively enhance the Company's transparency and promptly respond to investors' enquiries. We deploy resources for corporate and financial communication, letting investors fully understand the Company and management through different channels. This constant commitment to investor communication has helped us to expand our presence in the capital markets and gain recognition. We put considerable effort into designing and producing our annual reports, which we see as one of the year's key corporate communication documents. In 2015, we chose "Excellence through Specialisation" as our annual report theme to reflect the direction and philosophy behind our business reorganisation. That report won the "Chairman's Letter Silver Award" and "Written Text Honors" in the Marine Transportation category in the 2016 ARC Awards. It also won the "Excellence Award for H Share & Red Chip" in the Hong Kong Management Association 2016 Best Annual Reports Awards. The Company's overall investor relations work also gained recognition. In June 2016, for the fifth consecutive year, the Company was named "Best Investor Relations Company" by Corporate Governance Asia magazine. In December 2016, the Group was honoured with a "Gold Award for Corporate Governance, Environmental Responsibility and Investor Relations" from The Asset magazine.

Investor Relations Activities

January

- Announced the acquisition of China Shipping Ports Development Co., Limited and disposal of Florens Container Holdings Limited, and conducted the second phase roadshow in Hong Kong

March

- Issued 2015 annual results announcement, and held press conference and analyst panel discussion
- Results roadshow in Hong Kong

April

- 2016 first quarter results announcement on a voluntary basis

May

- Participated in "dbAccess Asia Conference 2016" held by Deutsche Bank, AG

August

- Issued 2016 interim results announcement, and held a press conference and analyst panel discussion
- Results roadshow in Hong Kong

October

- 2016 third quarter results announcement on a voluntary basis

November

- Participated in "11th China Investor Conference 2016" held by Citibank
- Participated in "Investor Group Luncheon" held by Daiwa Capital Markets Hong Kong Limited

INVESTOR RELATIONS

Meetings in 2016

	People	Percentage of total
Fund managers	140	66%
Securities houses (including analysts and brokers)	37	17%
Investment banks	5	2%
Media	32	15%
Total	**214**	**100%**

Market Capitalisation

As at 31 December	2012	2013	2014	2015	2016
Closing price (HK$)	11.04	10.64	11.02	8.54	**7.79**
Market capitalisation (in HK$ million)	30,758	30,987	32,404	25,334	**23,495**

Share Price Performance

(HK$)	2016	2015
Highest	**9.02**	12.41
Lowest	**6.76**	8.04
Average	**7.84**	10.34
Closing price on 31 December	**7.79**	8.54
Monthly average trading volume (shares)	**87,793,297**	110,644,283
Monthly average trading value	**727,845,092**	1,186,687,054
Total number of shares issued (shares)	**3,016,018,628**	2,966,559,439
Market capitalisation on 31 December	**23,494,785,112**	25,334,417,609

Source: Bloomberg

Note: Trading in the shares of the Company was suspended from 10 August 2015 to 12 November 2015

Analyst Coverage

Company Name	Analyst	E-mail	Telephone
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Citigroup Global Markets Asia Limited	Vivian TAO	vivian.tao@citi.com	+852 2501 2470
CLSA Research Limited	Daniel MENG	daniel.meng@clsa.com	+852 2600 8888
Daiwa Capital Markets Hong Kong Limited	Kelvin LAU	kelvin.lau@hk.daiwacm.com	+852 2525 0121
DBS Bank	Paul YONG	paulyong@dbsvickers.com	+65 6327 2288
Deutsche Bank AG	Sky HONG	sky.hong@db.com	+852 2203 8888
Goldman Sachs (Asia) LLC	Simon CHEUNG	simon.cheung@gs.com	+852 2978 1000
JP Morgan Securities (Asia Pacific) Limited	Karen LI	karen.yy.li@jpmorgan.com	+852 2800 1000
Morgan Stanley Asia Limited	Edward XU	edward.xu@morganstanley.com	+852 2848 5200
The Hongkong and Shanghai Banking Corporation Limited	Parash JAIN	parashjain@hsbc.com.hk	+852 2996 6633
UBS Securities Co Limited	Robin XU	bin.xu@ubssecurities.com	+8621 3866 8872

ABBREVIATIONS

Abbreviations

Company Name	Abbreviation
China COSCO Shipping Corporation Limited	COSCO SHIPPING
China COSCO Shipping Corporation Limited and its subsidiaries	COSCO SHIPPING Group
COSCO SHIPPING Ports Limited	COSCO SHIPPING Ports or the Company
COSCO SHIPPING Ports Limited and its subsidiaries	the Group
COSCO SHIPPING Holdings Co., Ltd.	COSCO SHIPPING Holdings
Terminal company	
Abu Dhabi Oceangate Container Terminal LLC	Khalifa Terminal Phase II
Antwerp Gateway NV	Antwerp Terminal
APM Terminals Zeebrugge NV	Zeebrugge Terminal
Asia Container Terminals Limited	Asia Container Terminal
Busan Port Terminal Co., Ltd.	Busan Terminal
COSCO-HIT Terminals (Hong Kong) Limited	COSCO-HIT Terminal
COSCO-PSA Terminal Private Limited	COSCO-PSA Terminal
Dalian Automobile Terminal Co., Ltd.	Dalian Automobile Terminal
Dalian Dagang China Shipping Container Terminal Co., Ltd.	Dalian Dagang Terminal
Dalian International Container Terminal Co., Ltd.	Dalian International Terminal
Dalian Port Container Terminal Co., Ltd.	Dalian Port Terminal
Euromax Terminal Rotterdam B.V.	Euromax Terminal
Guangzhou South China Oceangate Container Terminal Company Limited	Guangzhou South China Oceangate Terminal
Jiangsu Yantze Petrochemical Co., Ltd.	Jiangsu Petrochemical
Jinjiang Pacific Ports Development Co., Ltd.	Jinjiang Pacific Terminal
Jinzhou New Age Container Terminal Co., Ltd.	Jinzhou New Age Terminal
Kao Ming Container Terminal Corp.	Kao Ming Terminal
Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret A.Ş.	Kumport Terminal
Lianyungang New Oriental International Terminals Co., Ltd.	Lianyungang New Oriental Terminal
Nanjing Port Longtan Container Co., Ltd.	Nanjing Longtan Terminal
Nansha Stevedoring Corporation Limited of Port of Guangzhou	Guangzhou Nansha Stevedoring Terminal
Ningbo Meishan Bonded Port New Harbour Terminal Operating Co., Ltd	Ningbo Meishan Terminal
Ningbo Yuan Dong Terminals Limited	Ningbo Yuan Dong Terminal
Piraeus Container Terminal S.A.	Piraeus Terminal
Plangreat Limited	Plangreat
Qingdao New Qianwan Container Terminal Co., Ltd.	Qingdao New Qianwan Terminal
Qingdao Port Dongjiakou Ore Terminal Co., Ltd.	Dongjiakou Ore Terminal
Qingdao Qianwan Container Terminal Co., Ltd.	Qingdao Qianwan Terminal
Qingdao Qianwan Intelligent Container Terminal Co., Ltd.	Qingdao Qianwan Intelligent Terminal
Qingdao Qianwan United Advance Container Terminal Co., Ltd.	Qingdao Qianwan United Advance Terminal
Qingdao Qianwan United Container Terminal Co., Ltd.	Qingdao Qianwan United Terminal
Qinhuangdao Port New Harbour Container Terminal Co., Ltd.	Qinhuangdao New Harbour Terminal
Qinzhou International Container Terminal Co., Ltd	Qinzhou International Terminal
Quan Zhou Pacific Container Terminal Co., Ltd.	Quan Zhou Pacific Terminal
Shanghai Container Terminals Limited	Shanghai Terminal
Shanghai Mingdong Container Terminals Limited	Shanghai Mingdong Terminal
Shanghai Pudong International Container Terminals Limited	Shanghai Pudong Terminal
SSA Terminals (Seattle), LLC	Seattle Terminal
Suez Canal Container Terminal S.A.E.	Suez Canal Terminal
Taicang International Container Terminal Co., Ltd.	Taicang Terminal
Tianjin Five Continents International Container Terminal Co., Ltd.	Tianjin Five Continents Terminal
Tianjin Port Euroasia International Container Terminal Co., Ltd.	Tianjin Euroasia Terminal
Xiamen Haitou Tongda Terminal Co., Ltd.	Xiamen Tongda Terminal
Xiamen Ocean Gate Container Terminal Co., Ltd.	Xiamen Ocean Gate Terminal
Yangzhou Yuanyang International Ports Co., Ltd.	Yangzhou Yuanyang Terminal
Yantian International Container Terminals (Phase III) Limited	Yantian Terminal Phase III
Yantian International Container Terminals Co., Ltd.	Yantian Terminal Phases I & II
Yingkou Container Terminals Company Limited	Yingkou Terminal
Yingkou New Century Container Terminal Co., Ltd.	Yingkou New Century Terminal
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	Zhangjiagang Terminal
Others	
twenty-foot equivalent unit	TEU

CORPORATE GOVERNANCE REPORT

The corporate governance framework of COSCO SHIPPING Ports Limited (the "Company") aims to ensure that the highest standards of corporate conduct are in place within the Company and places great importance on corporate governance processes and systems so as to achieve its corporate objectives, ensure greater transparency and protect shareholders' interests. The Board of Directors of the Company (the "Board") enhances the Company's practices and policies in a timely, transparent, informative and accountable manner. The Board strongly believes that good corporate governance forms the core of a well-managed organisation.

The Company has made continuous efforts to promote high standards of corporate governance and excellence in investor relations practices, earning market recognition from different stakeholders for its high levels of transparency and corporate governance. The Company is included as a constituent of the Hang Seng Corporate Sustainability Benchmark Index. On 14 February 2017, The Hong Kong Institute of Directors published its Report on The HKIoD Corporate Governance Score-card 2016, and the Company was honored as one of the ten companies with the highest CGI scores, demonstrating that its efforts in corporate governance are highly valued by the industry. In addition, in 2016 the Company was awarded "Shipping In-House Team of the Year" by *Asian Legal Business*, a well-recognised professional magazine, and named among the top ten in-house legal teams of the "Most Innovative In-House Legal Team" Ranking by *Financial Times*, a well-recognised business newspaper. Other noted awards received during the year include a "Gold Award for Corporate Governance, Environmental Responsibility and Investor Relations" from *The Asset* magazine, "Best Investor Relations Company" for the fifth consecutive year from *Corporate Governance Asia* magazine, and the "Outstanding China Enterprise Award" for the fifth consecutive year from *Capital* magazine. In addition, the 2015 Annual Report was awarded an "Excellence Award for H Share & Red Chip Entries" by the Hong Kong Management Association. It was also recognised with a "Chairman's Letter Silver Award" and "Written Text Honors" in the Marine Transportation category at the 2016 ARC Awards.

Corporate Governance Practices

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

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

The Company believes that commitment to good corporate governance is essential to the sustainability of the Company's businesses and performances. The Company is pleased to confirm that for the year ended 31 December 2016, it has fully complied with the code provisions of the Corporate Governance Code.

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

Code Provision A.1.8

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

Code Provisions A.5.1 to A.5.4

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

In order to promote transparency, the Company will periodically conduct a review of the extent to which the Company complies with the recommended best practices in the Corporate Governance Code. The following are major recommended best practices in the Corporate Governance Code with which the Company continued/started to comply during the year ended 31 December 2016:

Recommended Best Practice C.1.6

The recommended best practice C.1.6 of the Corporate Governance Code states that a listed company should announce and publish quarterly financial results. The Company had, on 27 April 2016 and 26 October 2016, published announcements of its first and third quarterly results respectively on a voluntary basis. The Company considers the publication of the quarterly results a regular compliance practice.

Recommended Best Practice C.2.6

The recommended best practice C.2.6 of the Corporate Governance Code, which came into effect on 1 January 2016, states that the board of a listed company may disclose in the Corporate Governance Report that it has received a confirmation from management of the effectiveness of the Company's risk management and internal control systems.

The Board has received such confirmation with respect to the effectiveness of the Company's risk management and internal control systems for 2016. Details on the review of the effectiveness of the risk management and internal control systems of the Company are set out under the section titled "Risk Management and Internal Control" below.

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

Board of Directors

Board Functions and Responsibilities of Directors

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

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

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

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

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

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

Board Composition

As at 28 March 2017 (the date on which the Board approved this report), the Board consisted of 15 members. Among them, four are executive directors, six are non-executive directors and five are independent non-executive directors, including Mr. HUANG Xiaowen[2] (Chairman), Mr. ZHANG Wei (張為)[1] (Vice Chairman & Managing Director), Mr. FANG Meng[1], Mr. DENG Huangjun[1], Mr. FENG Boming[2], Mr. ZHANG Wei (張煒)[2], Mr. CHEN Dong[2], Mr. XU Zunwu[2], Mr. WANG Haimin[2], Dr. WONG Tin Yau, Kelvin[1], Dr. FAN HSU Lai Tai, Rita[3], Mr. Adrian David LI Man Kiu[3], Mr. FAN Ergang[3], Mr. LAM Yiu Kin[3] and Prof. CHAN Ka Lok[3].

1 Executive Director
2 Non-executive Director
3 Independent Non-executive Director

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

Procedures to Enable Directors to Seek Independent Professional Advice

To assist the directors in fulfilling their duties to the Company, the Board has established written procedures to enable them, upon reasonable request, to seek independent professional advice at the Company's expense in appropriate circumstances. No request was made by any director for such independent professional advice in 2016.

Separation of Chairman and Managing Director

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

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

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

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

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

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

Board Meetings

Board meetings are scheduled one year in advance to facilitate maximum attendance by directors. The Board held four regular Board meetings during the financial year ended 31 December 2016 at quarterly intervals. The average attendance rate was 91.05%. The meetings were held to approve the 2015 final results, 2016 interim results and 2016 first and third quarterly results of the Company. As the members of the Board are either in Hong Kong or in mainland China, all of these meetings were conducted by video and/or telephone conference as allowed under the Bye-laws of the Company. The Financial Controller and the General Counsel & Company Secretary also attended the Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and financial aspects.

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

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

Set out below are the details of all directors' attendance at the Board meetings and general meetings during the financial year ended 31 December 2016 which illustrate the attention given by the directors in overseeing the Company's affairs and understanding shareholders' views:

Attendance of individual Board members at Board meetings and general meetings held in 2016

Name of Directors	No. of Board meetings attended/held	Attendance rate of Board meetings (%)	No. of general meetings attended/held	Attendance rate of general meetings (%)
Directors				
Mr. HUANG Xiaowen[2] (Note 1) (Chairman) (appointed on 29 March 2016)	1/3	33	3/3	100
Mr. ZHANG Wei (張為)[1] (Note 2) (Vice Chairman & Managing Director)	4/4	100	4/4	100
Mr. FANG Meng[1] (appointed on 27 April 2016)	2/2	100	3/3	100
Mr. DENG Huangjun[1]	4/4	100	4/4	100
Mr. FENG Boming[2] (appointed on 24 October 2016)	1/1	100	N/A	N/A
Mr. ZHANG Wei (張煒)[2] (appointed on 24 October 2016)	1/1	100	N/A	N/A
Mr. CHEN Dong[2] (appointed on 24 October 2016)	1/1	100	N/A	N/A
Mr. XU Zunwu[2] (appointed on 24 October 2016)	1/1	100	N/A	N/A
Mr. WANG Haimin[2]	4/4	100	3/4	75
Dr. WONG Tin Yau, Kelvin[1]	4/4	100	4/4	100
Dr. FAN HSU Lai Tai, Rita[3]	4/4	100	4/4	100
Mr. Adrian David LI Man Kiu[3]	4/4	100	4/4	100
Mr. FAN Ergang[3]	4/4	100	3/4	75
Mr. LAM Yiu Kin[3]	4/4	100	4/4	100
Prof. CHAN Ka Lok[3] (appointed on 24 October 2016)	1/1	100	N/A	N/A
Ex-directors				
Mr. WAN Min[2] (Note 1) (Chairman) (resigned on 29 March 2016)	1/1	100	1/1	100
Mr. QIU Jinguang[1] (Note 2) (Vice Chairman & Managing Director) (resigned on 27 April 2016)	2/2	100	1/1	100
Mr. TANG Runjiang[1] (resigned on 7 July 2016)	0/2	0	0/2	0
Mr. FENG Bo[1] (resigned on 24 October 2016)	3/3	100	4/4	100
Mr. WANG Wei[2] (resigned on 24 October 2016)	3/3	100	2/4	50
Mr. IP Sing Chi[3] (resigned on 24 October 2016)	2/3	67	3/4	75

1 Executive Director
2 Non-executive Director
3 Independent Non-executive Director

Note 1: Mr. HUANG Xiaowen was appointed as Chairman of the Board in place of Mr. WAN Min on 29 March 2016.

Note 2: Mr. ZHANG Wei (張為) was re-designated from a non-executive director to an executive director and appointed as the Vice Chairman and Managing Director of the Company in place of Mr. QIU Jinguang on 27 April 2016.

During the financial year ended 31 December 2016, a meeting of the Chairman and the non-executive directors (including independent non-executive directors) without the presence of the executive directors was held pursuant to code provision A.2.7 of the Corporate Governance Code.

Appointment, Re-election and Removal of Directors

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

Details of the selection process of new directors and a summary of work performed by the Nomination Committee in 2016 are set out under the "Nomination Committee" section below.

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

Directors' Commitment

The Company has received confirmation from all directors that they have given sufficient time and attention to the affairs of the Company during the financial year ended 31 December 2016. Directors have also disclosed to the Company the number and nature of offices held in public companies or organisations and other significant commitments, as well as the identity of the said public companies and an indication of time involved in them.

Directors are reminded to participate in continuous professional development to ensure that they have a proper understanding of the Company's operations and business and are fully aware of their responsibilities under the Listing Rules and other applicable laws and regulations. During the financial year ended 31 December 2016, directors participated in various training programmes and seminars at the Company's expense. Set out below are the details of all directors' participation in continuous professional development during the financial year ended 31 December 2016:

Directors' Participation in Continuous Professional Development Programmes in 2016

	Reading regulatory updates	Making visits to management of the Company and/or its subsidiaries	Attending directors' training organised by the Company or other listed companies/professional organisations
Directors			
Mr. HUANG Xiaowen[2] (Note 1) (appointed on 29 March 2016) (Chairman)	√	√	√
Mr. ZHANG Wei (張為)[1] (Note 2) (Vice Chairman & Managing Director)	√	√	√
Mr. FANG Meng[1] (appointed on 27 April 2016)	√	√	√
Mr. DENG Huangjun[1]	√	√	√
Mr. FENG Boming[2] (appointed on 24 October 2016)	√	√	√
Mr. ZHANG Wei (張煒)[2] (appointed on 24 October 2016)	√	√	√
Mr. CHEN Dong[2] (appointed on 24 October 2016)	√	√	√
Mr. XU Zunwu[2] (appointed on 24 October 2016)	√	√	√
Mr. WANG Haimin[2]	√	√	√
Dr. WONG Tin Yau, Kelvin[1]	√	√	√
Dr. FAN HSU Lai Tai, Rita[3]	√	√	√
Mr. Adrian David LI Man Kiu[3]	√	√	√
Mr. FAN Ergang[3]	√	√	√
Mr. LAM Yiu Kin[3]	√	√	√
Prof. CHAN Ka Lok[3] (appointed on 24 October 2016)	√	√	√
Ex-directors			
Mr. WAN Min[2] (Note 1) (resigned on 29 March 2016) (Chairman)	√	√	–
Mr. QIU Jinguang[1] (Note 2) (resigned on 27 April 2016) (Vice Chairman & Managing Director)	√	√	–
Mr. TANG Runjiang[1] (resigned on 7 July 2016)	√	√	–
Mr. FENG Bo[1] (resigned on 24 October 2016)	√	√	–
Mr. WANG Wei[2] (resigned on 24 October 2016)	√	√	–
Mr. IP Sing Chi[3] (resigned on 24 October 2016)	√	√	–

1 Executive Director

2 Non-executive Director

3 Independent Non-executive Director

Note 1: Mr. HUANG Xiaowen was appointed as Chairman of the Board in place of Mr. WAN Min on 29 March 2016.

Note 2: Mr. ZHANG Wei (張為) was re-designated from a non-executive director to an executive director and appointed as the Vice Chairman and Managing Director of the Company in place of Mr. QIU Jinguang on 27 April 2016.

Note 3: The Company provided all newly appointed directors with training in directors' duties towards listed companies and reports on business and financial information of the Company.

Directors'/Senior Management's Securities Transactions

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

Specific confirmation has been obtained from directors and senior management regarding their compliance with the Model Code and the aforementioned guidelines in 2016. No incidents of non-compliance were noted by the Company in 2016.

General Counsel & Company Secretary

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

All directors have access to the General Counsel & Company Secretary who is responsible for ensuring good information flow within the Board and that Board policies and procedures are followed. The General Counsel & Company Secretary is also responsible for providing advice to the Board in relation to directors' obligations as regards disclosure of interest in securities and disclosure requirements in respect of notifiable transactions, connected transactions and inside information. The General Counsel & Company Secretary has to advise the Board on disclosure of information in a true, accurate, complete and timely manner in strict compliance with the requirements of the Listing Rules, applicable laws, regulations and the Bye-laws of the Company.

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

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

Delegation by the Board

Management Functions

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

- implementing the strategies and plans established by the Board
- submitting reports on the Company's operations to the Board on a regular basis to ensure effective discharge of the Board's responsibilities, including any monthly updates as requested pursuant to the Listing Rules

Board Committees

To assist the Board in the execution of its duties and to facilitate effective management, certain functions of the Board have been delegated to various Board committees, which in turn will review and make recommendations to the Board on specific areas. The Board has established a total of seven

Board committees, details of which are set out below. Each committee consists of directors, members of senior management and management and has a defined scope of duties and terms of reference, and committee members are empowered to make decisions on matters within the terms of reference of each committee. These committees have the authority to examine particular issues and report to the Board with their recommendations, where appropriate. The ultimate authority for the final decision on all matters, however, lies with the Board.

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

1. Executive Committee

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

During the year ended 31 December 2016, the Executive Committee held a total of 51 meetings. All the matters considered and decided by the Executive Committee at the committee meetings have been recorded in detailed minutes. A committee member presents a summary report on the business transacted at the Executive Committee meetings to the Board at Board meetings. All directors of the Company can inspect the minutes of the committee meetings at any time and upon request, and the General Counsel & Company Secretary will provide a copy of the minutes of the committee meetings to the directors.

2. Audit Committee

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

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

In addition to providing advice and recommendations to the Board, the Audit Committee oversees all matters relating to the external auditors. It therefore plays an important role in monitoring and safeguarding the independence of the external auditors. Both the Financial Controller and the Internal Auditor are directly accountable to the Chairman of the Audit Committee.

Regular meetings of the Audit Committee are normally held four times a year on a quarterly basis, with additional meetings arranged as and when required. During the year ended 31 December 2016, four meetings were held and the average attendance rate was 91.67%.

The key matters deliberated on by the Audit Committee in 2016 included:

- reviewed the accounting principles and practices adopted by the Group and other financial reporting matters
- reviewed the draft annual, interim and quarterly results announcements and the draft annual report and interim report of the Company and assured the completeness, accuracy and fairness of the financial statements of the Company
- reviewed the results of the external audit and discussed significant findings and audit issues with the external auditors
- reviewed the internal audit plan and internal audit reports
- reviewed the progress report on risk management and internal control
- reviewed the summary of continuing connected transactions of the Company on a quarterly basis
- discussed the effectiveness of the risk management and internal control systems throughout the Group, including financial, operational and compliance controls
- reviewed the framework for disclosure of inside information of the Group and the whistleblowing policy of the Company
- reviewed the Risk Management and Internal Control Policy

Attendance of individual members at Audit Committee meetings held in 2016

Name of Members	No. of meetings attended/held	Attendance rate (%)
Mr. Adrian David LI Man Kiu[1] (Chairman)	4/4	100
Dr. FAN HSU Lai Tai, Rita[1]	3/4	75
Mr. LAM Yiu Kin[1]	4/4	100

1 Independent Non-executive Director

3. Remuneration Committee

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

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

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

The following is a summary of the work of the Remuneration Committee in 2016:

- conducted the annual review and made recommendations to the Board on the remuneration packages of all directors and members of senior management
- reviewed and made recommendations to the Board on the remuneration of the newly appointed Chairman of the Board, executive director, non-executive director and independent non-executive director
- reviewed and made recommendations to the Board on the remuneration of the Managing Director and the Deputy Managing Director

Attendance of individual members at Remuneration Committee meetings held in 2016

Name of Members	No. of meetings attended/held	Attendance rate (%)
Members		
Dr. FAN HSU Lai Tai, Rita[1] (Chairman)	**2/2**	100
Mr. Adrian David LI Man Kiu[1]	**2/2**	100
Prof. CHAN Ka Lok[1] (appointed on 24 October 2016)	**N/A**	N/A
Mr. ZHANG Wei (張為)[2] (appointed on 27 April 2016)	**1/1**	100
Mr. LI Yingwei	**2/2**	100
Ex-members		
Mr. IP Sing Chi[1] (resigned on 24 October 2016)	**2/2**	100
Mr. QIU Jinguang[2] (resigned on 27 April 2016)	**1/1**	100

1 Independent Non-executive Director

2 Executive Director, Vice Chairman and Managing Director

In addition to the two physical meetings mentioned above, the Remuneration Committee passed one set of written resolutions during the year to carry out its relevant tasks.

Remuneration policy

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

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

4. Nomination Committee

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

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

During 2016, the work performed by the Nomination Committee included the following:

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

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

In March 2016, Mr. HUANG Xiaowen was appointed as the Chairman of the Board and a non-executive director of the Company and Mr. ZHANG Wei (張為) was re-designated from a non-executive director to an executive director and appointed as the Vice Chairman of the Board and Managing Director of the Company. In addition, Mr. FANG Meng, Mr. FENG Boming, Mr. ZHANG Wei (張煒), Mr. CHEN Dong, Mr. XU Zunwu and Prof. CHAN Ka Lok were appointed as directors of the Company in 2016. In considering the change of duties and responsibilities and appointment of directors, the Nomination Committee assessed the relevant directors and candidates on criteria such as integrity, independent mindedness, experience, skill and ability to commit time and effort to carry out their duties and responsibilities effectively etc., and made recommendation to the Board for approval.

In early 2017, the Nomination Committee nominated and the Board recommended that Mr. DENG Huangjun, Dr. WONG Tin Yau, Kelvin, Dr. FAN HSU Lai Tai, Rita and Mr. Adrian David LI Man Kiu, being directors longest in office since their last re-election, retire by rotation at the forthcoming annual general meeting. Mr. XU Zunwu who was appointed as a director by the Board on 24 October 2016, retires at the forthcoming annual general meeting. All the retiring directors, being eligible, will offer themselves for re-election by shareholders of the Company. Mr. FENG Boming, Mr. ZHANG Wei (張煒), Mr. CHEN Dong and Prof. CHAN Ka Lok retired and re-elected at the special general meeting held on 10 March 2017.

Attendance of individual members at Nomination Committee meetings held in 2016

Name of Members	No. of meetings attended/held	Attendance rate (%)
Members		
Mr. Adrian David LI Man Kiu[1] (Chairman)	**2/2**	100
Dr. FAN HSU Lai Tai, Rita[1]	**2/2**	100
Mr. ZHANG Wei (張為)[2] (appointed on 27 April 2016)	**1/1**	100
Ex-members		
Mr. IP Sing Chi[1] (resigned on 24 October 2016)	**2/2**	100
Mr. QIU Jinguang[2] (resigned on 27 April 2016)	**1/1**	100

1 Independent Non-executive Director

2 Executive Director, Vice Chairman and Managing Director

In addition to the two physical meetings mentioned above, the Nomination Committee passed two sets of written resolutions during the year to handle the relevant tasks.

Board Diversity Policy

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

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

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

Board Diversity			
1. Designation	Executive Director (4)	Non-executive Director (6)	Independent Non-executive Director (5)
2. Gender	Male (14)	Female (1)	
3. Ethnicity	Chinese (15)		
4. Age group	40-50 (6)	51-60 (6)	Over 60 (3)
5. Length of service (years)	Over 10 (1)	3-10 (4)	Less than 3 (10)
6. Skills, knowledge and professional experience (Note 1)	Terminal operation and management (10)	Accounting and financing (5)	Banking (2)
	Law (2)	Management and commercial (1)	Capital management and investor relations (1)
7. Academic background	University (15)		

Note 1: Directors may possess multiple skills, knowledge and professional experience.

Note 2: The number in brackets refers to the number of directors under the relevant category.

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

5. Corporate Governance Committee

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

In 2016 and early 2017, the Corporate Governance Committee performed the following in relation to the review of the corporate governance framework of the Company:

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

Attendance of individual members at Corporate Governance Committee meetings held in 2016

Name of Members	No. of meetings attended/held	Attendance rate (%)
Members		
Dr. WONG Tin Yau, Kelvin[1] (Chairman)	4/4	100
Ms. HUNG Man, Michelle	4/4	100
Mr. HUANG Chen	3/4	75
Mr. LI Huadong	3/4	75
Mr. LI Jie (appointed on 16 August 2016)	3/3	100
Ms. LIU Mei Wan, May	4/4	100
Mr. QIU Jincheng (appointed on 16 August 2016)	2/3	67
Ex-member		
Mr. FAN Chih Kang, Ken (resigned on 16 August 2016)	1/1	100

1 Executive Director

Note: In order to facilitate the annual review of the corporate governance and sustainable development of the Company, the above meetings were convened between 3 March 2016 and 16 March 2017, i.e. prior to the publication of the 2016 final results announcement.

6. Investment and Strategic Planning Committee

The Investment and Strategic Planning Committee, led by an executive director, comprises 15 members (including executive directors, members of senior management and management). It is responsible for the consideration, evaluation and review of and making recommendations to the Board on proposed major investments, acquisitions and disposals, and conducting post-investment evaluation of investment projects. It also reviews and considers the overall strategic direction and business development of the Company.

Attendance of individual members at Investment and Strategic Planning Committee meetings held in 2016

Name of Members	No. of meetings attended/held	Attendance rate (%)
Members		
Mr. ZHANG Wei (張為)[1] (Chairman) (appointed on 27 April 2016)	**3/3**	100
Mr. FANG Meng[2] (appointed on 16 August 2016)	**2/2**	100
Mr. DENG Huangjun[2]	**5/5**	100
Mr. GUAN Shuguang (appointed on 16 August 2016)	**2/2**	100
Mr. ZHANG Dayu (appointed on 16 August 2016)	**2/2**	100
Mr. LUI Sai Kit, Eddie	**5/5**	100
Mr. LI Yingwei	**5/5**	100
Mr. QIU Jincheng	**4/5**	80
Mr. HUANG Chen	**5/5**	100
Mr. LI Jie	**5/5**	100
Mr. LI Huadong	**5/5**	100
Mr. SHEN Xuan	**5/5**	100
Mr. LIN Haibo (appointed on 16 August 2016)	**2/2**	100
Ms. HUANG Li (appointed on 16 August 2016)	**2/2**	100
Mr. HUNG Chun, Johnny	**5/5**	100
Ex-member		
Mr. QIU Jinguang[1] (Chairman) (resigned on 27 April 2016)	**2/2**	100

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

7. Risk Management Committee

The Risk Management Committee, led by an executive director, comprises ten members (including executive directors, members of senior management and management). It provides support to the Board by identifying and minimising the operational risks of the Company, setting the direction for the Group's risk management strategy and strengthening the Group's system of risk management.

Details of the role and responsibilities of the Risk Management Committee for risk management of the Company are set out under the section titled "Risk Management and Internal Control" below.

Attendance of individual members at Risk Management Committee meetings in 2016

Name of Members	No. of meetings attended/held	Attendance rate (%)
Members		
Mr. ZHANG Wei (張為)[1] (Chairman) (appointed on 27 April 2016)	**0/4**	0
Mr. FANG Meng[2] (appointed on 16 August 2016)	**3/4**	75
Mr. DENG Huangjun[2]	**4/4**	100
Mr. CHAN Hang, Ken	**3/4**	75
Mr. ZHANG Dayu (appointed on 16 August 2016)	**4/4**	100
Ms. HUNG Man, Michelle	**3/4**	75
Mr. LI Jie	**3/4**	75
Mr. LI Huadong	**4/4**	100
Mr. HUANG Chen	**4/4**	100
Mr. HUNG Chun, Johnny (appointed on 24 October 2016)	**2/2**	100
Ex-members		
Mr. QIU Jinguang[1] (Chairman) (resigned on 27 April 2016)	**N/A**	N/A
Mr. PEI Feng (resigned on 16 August 2016)	**N/A**	N/A
Mr. FAN Chih Kang, Ken (resigned on 16 August 2016)	**N/A**	N/A

1 Executive Director, Vice Chairman and Managing Director

2 Executive Director

Accountability and Audit

Financial Reporting

The following statement, which sets out the responsibilities of the directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the Independent Auditor's Report on pages 108 to 113 which acknowledges the reporting responsibilities of the Group's auditor.

Annual Report and Financial Statements

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

Accounting Policies

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

Accounting Records

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

Safeguarding Assets

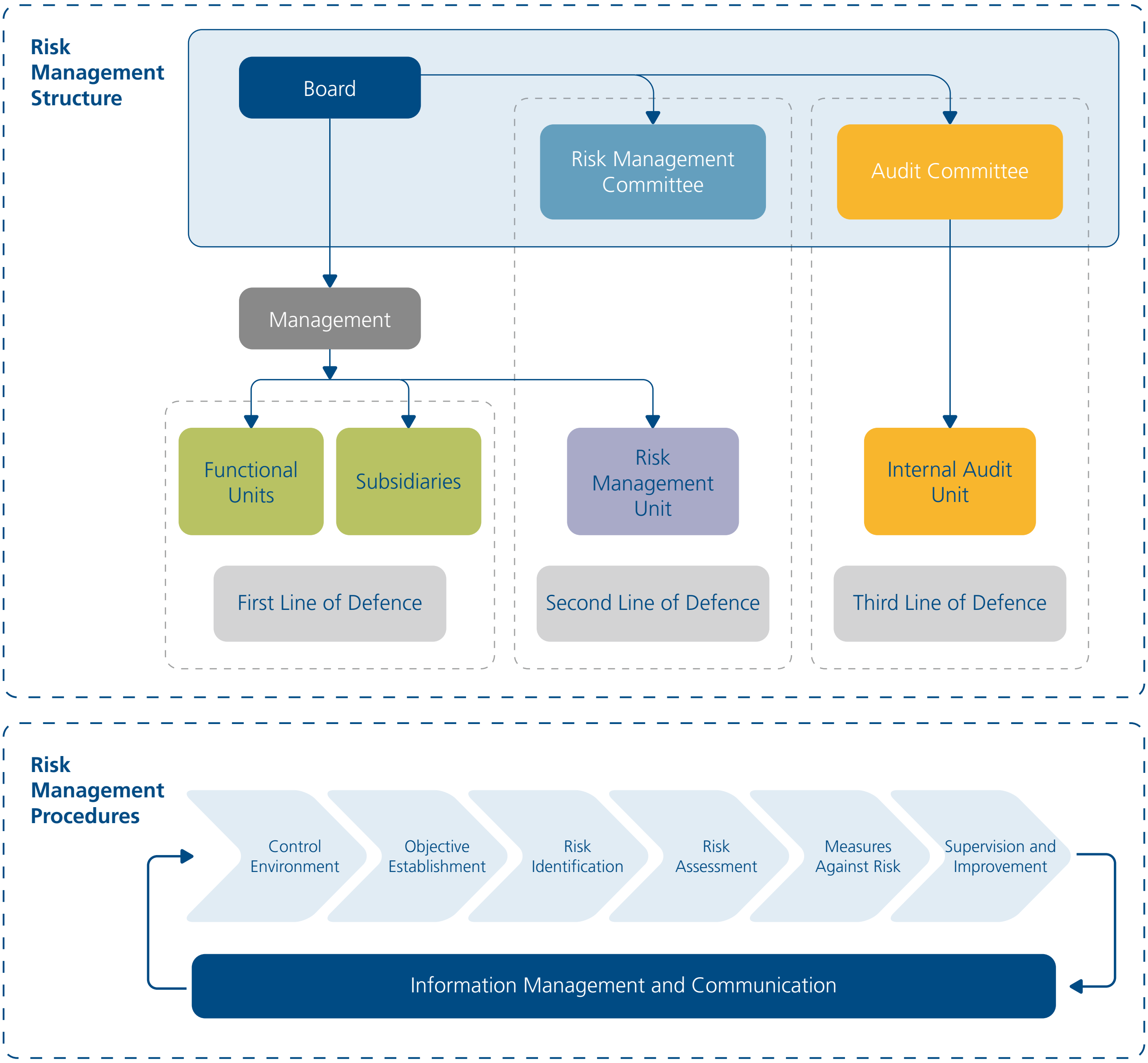
The directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Risk Management and Internal Control

The Board is responsible for assessing the establishment and maintenance of effective risk management and internal control systems of the Company in an effort to safeguard the interests of the shareholders. Based on the control environment, risk assessment and corresponding strategies, supervision and improvement, information management and communications of the Company, the risk management and internal control systems, which are characterised by "three lines of defence" and are integrated with the operations, have been established. The risk management framework of the risk management and internal control systems makes reference to the COSO framework established by the Committee of Sponsoring Organisations of the Treadway Commission, the "General Risk Management Guidelines for State-owned Enterprises" issued by the State-owned Assets Supervision and Administration Commission of the State Council (the "SASAC"), and the guide on "Internal Control and Risk Management" issued by the HKICPA.

Risk Management Framework

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



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

Board	• Review the risk management and internal control systems and its continuous improvement • Review and approve risk-related professional decisions • Review periodic reports on risk assessment • Make decisions to balance the resource allocation to risk management and internal control • Review and ensure the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions
Audit Committee	• Review and advise the Board on the effectiveness of the risk management and internal control systems
Risk Management Committee	• Monitor the risk management framework, review and approve the risk management policy, and advise the Board on risk-related issues of the Company • Review the effectiveness of the risk assessment and internal control of the Company
Management	• Set up and manage the risk management unit of the Company • Implement the decisions and plans of the Board relating to risk • Organise daily risk supervision and improvement • Report to the Board on the risk management plan and results and provide the Board with a confirmation of the effectiveness of the risk management and internal control systems
Risk Management Unit	• Develop the Company's risk management plan, and assess the risk management of all functional units and subsidiaries of the Company according to the annual risk management plan and objectives • Organise annual risk assessment, and collaborate with the units concerned in drawing up measures against major risks based on the results of assessment • Organise the self-assessment of risk management and drive the establishment and improvement of a comprehensive risk management system
Functional Units and Subsidiaries	• Identify and assess the major risks associated with their respective scope of operations, and determine the corresponding strategies • Design and implement the risk control system based on risks identified and corresponding strategies determined • Cooperate with the internal audit unit in the investigation into and handling of incidents which have caused significant loss or adverse effects due to ineffective risk management and internal control
Internal Audit Unit	• Examine the suitability and effectiveness of the risk management and internal control systems and report regularly to the Board through the Audit Committee

The risk management procedures include the following major tasks:

Objective establishment	• Having fully taken account of the impact of various risks, establish strategic, operational, reporting, compliance and relevant objectives based on the risk tolerance levels of Company
Risk identification	• All functional units and subsidiaries collect information about internal and external risks on a regular basis and carry out the necessary screening, refining, comparison, classification and consolidation processes • Identify the risks in the Company's major business operations and key business processes in accordance with the risk management framework established
Risk assessment	• Define the identified risks and their characteristics, and analyse and describe the likelihood and impact of the risks • Determine the Company's major risks after assessment of the importance of the risks in accordance with the evaluation criteria established
Measures against risks	• All functional units and subsidiaries choose risk corresponding strategies based on the results of risk assessment and the causes of the risks • Risk corresponding strategies are developed for all risks or each major risk • Design feasible risk control activities and effectively implement the relevant risk management solutions
Supervision and improvement	• All functional units and subsidiaries carry out ongoing day-to-day monitoring and analysis of the major and related risks under their management • The risk management unit prepares the risk management report based on the risk monitoring information and makes cross-department recommendations on significant changes in risks • The risk management unit monitors and assesses the risk control at all functional units and subsidiaries and the relevant effectiveness

Control Environment

Upholding a high standard of control environment has been a top priority of the Company. The Company has been dedicated to its continuous enhancement and improvement. Recognising the importance of the integrity, ethics, operating philosophy and team building capabilities (the overall quality of staff) of the management and other core values, the Board has drawn up guidelines on the internal control system to ensure the Company's objectives are achieved and to identify discrepancies for rectification.

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

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

To form the bedrock of the internal control system, the Company has defined its business structure and compiled an instruction manual on controls of those business processes and activities. Apart from the establishment of an effective internal control system, the Company attaches great importance to the integrity and qualifications of its accounting and finance personnel, and has imposed relevant requirements in that regard.

Assessment of and Measures against Risks

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

The Company has set up a risk assessment project team, comprising the management and representatives from functional units and subsidiaries. With reference to the "Examples of Enterprise Risk Classification" issued by the SASAC and through interviews with the management and seminars on risk management, the project team established a risk management framework covering five dimensions, namely the strategic, market, finance, legal and operation areas. These cover a total of 54 risks that are classified into three levels. On this foundation, a risk event database was created following an examination of the changes in the internal and external environments, existing risk-induced loss, business risk control matrices in functional units and subsidiaries, and integration of the practical experience of professional consultancies. In accordance with the theories and methodologies set out in the "Enterprise Risk Management – Integrated Framework" issued by the Committee of Sponsoring Organisations of the Treadway Commission, the project team examined the top ten risks in the risk event database in detail, and formulated corresponding strategies and specific measures.

During the year, the Company carried out risk assessment, and the major risks facing the Company and its countermeasures are as follows:

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
Strategic risk	**Risks relating to investment decisions** As the Company continues to increase its investment in terminals businesses, the pre-investment investigation and analysis may be insufficient	• Established and improved the investment management system, setting out clear principles for external investments • Conducted due diligence on target companies to determine accurately the potential value of the assets of target companies • Incorporated the risk assessment process into early preparations for investment projects to analyse and assess systematically the risks at various stages of investment projects • Prepared economic indicators for investment projects and set consistent assessment criteria for project assessment	↑
Strategic risk	**Risk relating to strategic planning** As the Company is transformed into a pure terminals operator, there may be strategic misjudgement arising from insufficient analysis of the Company and the competitive environment	• Established the Planning & Research Department to strengthen the information collection and analysis abilities, and drew up strategic plans independently or with assistance from consultancies, in light of the new positioning of the Company • Amended the Company's strategic management and planning rules to specify the analysis, decision-making, review and modification processes in strategic planning	↑

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
Market risk	**Risk relating to fluctuation in exchange rates** Wide fluctuations in exchange rates may result in continuous depreciation in the settlement currencies or the currencies in which the monetary assets or liabilities are denominated	• Developed management rules for operations exposed to financial risks, and set out clear rules for risks associated with exchange rates, interest rates and financial derivatives products • Chose US dollars as the settlement currency whenever possible in acquisitions, mergers and the process of terminal operation • Designated personnel to track changes in exchange rates and lower exchange risk exposure through multiple measures, including timely currency conversion and prepayment of foreign-currency borrowings, and assessed exchange rate risk exposure on a regular basis • Subject to the approval of the Group, adopted derivative instruments such as forward exchange contracts and foreign exchange options to contain fluctuations in exchange rates, thereby controlling the related risks	→
Operational risk	**Risk relating to information system planning** Ineffective information system planning, where as a result information cannot be shared among systems, and activities cannot be carried out on a co-ordinated basis	• Formulated a general plan for the information system of the Company. Incorporated information system planning into the strategic planning of the Company and allocated resources to the development of information systems • Carried out the standardisation of corporate information. The information standards were developed at the corporate headquarters and published in a timely manner to avoid the lack of coordination during the development, which may have caused poor system compatibility and failure to share data	→
Market risk	**Competitor risk** Facing rivalry with competitors in the same economic area using the same terminals hinterland, resulting in a deteriorating competitive environment	• Established a sound system to track and analyse market intelligence on the macro-economy, the shipping market, the container terminals market and major competitors • Identified the corporate resources for which the Company enjoys competitive advantages and its core competitiveness, such as natural geographical advantages, cargo structure and transportation conditions • Formulated diversified market competition strategies based on an integrated analysis of the ports industry, local market competition, its own competitive advantages and core competencies	→

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
Market risk	**Risk relating to customers' creditworthiness** Lack of early warning mechanism and dynamic tracking of customer credit risk, ill-informed sales decisions or lack of timely response	• Implemented customer credit risk management rules, and established a credit risk management and organisation system using the model of centralised management and control by level and type • Implemented proper credit risk precautionary measures. The Company's subsidiaries conducted credit rating and facility management in accordance with the credit rating model of the Company, and using the credit information collected through various channels in accordance with the relevant regulations. The Sales & Marketing Department imposed a limit on the total credit facility to be granted by subsidiaries • Conducted proper credit risk monitoring. In addition to strict control by the subsidiaries of the Company in their business operation over the fund and cargo flows in credit transactions, a credit risk early warning mechanism was also established to monitor major credit indicators and issue early warnings as necessary. The procedures would be implemented once the warning level has been reached	↑
Strategic risk	**Investment termination and exit management** Failure to terminate and dispose of investments in a timely manner when there are material changes in new investment projects that affect the feasibility of these projects or when these projects invested in lose their strategic and financial value	• Established an investment termination and exit management mechanism, designating a unit responsible for the termination and exit management, and laying down the conditions, criteria and workflows for termination and exit • Commenced the procedures for termination and exit when the conditions for termination and exit had been met in the process of investment analysis, decision-making, implementation and operation, so as to reduce or avoid investment losses • Established an accountability system for investment termination and exit	→
Financial risk	**Risk relating to accounts receivable** With the global economy recovering only slowly and shipbuilding companies posting poor performance, if the Company excessively uses commercial credit, its total accounts receivable may become out of control and not fully recoverable	• Kept a close eye on customers and industry trends. Alerted the relevant departments of risk once abnormal signs were identified, and adopted corresponding measures depending on the degree of their impacts • Imposed a limit on the total accounts receivable and kept total credit risk at an acceptable level through overall management and control • Adopted a number of measures to collect accounts receivable, and implemented a collection responsibility system	↑

Type of Risk	Description of Risk	Major Countermeasures	Risk Trend
Compliance risk	**Risk relating to statutory information disclosure** If the Company fails to comply fully with legal and regulatory requirements, it may be subject to public condemnation, heavy fines and even revocation of its business license by regulatory bodies, and the relevant responsible entities and persons may also have to bear civil or criminal liability	• The General Counsel & Company Secretary of the Company developed overall strategies and a mechanism to address the legal compliance issues of the Company. Once aware of any significant changes in laws and regulations, the Legal Department would report the situation to the Board and disclose relevant information within the Company as and when appropriate • As necessary, the Company sought independent professional opinions on compliance issues from the lawyers in relevant foreign jurisdictions in order to protect its interests	↑
Compliance risk	**Risk relating to connected transactions** Failure to disclose connected transactions in a timely manner or at all or inaccurate or incomplete information disclosure may be subject to the condemnation by the Stock Exchange and even an order to cease the relevant transactions	• Prepared and regularly updated the list of connected persons • The amount of continuing connected transactions was closely monitored each month, and close attention was paid to transactions with customers who were connected persons • A management meeting was held on a quarterly basis to review the nature and amount of all connected transactions, and a quarterly summary of continuing connected transactions was submitted to the Audit Committee • Negotiations about and the entering into of relevant connected transactions were carefully reviewed and approved by management at an appropriate level to ensure compliance with the pricing policies of the Company. Public disclosure was regularly compared against the changing information disclosure rules to ensure compliance with the relevant rules and regulations	↑

The risk management and internal control report for 2016 was approved by the Risk Management Committee and the Audit Committee and submitted to the Board for review, forming the basis for the Board's assessment of the effectiveness of the risk management and internal control systems for the year 2016.

Internal Control System and Mechanism

A sound system of internal controls requires a defined organisational and policy framework.

The features of the Company's internal control mechanism are as follows:

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

2. To assist the Board in the execution of its duties, the Board is supported by seven Board Committees, namely, the Executive Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Investment and Strategic Planning Committee, the Corporate Governance Committee and the Risk Management Committee.

These committees make recommendations to the Board on relevant matters within their terms of reference, or make decisions under appropriate circumstances within the scope of the power delegated by the Board.

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

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

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

   Particular attention is also paid to control activities which are considered to be of higher risks, including, amongst others, income, expenditures and other areas of concern as highlighted by the management. The internal auditor has free access to the Audit Committee without the requirement to consult the management, and reports directly to the Vice Chairman and Managing Director of the Company and the Chairman of the Audit Committee. He attends meetings of the Audit Committee quarterly and brings matters identified during the course of the internal audit to the Audit Committee. This reporting structure allows the internal auditor to stay independent and effective.

   The internal audit function adopted a risk-based audit approach based on the COSO framework and the requirements laid down by the HKICPA, considering factors recognised as risks and focusing on material internal controls and risk management, including financial, operational and compliance controls. Internal audits were carried out on all significant business units in the Company. All internal audit reports are submitted to the Audit Committee for review and approval. The internal auditor's summary of findings, recommendations and follow-up reviews of previous internal audit findings are discussed at the Audit Committee meetings. The Audit Committee actively monitors the number and importance of findings raised by the internal auditor and also the corrective measures taken by the management. The yearly internal audit plan, which is reviewed and approved by the Audit Committee, is based on the size and prevailing risks of all business units of the Company so as to establish audit scopes and frequencies.

Supervision and Improvement

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

In 2016, the risk management unit and consultancy of the Company conducted a comprehensive evaluation of the operation of the internal control system of the Company, and the results indicated that the Company's internal control system had been operating effectively. No significant control failings or weaknesses were identified during the year.

During 2016, the internal audit unit conducted a total of 19 audit tasks. All internal audit reports were reviewed and approved by the Audit Committee. All internal audit work scheduled for the year 2016 was completed. All areas of concern reported by the internal auditor were monitored by management until appropriate corrective measures were taken or implemented.

Handling and Dissemination of Information

1. The Company has a policy of open communication which allows strong access to both internally and externally generated information. Pertinent information is identified, captured and communicated in a timely manner.

2. The Company provides each employee with an employee manual, which states how employees can communicate with the Company in case any problem arises. The Company considers this as a mechanism to help encourage communications between the Company and employees. Moreover, regular meetings are held to provide an avenue for mutual understanding between the Company and employees. The Company has also made arrangements for employees of the Company to raise concerns about possible improprieties in financial reporting, internal control and other matters.

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

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

   - is well aware of its obligations under the Securities and Futures Ordinance, the Listing Rules and the overriding principle that information which is considered as inside information should be announced promptly when it is the subject of a decision

   - conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission

   - informs all directors, senior management and related staff of the latest regulations and requirements according to the letters issued or announcements published by the Securities and Futures Commission and the Stock Exchange

   - has developed procedures and mechanisms for the disclosure of inside information and established the Inside Information Evaluation Group to evaluate whether disclosure of the inside information is required

   - has included in its Code of Conduct a strict prohibition on the unauthorised use of confidential, sensitive or inside information, and has communicated this to all staff

   - has established and implemented procedures for responding to external enquiries about the Company's affairs. Only directors and delegated management of the Company can act as the Company's spokespersons and respond to enquiries on designated areas

The Board had obtained the management's confirmation of the effectiveness of the Company's risk management and internal control systems, and considered that the risk management and internal control systems established during the year were appropriate and effective for the Company's existing business scope and operations and that no significant factor had been identified which may affect the interests of shareholders. However, such system aims to manage but not eliminate the risk relating to failure to achieve business objectives, and the Board will only give reasonable but not absolute warranties for no material misstatement or losses.

Auditor's Remuneration

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

For the year ended 31 December 2016, the auditor's remuneration paid or payable in respect of the auditing and other non-audit services provided by the auditor to the Company was as follows:

Nature of Service	2016 US$	2015 US$
Audit services	**628,000**	899,000
Audit related services	**272,000**	221,000
Non-audit services:		
– Circular related services	**485,000**	239,000
– Financial advisory services	**300,000**	1,558,000
– Tax related services	**380,000**	324,000

Investor Relations

The Company continues to promote investor relations and enhance communications with its investors. Our dedicated investor relations team supports designated executive directors and senior management in maintaining regular dialogue with institutional investors and analysts to keep them abreast of the Company's development and in attending to any queries promptly. An open communications channel is maintained with the media, analysts and fund managers through one-on-one meetings, roadshows and conferences. Press and analysts conferences are held at least twice a year subsequent to the interim and final results announcements at which the executive directors and senior management are available to answer questions regarding the Group's operational and financial performances.

Communication With Shareholders

Shareholders' Communication Policy

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

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

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

Procedures for Shareholders to Convene a Special General Meeting

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

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

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

Procedures for Shareholders to Put Forward Proposals at General Meetings

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

- notify shareholders entitled to receive notice of the next General Meeting of any resolution which may officially be moved and is proposed to be moved at that meeting

- circulate to shareholders entitled to have notice of any General Meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the meeting

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

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

Shareholdings and shareholders information

Share Capital (as at 31 December 2016)	
Authorised share capital	HK$400,000,000 divided into 4,000,000,000 shares of a par value of HK$0.1 each
Issued and fully paid-up capital	HK$301,601,862.8 comprising 3,016,018,628 shares of HK$0.1 each

Type of Shareholders (as at 31 December 2016)

Type of shareholders	No. of shares held	% of the toal number of issued shares
China COSCO (Hong Kong) Limited and its subsidiary	1,409,061,609	46.72
Other corporate shareholders	1,601,084,301	53.09
Individual shareholders	5,872,718	0.19
Total	**3,016,018,628**	**100**

Location of Shareholders (as at 31 December 2016)

Location of shareholders[1]	No. of shareholders	No. of shares held
Hong Kong	524	3,016,009,628[2]
The People's Republic of China	1	4,000
United Kingdom	1	5,000
Total	**526**	**3,016,018,628**

1 The location of shareholders is prepared according to the address of shareholders registered in the register of members of the Company.

2 These shares include 1,885,097,365 shares registered in the name of HKSCC Nominees Limited which may hold these shares on behalf of its clients in or outside Hong Kong.

Other Corporate Information

Memorandum of Association and Bye-laws

There was no change to the Memorandum of Association and Bye-laws of the Company during the year ended 31 December 2016.

Key Corporate Dates

The following are the dates for certain key corporate events:

Event	Date
Payment of 2016 Interim Dividend	26 October 2016
2016 Final Results Announcement	28 March 2017
2017 First Quarter Results Announcement	25 April 2017
Closures of Register of Members (a) for attending the 2017 Annual General Meeting (b) for receiving the 2016 Final Dividend	 15 May 2017 to 18 May 2017 24 May 2017 to 29 May 2017
Annual General Meeting	18 May 2017
Payment of 2016 Final Dividend	19 July 2017
2017 Interim Results Announcement	August 2017
2017 Third Quarter Results Announcement	October 2017

DIRECTORS AND SENIOR MANAGEMENT PROFILES

Directors

HUANG Xiaowen

Chairman of the Board, Non-executive Director

Mr. HUANG, aged 54, has been the Chairman of the Board and a Non-executive Director of the Company since March 2016. He is also an Executive Vice President and Party Committee Member of China COSCO Shipping Corporation Limited, the Vice Chairman and Executive Director of COSCO SHIPPING Holdings Co., Ltd., and the Chairman of COSCO SHIPPING Lines Co., Ltd. Mr. HUANG started his career in 1981 and had been the section chief of the Container Shipping Section of Guangzhou Ocean Shipping Company Limited, General Manager of Container Transportation Department of China Ocean Shipping (Group) Company, Container Business Adviser of Shanghai Haixing Shipping Company Limited, Deputy Managing Director, Managing Director and Vice Party Secretary of COSCO SHIPPING Development Co., Ltd. ("COSCO SHIPPING Development"), Executive Director of COSCO SHIPPING Energy Transportation Co., Ltd., the Vice Chairman and Executive Director of COSCO SHIPPING Development, and Chairman of China Shipping Haisheng Co., Ltd. Mr. HUANG had been the Executive Vice President and Party Community Member of China Shipping (Group) Company since May 2012. Mr. HUANG has over 30 years of experience in shipping industry. Mr. HUANG graduated from China Europe International Business School with an Executive Master of Business Administration (EMBA) degree. He is a senior engineer.

ZHANG Wei（張為）

Vice Chairman of the Board and Managing Director, Executive Director

Mr. ZHANG, aged 43, has been an Executive Director, the Vice Chairman of the Board and the Managing Director of the Company since April 2016. Before re-designation, he was a Non-executive Director of the Company since August 2015. Mr. ZHANG is the Chairman of the Executive Committee, the Risk Management Committee and the Investment and Strategic Planning Committee and a member of the Nomination Committee and the Remuneration Committee of the Company. He is also an Executive Director and a Deputy General Manager of COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings") and a Director of COSCO SHIPPING Lines Co., Ltd. ("COSCO SHIPPING Lines"). Mr. ZHANG joined COSCO group in 1995. He had been the Assistant Manager, Deputy Manager and Manager of Pricing Department of Marketing and Sales Division of COSCO SHIPPING Lines, Executive Deputy General Manager of America Trade Division of COSCO SHIPPING Lines, Executive Vice President of COSCO SHIPPING Lines (North America) Inc., General Manager of Strategy and Development Division of COSCO SHIPPING Lines, General Manager of the Operating Management Division of COSCO SHIPPING Holdings, and General Manager of the Operating Management Division and Executive Deputy Director of the Integration Management Office of China COSCO Shipping Corporation Limited. Mr. ZHANG obtained a Master of Management degree from Fudan University, majoring in change management programme. He is an engineer. Mr. ZHANG is responsible for the overall management, strategy planning, project development, investment management and project management of the Company.

FANG Meng

Executive Director

Mr. FANG, aged 58, has been an Executive Director and a Deputy Managing Director of the Company since April 2016. He is a member of the Executive Committee, Investment and Strategic Planning Committee and Risk Management Committee of the Company. Mr. FANG is currently a Supervisor representing employees of COSCO SHIPPING Holdings Co., Ltd. He was the Manager of Science and Technology Department of Enterprise Managing Division, the Deputy General Manager of Enterprise Managing Division of China Shipping (Group) Company and the Managing Director of China Shipping International Trading Co., Ltd. Mr. FANG graduated from Shanghai Jiao Tong University with Ship Engineering major in February 1982 and obtained an EMBA degree from a joint education post-graduate program of "Shanghai University/San Francisco USA" in April 1995. He is a senior engineer. Mr. FANG is responsible for management of the audit and supervision function, the administration and management of the Shanghai office and the culture development of the Company.

DENG Huangjun

Executive Director

Mr. DENG, aged 55, has been an Executive Director and a Deputy Managing Director of the Company since October 2015. He is a member of the Executive Committee, Investment and Strategic Planning Committee and Risk Management Committee of the Company. He is also the Chief Financial Officer of COSCO SHIPPING Holdings Co., Ltd. Mr. DENG joined the COSCO group in 1983. He had been the Section Manager of the Cost Section of Finance Department of Shanghai Ocean Shipping Co., Ltd., the Deputy Manager of Finance Division of COSCO SHIPPING Lines Co., Ltd. ("COSCO SHIPPING Lines"), the Manager of the Settlement Division, the Deputy General Manager and the General Manager of Finance and Accounting Department of COSCO SHIPPING Lines and the Chief Financial Officer of COSCO SHIPPING Lines. Mr. DENG graduated from Shanghai Maritime Transportation Institute, majoring in shipping accounting. He is a senior accountant.

FENG Boming

Non-executive Director

Mr. FENG, aged 47, has been a Non-executive Director of the Company since October 2016. He is also the General Manager of the Strategic and Corporate Management Department of China COSCO Shipping Corporation Limited ("COSCO SHIPPING"), and a Non-executive Director of COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings"), COSCO SHIPPING Development Co., Ltd. and COSCO SHIPPING Energy Transportation Co., Ltd., a Director of COSCO SHIPPING Bulk Co., Ltd., COSCO SHIPPING (Hong Kong) Co., Limited, COSCO SHIPPING Financial Holdings Co., Limited and Piraeus Port Authority S.A., all of which are subsidiaries of COSCO SHIPPING. He served as Manager of the Commercial Section of the Ministry of Trade Protection of COSCO SHIPPING Lines Co., Ltd., the General Manager of COSCO Container Hong Kong Mercury Co., Ltd., the General Manager of the Management and Administration Department of COSCO Holdings (Hong Kong) Co., Ltd., the General Manager of COSCO International Freight (Wuhan) Co., Ltd./COSCO Logistics (Wuhan) Co., Ltd. and Supervisor of the Strategic Management Implementation Office of China Ocean Shipping (Group) Company/ COSCO SHIPPING Holdings (both being indirect controlling Shareholders).
Mr. FENG has over 20 years of work experience in the shipping industry. Mr. FENG has extensive experience in enterprise strategy management, business management and container shipping management. He holds a Master of Business Administration degree from The University of Hong Kong. He is an economist.

ZHANG Wei（張煒）

Non-executive Director

Mr. ZHANG, aged 50, has been a Non-executive Director of the Company since October 2016. He is currently the General Manager of Operation and Management Department of China COSCO Shipping Corporation Limited ("COSCO SHIPPING"), a Non-executive Director of COSCO SHIPPING Holdings Co., Ltd. and COSCO SHIPPING Energy Transportation Co., Ltd., a Director of COSCO SHIPPING Specialized Carriers Co., Ltd., COSCO SHIPPING Lines Co., Ltd. ("COSCO SHIPPING Lines") and COSCO SHIPPING Bulk Co., Ltd., all of which are subsidiaries of COSCO SHIPPING. Mr. ZHANG previously served as a Deputy General Manager of Asia-Pacific Trade Division and Manager of Australia-New Zealand Operation Department of COSCO SHIPPING Lines, Deputy General Manager of European Trade Division of COSCO SHIPPING Lines, Deputy General Manager of the Enterprise Information Development Department of COSCO SHIPPING Lines, Deputy General Manager of Florens Container Holdings Limited (now known as Florens International Limited) and Executive Vice-President of Piraeus Container Terminal S.A., a wholly owned subsidiary of the Company. Mr. ZHANG has nearly 30 years of working experience in shipping enterprises and has extensive experience in container transportation marketing management and terminal operation management. Mr. ZHANG holds a Master of Business Administration degree from Shanghai Maritime University. He is an engineer.

CHEN Dong

Non-executive Director

Mr. CHEN, aged 42, has been a Non-executive Director of the Company since October 2016. He is also the General Manager of Financial Management Department of China COSCO Shipping Corporation Limited ("COSCO SHIPPING"), a Non-executive Director of COSCO SHIPPING Holdings Co., Ltd. and COSCO SHIPPING Development Co., Ltd., a Director of COSCO SHIPPING Specialized Carriers Co., Ltd. and a Director of COSCO SHIPPING Bulk Co., Ltd., all of which are subsidiaries of COSCO SHIPPING. Mr. CHEN previously served as the Deputy Head of Risk Control Section under the Planning and Finance Department of China Shipping (Group) Company ("China Shipping", a wholly owned subsidiary of COSCO SHIPPING), Deputy Head of the Finance Section under Planning and Finance Department of China Shipping, Senior Manager of Finance and Taxation Management Office of China Shipping, Assistant to the General Manager of the Finance Department of China Shipping and the Deputy General Manager of the Finance Department of China Shipping. Mr. CHEN has nearly 20 years of working experience in shipping enterprises and has extensive experience in risks control, taxation management and finance. Mr. CHEN holds a Master Degree in Economics from Shanghai University of Finance and Economics. He is a senior accountant.

XU Zunwu

Non-executive Director

Mr. XU, aged 59, has been a Non-executive Director of the Company since October 2016. He is also an Executive Director, General Manager and Deputy Party Secretary (in charge of the general affairs) of COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings"), and a Director of COSCO SHIPPING Lines Co., Ltd. He previously held positions at various subsidiaries of the controlling Shareholders, including the Deputy General Manager of Guangzhou Ocean Shipping Company, the Deputy General Manager of China COSCO Bulk Carrier Co., Ltd., Deputy General Manager and Managing Director of COSCO (Hong Kong) Shipping Co., Ltd., Vice President of COSCO SHIPPING (Hong Kong) Co., Limited, Managing Director of COSCO (Hong Kong) Shipping Co., Ltd., the General Manager of Shenzhen Ocean Shipping Co., Ltd., the Managing Director of China COSCO Bulk Carrier Co., Ltd., the Vice Chairman and Managing Director of China COSCO Bulk Shipping (Group) Co., Ltd., and Deputy General Manager and Acting General Manager of COSCO SHIPPING Holdings. Mr. XU has over 30 years of experience in the maritime industry and has extensive experience in corporate operation management. Mr. XU graduated from Shanghai Maritime University majoring in Ocean Shipping. He is a senior economist.

WANG Haimin

Non-executive Director

Mr. WANG, aged 44, has been re-designated as a Non-executive Director of the Company since January 2015. Before his re-designation, he had been a Non-executive Director of the Company since October 2010, and an Executive Director and a Deputy Managing Director of the Company since October 2013. Mr. WANG is also a Director of China COSCO Shipping Corporation Limited ("COSCO SHIPPING"), an Executive Director and a Deputy General Manager of COSCO SHIPPING Holdings Co., Ltd., and a Director, the General Manager and Deputy Party Secretary of COSCO SHIPPING Lines Co., Ltd. ("COSCO SHIPPING Lines"). Mr. WANG joined COSCO group in 1995. He had been the Head of Planning and Cooperation Department of the Strategic Planning Division, the Deputy General Manager of the Corporate Planning Division and the General Manager of the Strategy and Development Division of COSCO SHIPPING Lines, the General Manager of the Transportation Division of COSCO SHIPPING and a Non-independent and Non-executive Director of COSCO Corporation (Singapore) Limited. Mr. WANG graduated from Shanghai Maritime University and obtained his Master of Business Administration degree from Fudan University. He is an engineer.

WONG Tin Yau, Kelvin JP

Executive Director

Dr. WONG, aged 56, has been an Executive Director and a Deputy Managing Director of the Company since July 1996. He is the Chairman of the Corporate Governance Committee and a member of the Executive Committee of the Company. Dr. WONG is the immediate past Chairman and was the Chairman (2009-2014) of The Hong Kong Institute of Directors, a Non-executive Director of the Securities and Futures Commission, the Chairman of the Investor Education Centre, a member of the Financial Reporting Council and a member of the Operations Review Committee of Independent Commission Against Corruption. Dr. WONG obtained his Master of Business Administration degree from Andrews University in Michigan, the USA in 1992 and his Doctor of Business Administration degree from The Hong Kong Polytechnic University in 2007. Dr. WONG is currently an Independent Non-executive Director of Asia Investment Finance Group Limited, China ZhengTong Auto Services Holdings Limited, I.T Limited, Huarong International Financial Holdings Limited and Bank of Qingdao Co., Ltd. He was also an Independent Non-executive Director of CIG Yangtze Ports PLC and AAG Energy Holdings Limited. All the aforementioned companies are listed in Hong Kong. In addition, he is an Independent Non-executive Director of Xinjiang Goldwind Science & Technology Co., Ltd. ("Xinjiang Goldwind"), a company dual listed in Hong Kong and Shenzhen, and Shanghai Fosun Pharmaceutical (Group) Co., Ltd., a company dual listed in Hong Kong and Shanghai. He was also an Independent Non-executive Director of Xinjiang Goldwind (June 2011 – June 2016). Dr. WONG is responsible for the management of the Company's work relating to strategic planning, capital markets and investor relations. He held various senior positions in several listed companies in Hong Kong before he joined the Company. Dr. WONG was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2013.

FAN HSU Lai Tai, Rita

GBM, GBS, JP

Independent Non-executive Director

Dr. FAN, aged 71, has been an Independent Non-executive Director of the Company since January 2009. She is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Dr. FAN was appointed to the Legislative Council from 1983 to 1992 and was a member of the Executive Council from 1989 to 1992. She became the President of the Provisional Legislative Council in 1997, and has since been re-elected as the President of the First, Second and Third Legislative Council. Dr. FAN has served as the President of the legislature of the Hong Kong Special Administrative Region ("HKSAR") for 11 years. Dr. FAN was a member of the Preliminary Working Committee for the Preparatory Committee for the HKSAR from 1993 to 1995 and of the Preparatory Committee for the HKSAR from 1995 to 1997, and was the Chairman of the Board of Education from 1986 to 1989 and the Chairman of the Education Commission from 1990 to 1992. She was elected as a Hong Kong Deputy to the Ninth and Tenth sessions of the National People's Congress ("NPC") during 1998 to 2007, and was a Member of the Standing Committee of the Eleventh session of the NPC. Dr. FAN is currently a Member of the Standing Committee of the Twelfth session of the NPC, an Independent Non-executive Director of COSCO SHIPPING Holdings Co., Ltd., China Overseas Land & Investment Limited, China Shenhua Energy Company Limited and The Bank of East Asia, Limited, the Honorary President of Hong Kong Breast Cancer Foundation, the Patron of Hong Kong Transplant Sports Association and the Chairman of the Board of Endeavour Education Centre. Dr. FAN was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal in 1998 and 2007 respectively by the Government of the HKSAR.

Adrian David LI Man Kiu JP

Independent Non-executive Director

Mr. LI, aged 43, has been an Independent Non-executive Director of the Company since May 2012. He is Chairman of the Audit Committee and Nomination Committee and a member of the Remuneration Committee of the Company. Mr. LI is Executive Director & Deputy Chief Executive of The Bank of East Asia, Limited. He is an Independent Non-executive Director of three listed companies under the Sino Group (Sino Land Company Limited, Tsim Sha Tsui Properties Limited and Sino Hotels (Holdings) Limited) and China State Construction International Holdings Limited. All the above are Hong Kong-listed companies. He is a Non-executive Director of The Berkeley Group Holdings plc, which is listed in London, and a member of the International Advisory Board of Abertis Infraestructuras, S.A., a company listed in Spain. He was previously an Alternate Director of AFFIN Holdings Berhad, a company listed in Malaysia, an Alternate Independent Non-executive Director of San Miguel Brewery Hong Kong Limited, a company listed in Hong Kong, and an Independent Non-executive Director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd., a company dual listed in Hong Kong and Shanghai. Mr. LI is a member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference and a Counsellor of the Hong Kong United Youth Association. He is a member of the MPF Industry Schemes Committee of the Mandatory Provident Fund Schemes Authority, a Trustee of The University of Hong Kong's occupational retirement schemes, an Advisory Committee member of the Hong Kong Baptist University's School of Business and a Vice President of The Hong Kong Institute of Bankers' Council. Furthermore, Mr. LI serves as a member of the Election Committees responsible for electing the Chief Executive of the HKSAR and deputies of the HKSAR to the 12th National People's Congress. He also sits on the Judging Panel of the BAI Global Banking Innovation Awards. He was previously a member of the All-China Youth Federation and Deputy Chairman of the Beijing Youth Federation. Mr. LI holds a Master of Management degree from the Kellogg School of Management, Northwestern University in the US, and a Master of Arts degree and Bachelor of Arts degree in Law from the University of Cambridge in Britain. He is a member of The Law Society of England and Wales, and The Law Society of Hong Kong.

FAN Ergang

Independent Non-executive Director

Mr. FAN, aged 62, has been an Independent Non-executive Director of the Company since August 2013. Mr. FAN had been the General Manager of Legal Affairs Division of Industrial and Commercial Bank of China Limited ("ICBC"), the Party Secretary and Head of ICBC Inner Mongolia Branch and the Vice Chairman of ICBC Financial Leasing Co., Ltd., and was the Deputy Secretary-General and Head of Legal Work Committee of China Banking Association and an arbitrator (financial law) of China International Economic and Trade Arbitration Commission. Mr. FAN holds a Bachelor of Laws degree from China University of Political Science and Law (formerly The Peking College of Political Science and Law). He has extensive experience in financial and law fields, and is a senior economist, a senior legal counsel and a practicing lawyer in the People's Republic of China.

LAM Yiu Kin

Independent Non-executive Director

Mr. LAM, aged 62, has been an Independent Non-executive Director of the Company since August 2015. He is a member of the Audit Committee of the Company. Mr. LAM is an Independent Non-executive Director of Global Digital Creations Holdings Limited, Mason Financial Holdings Limited, Nine Dragons Paper (Holdings) Limited, Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd., Shougang Concord Century Holdings Limited, Vital Mobile Holdings Limited and WWPKG Holdings Company Limited, all of which are companies listed in Hong Kong, and Spring Asset Management Limited as the manager of Spring Real Estate Investment Trust (listed in Hong Kong), and was an Independent Non-executive Director of Kate China Holdings Limited, a company listed in Hong Kong. Mr. LAM was a member of the Listing Committee and the Financial Reporting Advisory Panel of The Stock Exchange of Hong Kong Limited from 1997 to 2003, a committee member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") from 1994 to 2009, and an audit partner of PricewaterhouseCoopers from 1993 to 2013. He has over 40 years of experience in accounting, auditing and business consulting. Mr. LAM is a fellow member of the HKICPA, the Association of Chartered Certified Accountants, the Chartered Accountants of Australia and New Zealand and the Institute of Chartered Accountants in England & Wales. Mr. LAM obtained a higher diploma in accountancy from The Hong Kong Polytechnic University in 1975 and was conferred an Honorary Fellow by The Hong Kong Polytechnic University in 2002.

CHAN Ka Lok

Independent Non-executive Director

Prof. CHAN, aged 55, has been an Independent Non-executive Director of the Company since October 2016. He is a member of the Remuneration Committee of the Company. Prof. CHAN is currently the Dean of The Chinese University of Hong Kong ("CUHK") Business School. He is also a member of a number of committees, including the Hang Seng Index Advisory Committee, Hong Kong Housing Authority, Hong Kong Monetary Authority Financial Infrastructure Sub-Committee and Hong Kong Tracker Fund Supervisory Committee, and an Independent Non-executive Director of GF Securities Co., Ltd. (listed in Hong Kong and Shenzhen). Prof. CHAN has been Chairman of the Organising Committee of the "Outstanding Financial Management Planner Awards" of The Hong Kong Institute of Bankers since 2009. He was the Chair Professor of Finance and Acting Dean of the Hong Kong University of Science and Technology ("HKUST"). He was also Head of HKUST's Finance Department from 2003 to 2013 and the President of Asian Finance Association from 2008 to 2010. Prof. CHAN obtained his Bachelor of Social Science degree in Economics from CUHK and Doctor of Philosophy degree in Finance from Ohio State University in the USA.

CHAN Hang, Ken
Deputy Managing Director

Mr. CHAN, aged 59, is a Deputy Managing Director of the Company and a member of the Risk Management Committee of the Company. From 1998 to 2006, Mr. CHAN was the General Manager of the Corporate Development Department (renamed as Project Development Department) of the Company. He graduated from Xiamen University with a Bachelor Degree in Economics in 1983. He obtained his Master of Business Administration degree from Dalhousie University in Canada in 1985 and continued his education in the University of Washington in the USA. Before joining the Company in September 1998, he had held senior positions in a local bank and an international securities firm in Hong Kong. He has over 25 years of working experience in corporate strategic planning, management and finance. Mr. CHAN is responsible for the sales and marketing and co-management of the overseas investment and business management of the Company.

ZENG Xiaomin
Deputy Managing Director

Mr. ZENG, aged 57, has been appointed as a Deputy Managing Director of the Company since April 2016. Mr. ZENG was the Manager of General Affairs Office of Executive Department of China Shipping (Group) Company, Assistant to the General Manager and the General Manager of General Affairs Department and Enterprise Managing Department of China Shipping Terminal Development Co., Ltd. Mr. ZENG graduated from Shanghai Maritime University with Marine Navigation major. He is a senior economist. Mr. ZENG is responsible for the safety management and the operation and management related tasks in the Mainland.

GUAN Shuguang
Deputy Managing Director

Mr. GUAN, aged 58, has been appointed as a Deputy Managing Director of the Company since April 2016. He is a member of the Investment and Strategic Planning Committee of the Company. Mr. GUAN was the Deputy General Manager of Shanghai Port Engineering & Design Institute and joined China Shipping group in 2003 and was the Deputy General Manager of Jinzhou New Age Container Terminal Co., Ltd., Deputy General Manager of Dalian International Container Terminal Co., Ltd. (Preparatory), General Manager of Investment and Development Department of China Shipping Terminal Development Co., Ltd. and Assistant to the General Manager and the General Manager of Investment and Management Department of China Shipping Ports Development Co., Ltd. Mr. GUAN graduated from Shanghai Maritime University with International Shipping Economy major and obtained a Master of Economics degree. He is a senior engineer. Mr. GUAN is responsible for the investment management in the Mainland, and the infrastructural management of global investment projects.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

ZHANG Dayu

Deputy Managing Director

Mr. ZHANG, aged 44, has been appointed as a Deputy Managing Director of the Company since April 2016. He is a member of the Investment and Strategic Planning Committee and Risk Management Committee of the Company.
Mr. ZHANG was the Managing Director of China Shipping Malta Agency Co., Ltd. and the Managing Director of China Shipping Egypt Co., Ltd., the Deputy General Manager of Container Control Division of COSCO SHIPPING Development Co., Ltd., and General Manager of Overseas Business Department and Assistant General Manager of China Shipping Ports Development Co., Ltd. Mr. ZHANG graduated from Shanghai Maritime University with Marine Navigation major.
Mr. ZHANG is responsible for the co-management of the overseas investment and business management of the Company.

LUI Sai Kit, Eddie

Financial Controller

Mr. LUI, aged 53, has served as the Financial Controller of the Company since January 2008. He is currently a member of the Investment and Strategic Planning Committee of the Company. Mr. LUI is a member of the Hong Kong Institution of Certified Public Accountants, the American Institution of Certified Public Accountants, the Chartered Institution of Management Accountants of the United Kingdom and the Certified Management Accountants of Canada.
He also has a Master Degree in Business Administration from University of Ottawa and Bachelor Degree in Administration from York University in Canada. Prior to joining the Company, he had held Chief Financial Officer and General Management positions for companies listed on the Hong Kong Stock Exchange and US multinational companies such as New World TMT Limited, Wang On Group Limited and General Electric Company Limited Plastic Division. Mr. LUI is responsible for the financial management and corporate finance of the Company.

HUNG Man, Michelle

General Counsel & Company Secretary

Ms. HUNG, aged 47, has served as the General Counsel of the Group and the Company Secretary of the Company since November 1996 and March 2001, respectively. Ms. HUNG is mainly responsible for all legal, corporate governance, compliance, company secretarial and related matters for the Company. She is currently a member of the Corporate Governance Committee and Risk Management Committee of the Company. She holds a Bachelor of Laws degree (Hons) from The University of Hong Kong. Ms. HUNG is currently a practicing solicitor of the High Court of the Hong Kong Special Administrative Region and is qualified in England and Wales. She is also a Fellow of The Hong Kong Institute of Chartered Secretaries. Ms. HUNG was named among the top 25 "in-house high flyers" and "the best in Asia" for three consecutive years (2006-2008) by Asian Legal Business Magazine, rewarded the "Asian Company Secretary of the Year Recognition Award" for two consecutive years (2013-2014) by Corporate Governance Asia, a corporate governance magazine, and named among the top 15 general counsels of the 2015 China's Top General Counsel Rankings by Asian Legal Business Magazine.

Report of the Directors and Financial Statements

Report of the Directors

The board of directors of the Company (the "Board") presents its report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016.

Principal activities and Segmental analysis of operations

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 43 to the consolidated financial statements.

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

Business Review

A review of the business of the Group during the year, a discussion on the Group's future business development and principal risks and uncertainties that the Group may be facing are provided in the Chairman's Statement on pages 14 to 17 and Financial Review on pages 36 to 41 of this annual report.

The financial risk management objectives and policies of the Group can be found in note 4 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2016 are provided in note 40 to the consolidated financial statements.

An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial and Operational Highlights on pages 12 to 13 of this annual report.

Results and Appropriations

The results of the Group for the year ended 31 December 2016 are set out in the consolidated income statement on page 116 of this annual report.

The directors declared an interim dividend of HK18.0 cents (equivalent to US2.320 cents) per share with a scrip dividend alternative, totalling HK$534,523,000 (equivalent to US$68,894,000), which was paid on 26 October 2016.

The directors recommend the payment of a final dividend of HK7.8 cents (equivalent to US1.000 cents) per share with a scrip dividend alternative, totalling HK$235,249,000 (equivalent to US$30,160,000), payable on 19 July 2017.

Five-year Financial Summary

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 201 of this annual report.

Donations

Charitable and other donations made by the Group during the year amounted to US$46,000.

Shares issued in the year

Details of the shares issued of the Company during the year are shown in note 20 to the consolidated financial statements.

Distributable Reserves

The distributable reserves of the Company as at 31 December 2016 calculated under the Companies Act of Bermuda amounted to US$2,465,459,000.

Borrowings

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

Retirement benefit schemes

Details of retirement benefit schemes of the Group are set out in notes 3.23 and 32 to the consolidated financial statements.

Directors

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

Mr. WAN Min[2] *(Chairman)*	(resigned on 29 March 2016)
Mr. HUANG Xiaowen[2] *(Chairman)*	(appointed as Chairman and a Non-executive Director on 29 March 2016)
Mr. QIU Jinguang[1] *(Vice Chairman and Managing Director)*	(resigned on 27 April 2016)
Mr. ZHANG Wei (張為)[1] *(Vice Chairman and Managing Director)*	(re-designated from a Non-executive Director to an Executive Director and appointed as Vice Chairman and Managing Director on 27 April 2016)
Mr. FANG Meng[1]	(appointed on 27 April 2016)
Mr. DENG Huangjun[1]	
Mr. TANG Runjiang[1]	(resigned on 7 July 2016)
Mr. FENG Bo[1]	(resigned on 24 October 2016)
Mr. WANG Wei[2]	(resigned on 24 October 2016)
Mr. FENG Boming[2]	(appointed on 24 October 2016)
Mr. ZHANG Wei (張煒)[2]	(appointed on 24 October 2016)
Mr. CHEN Dong[2]	(appointed on 24 October 2016)
Mr. XU Zunwu[2]	(appointed on 24 October 2016)
Mr. WANG Haimin[2]	
Dr. WONG Tin Yau, Kelvin[1]	
Dr. FAN HSU Lai Tai, Rita[3]	
Mr. Adrian David LI Man Kiu[3]	
Mr. IP Sing Chi[3]	(resigned on 24 October 2016)
Mr. FAN Ergang[3]	
Mr. LAM Yiu Kin[3]	
Prof. CHAN Ka Lok[3]	(appointed on 24 October 2016)

1 Executive Director
2 Non-executive Director
3 Independent Non-executive Director

In accordance with Clause 86(2) of the Bye-laws of the Company, Mr. XU Zunwu, being a new director appointed by the Board, shall retire at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

In accordance with Clauses 87(1) and (2) of the Bye-laws of the Company, Mr. DENG Huangjun, Dr. WONG Tin Yau, Kelvin, Dr. FAN HSU Lai Tai, Rita and Mr. Adrian David LI Man Kiu, being directors longest in office since their last re-election, shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

Biographical Details of Directors and Senior Management

Biographical details of directors and senior management are set out on pages 76 to 84 of this annual report.

Directors' Service Contracts

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

Directors' Material Interests in Transactions, Arrangements and Contracts

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

Permitted Indemnity Provisions

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

Share Options

At a special general meeting of the Company held on 23 May 2003, the shareholders of the Company approved the adoption of a share option scheme (the "2003 Share Option Scheme") and the termination of the share option scheme adopted by the shareholders of the Company on 30 November 1994.

On 5 December 2005, the shareholders of the Company approved the amendments to the 2003 Share Option Scheme at a special general meeting. The definitions of "Participant" and "relevant company" in paragraph 1 of the 2003 Share Option Scheme were amended by deleting all references to COSCO SHIPPING (Hong Kong) Co., Limited (formerly COSCO (Hong Kong) Group Limited) ("COSCO SHIPPING (Hong Kong)") and replacing them by COSCO SHIPPING Holdings Co., Ltd. (formerly China COSCO Holdings Company Limited) ("COSCO SHIPPING Holdings"), an intermediate holding company of the Company, and paragraph 8(e) of the 2003 Share Option Scheme was changed to allow a grantee who ceases to be an employee or an executive director of the relevant company (as defined in the 2003 Share Option Scheme) by reason of voluntary resignation from his employment, directorship, secondment or nomination to exercise the option up to his entitlement at the date of cessation within a period of three months following the date of such cessation pursuant to paragraph 7.3(a) of the 2003 Share Option Scheme. These amendments came into effect on 28 February 2006 after the approval of the shareholders of COSCO SHIPPING Holdings at the general meeting held on the same date.

The following is a summary of the principal terms of the 2003 Share Option Scheme:

The 2003 Share Option Scheme was designed to attract, retain and motivate talented participants (the "Participants" or a "Participant") (as defined in note 1 below) to strive for future development and expansion of the Group and to provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as the Board might approve from time to time.

Under the 2003 Share Option Scheme, the Board might, at its discretion, invite any Participants to take up options. In determining the basis of eligibility of each Participant, the Board would mainly take into account the experience of the Participant on the Group's business, the length of service of the Participant with the Group or the length of business relationship the Participant has established with the Group and such other factors as the Board might at its discretion consider appropriate.

The maximum number of shares which might be issued upon exercise of all options to be granted under the 2003 Share Option Scheme and any other share option schemes of the Company should not in aggregate exceed 10% of the total number of shares in issue as at the date of the adoption of the 2003 Share Option Scheme.

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

The period under which an option must be exercised should be such period as the Board might in its absolute discretion determine at the time of grant, save that such period should not be longer than ten years from the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme. The minimum period for which an option must be held before it can be exercised was determined by the Board upon the grant of an option. The amount payable on acceptance of an offer of the grant of options was HK$1.00. The full amount of the exercise price for the subscription of shares must be paid upon exercise of an option.

The exercise price in relation to each option should be determined by the Board in its absolute discretion, but in any event should be at least the highest of (i) the closing price of the shares as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date when an option was offered; (ii) a price being the average of the closing prices of the shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date on which an option was offered; and (iii) the nominal value of a share.

The 2003 Share Option Scheme was valid and effective for a period of 10 years commencing from the date of adoption and was expired on 22 May 2013. No further options shall thereafter be granted under the 2003 Share Option Scheme but in respect of the outstanding options granted under the 2003 Share Option Scheme, the provisions of the 2003 Share Option Scheme shall remain in full force and effect.

As at the date of this report, a total of 9,940,000 shares (representing approximately 0.33% of the existing total number of issued shares of the Company) may be issued upon exercise of all options which had been granted and yet to be exercised under the 2003 Share Option Scheme.

Notes:

(1) As defined in the 2003 Share Option Scheme (as amended), "Participants" include:

  (i) any employee of the Group (including any executive director of the Group);

  (ii) any management of COSCO SHIPPING Holdings, or China Ocean Shipping (Group) Company ("COSCO"), both being intermediate holding companies of the Company; and

  (iii) any person seconded or nominated by the Group to represent the Group's interest in any of the Group's associated companies or jointly controlled entities (as defined in note 2 below), or any other company or organisation.

  As to whether a particular person falls within the definition of Participants, it shall be determined by the Board in its absolute discretion.

(2) Under the 2003 Share Option Scheme, associated companies and jointly controlled entities refer to those companies and/or enterprises which have defined and/or disclosed as associates and/or associated companies and joint ventures and/or jointly controlled entities of the Company in the latest audited financial statements of the Company.

Movements of the options, which were granted under the 2003 Share Option Scheme, during the year are set out below:

		Number of share options								
Category	Exercise Price HK$	Outstanding at 1 January 2016	Granted during the year	Exercised during the year	Transfer (to)/ from other categories during the year	Lapsed during the year	Outstanding at 31 December 2016	% of total number of issued shares	Exercisable period	Note
Director										
Dr. WONG Tin Yau, Kelvin	19.30	500,000	–	–	–	–	500,000	0.017%	18.4.2007– 17.4.2017	(1), (2)
		500,000	–	–	–	–	500,000			
Continuous contract employees	19.30	11,050,000	–	–	–	(2,740,000)	8,310,000	0.276%	(refer to note 1)	(1)
Others	19.30	1,430,000	–	–	–	(300,000)	1,130,000	0.037%	(refer to note 1)	(1)
		12,480,000	–	–	–	(3,040,000)	9,440,000			
		12,980,000	–	–	–	(3,040,000)	9,940,000			

Notes:

(1) The share options were granted during the period from 17 April 2007 to 19 April 2007 under the 2003 Share Option Scheme at an exercise price of HK$19.30. The options are exercisable at any time within ten years from the commencement date which is the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme (the "Commencement Date"). The Commencement Date of the options was from 17 April 2007 to 19 April 2007.

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

(3) No share options were granted, exercised or cancelled under the 2003 Share Option Scheme during the year ended 31 December 2016.

Directors' Interest in Shares, Underlying Shares and Debentures

As at 31 December 2016, the interest of the Company's directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(a) Long positions in shares of the Company

Name of director	Capacity	Nature of interest	Number of ordinary shares held	% of total number of issued shares of the Company
Mr. ZHANG Wei (張煒)	Beneficial owner	Personal	30,000	0.001%
Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	564,062	0.019%

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

Share options were granted by the Company to the directors of the Company pursuant to the 2003 Share Option Scheme. Details of the directors' interest in share options granted by the Company are set out under the previous section headed "Share Options" of this report.

(c) Long positions in shares of associated corporations

Name of associated corporation	Name of director	Capacity	Nature of interest	Number of H shares held	% of total number of issued H shares of the relevant associated corporation
COSCO SHIPPING Holdings Co., Ltd.	Dr. FAN HSU Lai Tai, Rita	Beneficial owner	Personal	10,000	0.0004%
COSCO SHIPPING Energy Transportation Co., Ltd.	Mr. Adrian David LI Man Kiu	Beneficial owner	Personal	508,000	0.04%

Name of associated corporation	Name of director	Capacity	Nature of interest	Number of A shares held	% of total number of issued A shares of the relevant associated corporation
COSCO SHIPPING Development Co., Ltd.	Mr. FENG Boming	Beneficial owner	Personal	29,100	0.0004%

(d) Long positions in underlying shares of equity derivatives of associated corporations

Movements of the share appreciation rights granted to the directors of the Company by an associated corporation during the year are set out below:

					Number of units of share appreciation rights						
Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price HK$	Outstanding at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2016	% of total number of issued H shares of the relevant associated corporation	Note
COSCO SHIPPING Holdings Co., Ltd.	Mr. ZHANG Wei (張為)	Beneficial owner	Personal	3.588	90,000	–	–	(90,000)	–	–	(1)
				9.540	75,000	–	–	–	75,000	0.003%	(2)
	Mr. DENG Huangjun	Beneficial owner	Personal	3.588	280,000	–	–	(280,000)	–	–	(1)
				9.540	260,000	–	–	–	260,000	0.01%	(2)
	Mr. FENG Boming	Beneficial owner	Personal	9.540	35,000	–	–	–	35,000	0.001%	(2)
	Mr. ZHANG Wei (張煒)	Beneficial owner	Personal	9.540	50,000	–	–	–	50,000	0.002%	(2)
	Mr. WANG Haimin	Beneficial owner	Personal	3.588	90,000	–	–	(90,000)	–	–	(1)
				9.540	75,000	–	–	–	75,000	0.003%	(2)

Notes:

(1) The share appreciation rights were granted by COSCO SHIPPING Holdings, an associated corporation of the Company and a company listed on the Stock Exchange and the Shanghai Stock Exchange, in units with each unit representing one H share of COSCO SHIPPING Holdings on 5 October 2006 pursuant to the share appreciation rights plan adopted by COSCO SHIPPING Holdings (the "Plan"). Under the Plan, no shares of COSCO SHIPPING Holdings will be issued. The share appreciation rights were exercisable at HK$3.588 per unit at any time between 5 October 2008 and 4 October 2016, and lapsed on 5 October 2016.

(2) The share appreciation rights were granted by COSCO SHIPPING Holdings in units with each unit representing one H share of COSCO SHIPPING Holdings on 4 June 2007 pursuant to the Plan. Under the Plan, no shares of COSCO SHIPPING Holdings will be issued. The share appreciation rights are exercisable at HK$9.540 per unit at any time between 4 June 2009 and 3 June 2017.

Save as disclosed above, as at 31 December 2016, none of the directors or chief executive of the Company had any interest or short positions in any shares or underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Interest in Competing Business

As at 31 December 2016, the directors namely Mr. HUANG Xiaowen, Mr. ZHANG Wei (張為), Mr. FANG Meng, Mr. DENG Huangjun, Mr. FENG Boming, Mr. ZHANG Wei (張煒), Mr. CHEN Dong, Mr. XU Zunwu and Mr. WANG Haimin held directorships and/or senior management positions in China COSCO Shipping Corporation Limited ("COSCO SHIPPING"), the ultimate holding company of the Company and its subsidiaries or associates and/or other companies which have interest in terminal operation and management business (the "Terminals Interest").

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

Substantial Interest in the Share Capital of the Company

So far as is known to any directors or chief executive of the Company, as at 31 December 2016, the interest of shareholders in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company or the Stock Exchange were as follows:

			Number of ordinary shares/Percentage of total number of issued shares as at 31 December 2016			
Name	**Capacity**	**Nature of interests**	**Long positions**	**%**	**Short positions**	**%**
COSCO Investments Limited	Beneficial owner	Beneficial interest	213,989,277	7.10	–	–
China COSCO (Hong Kong) Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,366,459,469	46.06	–	–
COSCO SHIPPING Holdings Co., Ltd.	Interest of controlled corporation	Corporate interest	1,366,459,469	46.06	–	–
China Ocean Shipping (Group) Company	Interest of controlled corporation	Corporate interest	1,366,459,469	46.06	–	–
China COSCO Shipping Corporation Limited	Interest of controlled corporation	Corporate interest	1,366,459,469	46.06	–	–
Silchester International Investor LLP	Investment manager	Other interest	241,916,263	8.02	–	–

Note: The 1,366,459,469 shares relate to the same batch of shares of the Company. COSCO Investments Limited ("COSCO Investments") is a wholly owned subsidiary of China COSCO (Hong Kong) Limited ("China COSCO (HK)"). Accordingly, the 213,989,277 shares of the Company held by COSCO Investments are also included as part of China COSCO (HK)'s interest in the Company. China COSCO (HK) is a wholly owned subsidiary of COSCO SHIPPING Holdings and it itself held 1,152,470,192 shares of the Company beneficially. Accordingly, China COSCO (HK)'s interest in relation to the 1,366,459,469 shares of the Company is also recorded as COSCO SHIPPING Holdings' interest in the Company. COSCO held 45.47% equity interest in COSCO SHIPPING Holdings as at 31 December 2016, and accordingly, COSCO is deemed to have the interest of 1,366,459,469 shares of the Company held by China COSCO (HK). COSCO is a wholly owned subsidiary of COSCO SHIPPING. Accordingly, COSCO's interest in relation to the 1,366,459,469 shares of the Company is also recorded as COSCO SHIPPING's interest in the Company.

As informed by China COSCO (HK), it was interested in a total of 1,409,061,609 shares (representing 46.72% of the total issued shares of the Company) as at 31 December 2016 because of the allotment of 24,300,597 shares under the 2016 scrip dividend scheme of the Company and the acquisition of 18,301,543 shares.

Save as disclosed above, as at 31 December 2016, the Company has not been notified of any other interest or short positions in the shares and underlying shares of the Company which had to be recorded in the register required to be kept under Section 336 of the SFO.

Public Float

Based on information that is publicly available to the Company and within the knowledge of its directors, as at the date of this report, there is sufficient public float of the shares of the Company with not less than 25% of the total number of issued shares of the Company held by the public as required under the Listing Rules.

Purchase, Sale or Redemption of Listed Shares

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares in 2016.

Pre-Emptive Rights

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

Management Contracts

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

Major Suppliers and Customers

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

Percentage of purchases attributable to the Group's largest supplier, which is a subsidiary of COSCO SHIPPING	17%
Percentage of purchases attributable to the Group's five largest suppliers	53%
Percentage of revenue from sales of goods or rendering of services attributable to the Group's largest customer, which is a subsidiary of COSCO SHIPPING	12%
Percentage of revenue from sales of goods or rendering of services attributable to the Group's five largest customers	42%

None of the directors or their associates has interest in any of the suppliers or customers of the Group.

Save as disclosed above, to the knowledge of the directors, none of the shareholders owning more than 5% of the Company's shares has interest in any of the suppliers and customers of the Group.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest. The Company has fully complied with the code provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2016.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 48 to 75 of this annual report.

Connected Transactions

During the year, the Group conducted certain continuing related party transactions, as disclosed in note 39 (Related party transactions) of the audited consolidated financial statements of the Company for the year ended 31 December 2016, some of which constituted continuing connected transactions of the Group (exempted and non-exempted), in respect of which the Company has complied with the relevant applicable requirements under Chapter 14A of the Listing Rules:

(I) Connected Transactions

(1) (A) Acquisition of the entire issued share capital of China Shipping Ports Development Co., Limited ("CSPD") and (B) disposal of the entire issued share capital of Florens Container Holdings Limited (now known as Florens International Limited) ("FCHL")

On 11 December 2015, the Company as the purchaser entered into a conditional sale and purchase agreement (the "CSPD SPA") with COSCO SHIPPING Development Co., Ltd. (formerly China Shipping Container Lines Company Limited) ("COSCO SHIPPING Development") and COSCO SHIPPING Financial Holdings Co., Limited (formerly China Shipping (Hong Kong) Holdings Co., Limited) ("COSCO SHIPPING Financial Holdings") as the sellers pursuant to which COSCO SHIPPING Development and COSCO SHIPPING Financial Holdings conditionally agreed to sell and the Company conditionally agreed to purchase the entire issued share capital of CSPD for an initial consideration of RMB7,632,455,300, subject to certain adjustments contemplated under the CSPD SPA (the "Acquisition").

Also on 11 December 2015, the Company as the seller entered into a conditional sale and purchase agreement (the "FCHL SPA") with COSCO SHIPPING Development (Hong Kong) Co., Limited (formerly China Shipping Container Lines (Hong Kong) Co., Limited) ("CSDHK") as the purchaser pursuant to which the Company conditionally agreed to dispose and CSDHK conditionally agreed to acquire (i) the entire issued share capital of FCHL, a then direct wholly owned subsidiary of the Company, for an initial consideration of RMB7,784,483,300 (subject to certain adjustments contemplated under the FCHL SPA), and (ii) the shareholder's loans in the amount of US$285,000,000 owed by FCHL to the Company and remained outstanding immediately before the date of completion of the transaction contemplated under the FCHL SPA for a consideration of US$285,000,000 (the "Disposal").

CSPD is a company incorporated in Hong Kong. Prior to completion of the Acquisition, the shares of CSPD were held by COSCO SHIPPING Development and COSCO SHIPPING Financial Holdings as to 49% and 51% respectively. COSCO SHIPPING Development is a joint stock limited company incorporated in the People's Republic of China (the "PRC") with limited liability and its A shares and H shares are listed and traded on the Shanghai Stock Exchange and the Stock Exchange respectively. COSCO SHIPPING Financial Holdings is a company incorporated in Hong Kong and a wholly owned subsidiary of China Shipping (Group) Company ("China Shipping"). CSDHK is a company incorporated in Hong Kong and a subsidiary of COSCO SHIPPING Development.

The Acquisition and the Disposal (together the "Transactions") were part of the reorganisation exercise (the "Reorganisation") involving the businesses of COSCO, a controlling shareholder of the Company, and its subsidiaries (the "COSCO Group") and the businesses of China Shipping, a controlling shareholder of COSCO SHIPPING Development, and its subsidiaries (the "CS Group"). Being a reform of PRC state-owned enterprises ("SOEs"), the Reorganisation was intended to enhance the competitiveness of the SOEs in the global market by creating synergies for and improving the operating efficiency of SOEs in different positions on the same value chain. Under the Reorganisation, businesses of the COSCO Group and the CS Group would be organised such that container shipping, terminals operation and financial services would become the respective core businesses of COSCO SHIPPING Holdings and its subsidiaries, the Group, and the CS Group respectively.

On 23 December 2015, a conditional special cash dividend of HK80 cents per share (the "Special Dividend") was declared, payment of which was conditional on (a) the passing of a resolution approving the Transactions by shareholders of the Company other than China COSCO (Hong Kong) Limited and COSCO Investments Limited, both being indirect subsidiaries of COSCO, and any other shareholders of the Company who were required by the Listing Rules to abstain from voting on the resolution proposed at the special general meeting of the Company held on 1 February 2016 (the "2016 SGM") (the "Independent Shareholders"); and (b) completion of the Transactions in accordance with the provisions of the CSPD SPA and the FCHL SPA.

On 27 January 2016, the Company was informed that according to the State-owned Assets Supervision and Administration Commission ("SASAC") of the State Council of the PRC, the valuation of CSPD shall be adjusted. Therefore, a supplemental agreement to the CSPD SPA was entered into by COSCO SHIPPING Development, COSCO SHIPPING Financial Holdings and the Company on the same date, pursuant to which the initial consideration for the CSPD shares of RMB7,632,455,300 as provided in the CSPD SPA was adjusted to RMB7,625,152,000, representing a decrease of approximately 0.10%.

The Transactions were approved by the Independent Shareholders at the 2016 SGM. Furthermore, completion of the Acquisition took place on 18 March 2016 and completion of the Disposal took place on 24 March 2016. CSPD has become a wholly owned subsidiary of the Company and FCHL has ceased to be a subsidiary of the Company. The Special Dividend was paid on 4 May 2016 to shareholders of the Company whose names appear on the register of members of the Company on 15 April 2016.

The Transactions were deemed by the Stock Exchange as connected transactions of the Company under Chapter 14A of the Listing Rules. The Transactions also constituted major transactions of the Company.

On 4 May 2016, the Company has received notification from COSCO that SASAC has transferred its entire equity interest in COSCO at nil consideration to COSCO SHIPPING, a state-owned enterprise wholly owned and controlled by SASAC, upon completion of which COSCO SHIPPING indirectly held approximately 45.47% equity interest in COSCO SHIPPING Holdings through COSCO, and became an indirect controlling shareholder of COSCO SHIPPING Holdings. As a result, COSCO SHIPPING became an indirect controlling shareholder of the Company.

(2) Syndicated Loan Agreement

On 27 June 2013, Jinzhou New Age Container Terminal Co., Ltd. ("Jinzhou New Age", a subsidiary of the Company) as borrower entered into a syndicated loan agreement (the "Syndicated Loan Agreement") with China Shipping Finance Company Ltd. ("CS Finance") as lender and Industrial and Commercial Bank of China Limited ("ICBC") (through its Shanghai Municipal Waitan sub-branch) as mandated lead arranger, lender and agent bank. Pursuant to the Syndicated Loan Agreement, CS Finance and ICBC agreed to provide a term loan of up to RMB285,000,000 to Jinzhou New Age for a term from 27 June 2013 to 27 June 2025. Under the Syndicated Loan Agreement, the maximum commitments of ICBC and CS Finance were RMB171,000,000 and RMB114,000,000 respectively. The interest rate is 10% discount to the benchmark Renminbi loan interest rate for one-year loans published by the People's Bank of China ("PBOC") from time to time as at the relevant interest rate reference date under the Syndicated Loan Agreement.

Further, on 27 June 2013, Jinzhou New Age and ICBC (through its Shanghai Municipal Waitan sub-branch and acting on behalf of all lenders under the Syndicated Loan Agreement) entered into a pledge agreement, pursuant to which certain fixed assets of Jinzhou New Age (including certain machinery and land use rights) were pledged as security for the outstanding loan amount and other obligations owed by Jinzhou New Age under the Syndicated Loan Agreement.

Jinzhou New Age was a former member of the CS Group and, following the completion of the Acquisition, became a member of the Group. The funds borrowed by Jinzhou New Age under the Syndicated Loan Agreement was used to refinance certain project loans of Jinzhou New Age.

COSCO SHIPPING is an indirect controlling shareholder of the Company. COSCO SHIPPING is also the controlling shareholder of China Shipping. As CS Finance is a member of the CS Group and members of the CS Group are connected persons of the Company, the Syndicated Loan Agreement constituted a connected transaction of the Company under the Listing Rules.

(3) Acquisition of Interest in the Vado Terminals in Italy

On 12 October 2016, COSCO SHIPPING Ports (Vado) Limited ("CSP (Vado)", a wholly owned subsidiary of the Company) as purchaser and the Company as guarantor entered into an agreement for the sale and purchase of shares (the "Share Sale and Purchase Agreement") with APM Terminals B.V. ("APM Terminals") as seller, pursuant to which APM Terminals agreed to sell and CSP (Vado) agreed to purchase 40% of the issued share capital of APM Terminals Vado Holding B.V. ("Vado Holding") for a fixed purchase price of €7,052,015.60 (the "Vado Acquisition"). The Company as guarantor provided a guarantee regarding CSP (Vado)'s obligations under the Share Sale and Purchase Agreement.

Vado Holding is the holding company of Reefer Terminal S.p.A., which operates a reefer terminal ("Vado Reefer Terminal") located at the port of Vado Ligure in Liguria, Italy (the "Vado Port"). Further, Vado Holding is currently expected to complete a purchase of the entire issued share capital of APM Terminals Vado Ligure S.p.A. ("Vado CT") in 2018. Vado CT has been granted the right to construct, manage and operate a container terminal ("Vado Container Terminal") located at the Vado Port and is in the process of constructing the terminal.

Further, CSP (Vado) entered into a shareholders' agreement with Vado Investment B.V. (a subsidiary of APM Terminals to whom APM Terminals sold the remaining 60% of the issued share capital of Vado Holding) with respect to, amongst other things, certain corporate governance provisions for Vado Holding on the same date.

Vado Reefer Terminal and Vado Container Terminal are situated at the Vado Port which is a major port area in Northern Italy and the Mediterranean. The Vado Acquisition is in line with the Company's strategy of developing overseas shipping hubs and strengthening its global network of container terminals.

APM Terminals is an associate of APM Terminals Invest Company Limited, a substantial shareholder of a subsidiary of the Company, and is therefore a connected person of the Company. The Vado Acquisition constituted a connected transaction of the Company under the Listing Rules.

Completion of the Vado Acquisition took place on 8 March 2017. As stipulated in the Share Sale and Purchase Agreement, CSP (Vado) would provide an amount of up to €46,000,000 to Vado Holding in order to fund, amongst other things, certain capital expenditures in relation to the construction of the Vado Container Terminal and the purchase price for the entire issued share capital of Vado CT. As at the date of this report, CSP (Vado) made available an amount of €24,743,155 to Vado Holding.

(II) Continuing Connected Transactions

(1) Financial Services Master Agreement

On 28 August 2014, the Company entered into a financial services master agreement (the "Financial Services Master Agreement") with COSCO Finance Co., Ltd. ("COSCO Finance"). Under the Financial Services Master Agreement, COSCO Finance agreed to provide deposit services (the "Deposit Services"), loan services (the "Loan Services"), settlement services (the "Settlement Services") and further financial services which COSCO Finance may from time to time offer (the "Further Financial Services") (collectively the "Transactions") to the Group for the period from 1 November 2014 to 31 December 2016 (both dates inclusive).

On 30 March 2016, the Company announced that following the completion of the Acquisition (i.e. 18 March 2016), the annual cap for the daily outstanding amount of the Loan Services for the year ended 31 December 2016 has been increased from RMB1,000,000,000 to RMB2,000,000,000. For the avoidance of doubt, no amendment has been made to the Finance Services Master Agreement.

In respect of the Deposit Services, the interest which will accrue on any deposit placed by the Group with COSCO Finance under the Financial Services Master Agreement will not be lower than (a) the minimum interest rate prescribed by PBOC for the same type of deposits; (b) the interest rates offered by commercial banks in the PRC to the Group for the same type of deposits; and (c) the interest rates offered by COSCO Finance to other members of the COSCO Group (including COSCO and subsidiaries held by COSCO as to more than 51%, companies held by COSCO and/or its subsidiaries held by COSCO as to more than 51% (individually or jointly) as to more than 20%, companies held by COSCO and/or its subsidiaries held by COSCO as to more than 51% (individually or jointly) as to less than 20% with COSCO and/or its subsidiaries (individually or jointly) being the largest shareholder, and enterprise legal entities (事業單位法人) and social organisation legal entities (社會團體法人) under COSCO and/or its subsidiaries held by COSCO as to more than 51%) for the same type of deposits. The caps of the daily aggregate of deposits placed by the Group with COSCO Finance (including interest accrued thereon) for each of the period from 1 November 2014 to 31 December 2014 and the two years ending 31 December 2015 and 2016 is RMB1,000,000,000. The maximum daily aggregate of deposits for the year ended 31 December 2016 was RMB982,290,000.

In respect of the Loan Services, the interest rate at which any loan to be provided by COSCO Finance to the Group under the Financial Services Master Agreement will not be higher than (a) the maximum interest rate published by the PBOC for the same type of loans; and (b) the interest rates offered by commercial banks in the PRC to the Group for the same type of loans. The caps of the daily outstanding amount of loans to be provided by COSCO Finance to the Group (including any interest accrued thereon) for each of the period from 1 November 2014 to 31 December 2014 and the two years ending 31 December 2015 and 2016 (as revised) is RMB1,000,000,000, RMB1,000,000,000 and RMB2,000,000,000 respectively. The maximum daily aggregate of loans for the year ended 31 December 2016 was RMB1,222,807,000.

In respect of the Settlement Services, any fee which COSCO Finance will charge the Group (a) will comply with any requirements of PBOC and China Banking Regulatory Commission ("CBRC") in respect of the charges for the same type of settlement services; and (b) will not exceed the fees charged by commercial banks in the PRC to the Group for the same type of settlement services or the fees charged by COSCO Finance to other members of the COSCO Group for the same type of settlement services. The annual caps of the aggregate of any fees which COSCO Finance may charge the Group for the Settlement Services for the period from 1 November 2014 to 31 December 2014 and for the two years ending 31 December 2015 and 2016 are RMB800,000, RMB5,000,000 and RMB5,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB1,300.

In respect of the Further Financial Services, any fee which COSCO Finance will charge the Group (a) will comply with any requirements of PBOC and CBRC in respect of the charges for the same type of financial services; and (b) will not exceed the fees charged by commercial banks in the PRC to the Group for the same type of financial services or the fees charged by COSCO Finance to other members of the COSCO Group for the same type of financial services. For the year ended 31 December 2016, no such services were provided.

The deposit interest rates and the lending rates offered by COSCO Finance to the Group will be equal to or more favourable to the Group than those offered by commercial banks in the PRC to the Group for comparable deposits or, as the case may be, loans. The Financial Services Master Agreement is therefore expected not only to provide the Group with a new means of financing but also to improve the efficiency of the use of its funds through higher interest income and lower costs of financing. The Group also expects to be in a better position to manage the security of its funds since COSCO Finance is not considered to be exposed to any significant capital risk.

For the avoidance of doubt, the Financial Services Master Agreement does not preclude the Group from using the services of other financial institutions. The Group still has the freedom to select any major and independent PRC commercial banks as its financial services providers as it thinks fit and appropriate for the benefit of the Group.

COSCO Finance is a subsidiary of COSCO SHIPPING, a controlling shareholder of the Company, and is therefore a connected person of the Company. The Transactions under the Financial Services Master Agreement constituted continuing connected transactions of the Company under the Listing Rules.

As the Financial Services Master Agreement expired on 31 December 2016, and it was expected that the Group would continue to enter into transactions of similar nature with COSCO Finance under the existing agreement, the Company had on 25 August 2016 entered into a new master agreement with COSCO Finance for a term of three years from 1 January 2017 to 31 December 2019.

(2) Rental of office premises

On 28 November 2014, COSCO SHIPPING Ports Management Company Limited (formerly COSCO Pacific Management Company Limited) ("COSCO SHIPPING Ports Management") as tenant entered into a tenancy agreement with Wing Thye Holdings Limited ("Wing Thye") as landlord (the "Tenancy Agreement") in respect of the leasing of Units 4901, 4902A and 4903 situated at 49th Floor of COSCO Tower, 183 Queen's Road Central, Hong Kong (the "Premises"). Pursuant to the Tenancy Agreement, COSCO SHIPPING Ports Management agreed to rent from Wing Thye the Premises for a term of three years commencing from 29 November 2014 at a monthly rental of HK$1,038,390 exclusive of government rent, rates and management fees. The monthly management fees payable to Wing Thye is HK$76,619.40 (subject to revision by the management company of the buildings of which the Premises form part from time to time). During the subsistence of the Tenancy Agreement, the maximum aggregate annual value of the rental and the management fee for the two years ending 31 December 2015 and 2016 and for the period from 1 January 2017 to 28 November 2017 are HK$13,400,000, HK$13,485,000 and HK$11,315,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was HK$13,379,000.

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

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

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

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

(1) COSCO Shipping Services and Terminal Services Master Agreement entered into between COSCO Ports (Holdings) Limited ("COSCO Ports", a wholly owned subsidiary of the Company), Piraeus Container Terminal S.A. ("PCT", a wholly owned subsidiary of the Company) and COSCO in respect of the following transactions:

(a) Provision of shipping related services by COSCO Ports and its subsidiaries (collectively the "COSCO Ports Group") and PCT to COSCO and COSCO SHIPPING Lines Co., Ltd. (formerly COSCO Container Lines Company Limited) ("COSCO SHIPPING Lines") and their respective associates (excluding the COSCO SHIPPING Holdings Group (as defined below)) (collectively the "Restricted COSCO Group"). The annual caps of the aggregate amount receivable by the COSCO Ports Group and PCT from the Restricted COSCO Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB562,291,000, RMB705,513,000 and RMB881,877,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB55,446,000.

(b) Provision of terminal related services by the Restricted COSCO Group to the COSCO Ports Group. The annual caps of the aggregate amount payable by the COSCO Ports Group to the Restricted COSCO Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB124,590,000, RMB159,528,000 and RMB198,434,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB2,581,000.

It was agreed that the service fees payable by the relevant members of the Restricted COSCO Group shall be at rates no less favourable to the relevant members of the COSCO Ports Group or to PCT (as the case may be) than those at which the relevant members of the COSCO Ports Group or PCT charges other independent third party customers for the relevant services. It was also agreed that the service fees payable by the relevant members of COSCO Ports Group shall be at rates no less favourable to the relevant members of the COSCO Ports Group than those which independent third party providers charge relevant members of COSCO Ports Group for the relevant services.

Since CSPD, which became a member of the Group following completion of the Acquisition on 18 March 2016, has been carrying on similar transactions with the Restricted COSCO Group and is expected to continue to do so, an amendment agreement to the COSCO Shipping Services and Terminal Services Master Agreement was entered into between the Company, COSCO Ports, PCT and COSCO on 30 March 2016 under which the Company has become a party to the COSCO Shipping Services and Terminal Services Master Agreement in place of COSCO Ports and PCT. The shipping related services would be provided by the Group to the Restricted COSCO Group and the terminal related services would be provided by the Restricted COSCO Group to the Group under the COSCO Shipping Services and Terminal Services Master Agreement (as amended).

The annual caps for the transactions under the COSCO Shipping Services and Terminal Services Master Agreement as approved by the independent shareholders of the Company remain unchanged. For the avoidance of doubt, the duration of the COSCO Shipping Services and Terminal Services Master Agreement, which will expire on 31 December 2018, remains unchanged.

(2) China COSCO Shipping Services and Terminal Services Master Agreement entered into between COSCO Ports, PCT, COSCO SHIPPING Holdings and COSCO SHIPPING Lines in respect of the following transactions:

(a) Provision of shipping related services by the COSCO Ports Group and PCT to COSCO SHIPPING Holdings and COSCO SHIPPING Lines and their respective associates (excluding the Group, COSCO and its subsidiaries) (collectively the "COSCO SHIPPING Holdings Group"). The annual caps of the aggregate amount receivable by the COSCO Ports Group and PCT from the COSCO SHIPPING Holdings Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB2,592,045,000, RMB2,920,650,000 and RMB3,294,169,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB465,055,000.

(b) Provision of terminal related services by the COSCO SHIPPING Holdings Group to the COSCO Ports Group. The annual caps of the aggregate amount payable by the COSCO Ports Group to the COSCO SHIPPING Holdings Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB2,500,000, RMB2,750,000 and RMB3,025,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB18,000.

It was agreed that the service fees payable by the relevant members of the COSCO SHIPPING Holdings Group shall be at rates no less favourable to the relevant members of the COSCO Ports Group or to PCT (as the case may be) than those at which the relevant members of the COSCO Ports Group or PCT charges other independent third party customers for the relevant services. It was also agreed that the service fees payable by the relevant members of the COSCO Ports Group shall be at rates no less favourable to the relevant members of the COSCO Ports Group than those at which independent third party providers charge relevant members of COSCO Ports Group for the relevant services.

Since CSPD, which became a member of the Group following completion of the Acquisition on 18 March 2016, has been carrying on similar transactions with the COSCO SHIPPING Holdings Group and is expected to continue to do so, an amendment agreement to the China COSCO Shipping Services and Terminal Services Master Agreement was entered into between the Company, COSCO Ports, PCT, COSCO SHIPPING Holdings and COSCO SHIPPING Lines on 30 March 2016 under which the Company has become a party to the China COSCO Shipping Services and Terminal Services Master Agreement in place of COSCO Ports and PCT. The shipping related services would be provided by the Group to the COSCO SHIPPING Holdings Group and the terminal related services would be provided by the COSCO SHIPPING Holdings Group to the Group under the China COSCO Shipping Services and Terminal Services Master Agreement (as amended).

The annual caps for the transactions under the China COSCO Shipping Services and Terminal Services Master Agreement as approved by the independent shareholders of the Company remain unchanged. For the avoidance of doubt, the duration of the China COSCO Shipping Services and Terminal Services Master Agreement, which will expire on 31 December 2018, remains unchanged.

(3) Maersk Line Shipping Services Master Agreement entered into between COSCO Ports, PCT and Maersk Line A/S (for and on behalf Maersk Line and its subsidiaries, including entities trading under the names of Maersk Line, Safmarine, Sealand, or any other entities as Maersk Line A/S shall designate with agreement of relevant members of the Group (as may be applicable) (collectively "MaerskLine")) in respect of the provision of shipping related services by the COSCO Ports Group or PCT to Maersk Line.

The annual caps of the aggregate amount receivable by the COSCO Ports Group and PCT from Maersk Line for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB1,598,518,000, RMB1,747,734,000 and RMB1,914,560,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB305,317,000.

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

(4) Florens-Maersk Line Container Purchasing and Related Services Master Agreement entered into between FCHL (which ceased to be a wholly owned subsidiary of the Company after completion of the Disposal on 24 March 2016) and the Maersk Line A/S (for and on behalf of Maersk Line) in respect of the following transactions:

(a) Provision of container related services by Maersk Line to FCHL and its subsidiaries (collectively the "Florens Group"). The annual caps of the aggregate amount payable by the Florens Group to the Maersk Line for the provision of container related services by Maersk Line for the three years ended 31 December 2016, 2017 and 2018 are US$500,000, US$750,000 and US$1,000,000 respectively. No aforesaid services were provided by Maersk Line to the Florens Group for the period from 1 January 2016 to completion of the Disposal (i.e. 24 March 2016).

(b) Purchase of containers and related materials by members of the Florens Group from Maersk Line. The annual cap of the aggregate amount payable by the Florens Group from the Maersk Line for such services for each of the three years ended 31 December 2016, 2017 and 2018 are US$14,000,000, US$21,000,000 and US$28,000,000 respectively. No aforesaid purchases were made by the Florens Group from Maersk Line for the period from 1 January 2016 to completion of the Disposal (i.e. 24 March 2016).

The consideration for the purchase of containers and related materials by the relevant members of the Florens Group and the provision of services by the Maersk Line was agreed to be at rates no less favourable to the relevant members of the Florens Group (as purchaser or service receiving party, as the case may be) than those at which independent third parties charge members of the Florens Group for the relevant transactions.

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

(a) Provision of container terminal related services by GZ South China to GZ Port Company and its subsidiaries, branches and associates excluding GZ South China and COSCO Ports (collectively the "GZ Port Company Group") and excluding any service providing party of the GZ Port Holding Group under the Guangzhou Port Holding Container Terminal Services Master Agreement. The annual caps of the aggregate amount receivable by GZ South China from the GZ Port Company Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB49,220,000, RMB58,522,000 and RMB70,069,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB12,045,000.

(b) Provision of container terminal related services by the GZ Port Company Group to GZ South China (but excluding any service providing party of the GZ Port Holding Group under the Guangzhou Port Holding Container Terminal Services Master Agreement). The annual caps of the aggregate amount payable by GZ South China to the GZ Port Company Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB325,856,000, RMB369,467,000 and RMB421,114,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB52,969,000.

(c) The provision of high-frequency wireless communication services at Guangzhou port by GZ Port Company Group to GZ South China. The annual caps of the aggregate amount payable by GZ South China to the GZ Port Company Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB4,000,000 RMB6,000,000 and RMB9,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB531,000.

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

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

The annual caps of the aggregate amount payable by GZ South China to GZ Port Holding Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB34,650,000, RMB41,515,000 and RMB47,067,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB14,909,000.

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

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

(a) Provision of container terminal related services by Xiamen Haicang Holding and its subsidiaries, branches and associates (collectively the "Xiamen Haicang Group") to Xiamen Ocean Gate. The annual caps of the aggregate amount payable by Xiamen Ocean Gate to the Xiamen Haicang Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB46,000,000, RMB57,000,000 and RMB72,000,000 respectively. The total amount for the aforesaid transactions for the year ended 31 December 2016 was RMB9,779,000.

(b) Provision of container terminal related services by Xiamen Ocean Gate to the members of the Xiamen Haicang Group. The annual caps of the aggregate amount payable by the Xiamen Haicang Group to Xiamen Ocean Gate for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB20,000,000, RMB27,200,000 and RMB37,800,000 respectively. The total amount for the aforesaid transactions for the year ended 31 December 2016 was RMB1,808,000.

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

(8) COSCON Container Services Master Agreement entered into between Plangreat Limited ("Plangreat", a wholly owned subsidiary of the Company), COSCO and COSCO SHIPPING Lines in respect of the provision of container related services by Plangreat and its subsidiaries to the COSCO Group (excluding the Group).

The annual caps of the aggregate amount receivable by Plangreat and its subsidiaries from the COSCO Group (excluding the Group) for the three years ended 31 December 2016, 2017 and 2018 are US$2,151,000, US$2,366,000 and US$2,603,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was US$949,000.

It was agreed that the service fees payable by the relevant members of the COSCO Group (excluding the Group) shall be at rates no less favourable to Plangreat and its subsidiaries than those at which Plangreat and its subsidiaries charge other independent third party customers for the relevant services.

(9) Florens-COSCON Container Leasing, Sales and Related Services Master Agreement entered into between FCHL, COSCO and COSCO SHIPPING Lines in respect of the following transactions:

(a) Grant of leases of containers for a term of not more than three years by the members of the Florens Group to the relevant members of the COSCO Group (excluding the Group). The annual caps of the aggregate amount receivable by the Florens Group from relevant members of the COSCO Group (excluding the Group) for such transactions for the three years ended 31 December 2016, 2017 and 2018 are US$8,000,000, US$13,000,000 and US$23,000,000 respectively. The total amount of the aforesaid transactions for the period from 1 January 2016 to completion of the Disposal (i.e. 24 March 2016) was US$297,000.

(b) Sales of containers by the relevant members of the Florens Group to the relevant members of the COSCO Group (excluding the Group). The annual caps of the aggregate amount receivable by the Florens Group from members of the COSCO Group (excluding the Group) for such transactions for the three years ended 31 December 2016, 2017 and 2018 are US$5,470,000, US$5,742,000 and US$6,030,000 respectively. The total amount of the aforesaid transactions for the period from 1 January 2016 to completion of the Disposal (i.e. 24 March 2016) was US$2,400.

(c) Provision of container related services by the relevant members of the Florens Group to the relevant members of the COSCO Group (excluding the Group). The annual caps of the aggregate amount receivable by the Florens Group from the relevant members of the COSCO Group (excluding the Group) for such services for the three years ended 31 December 2016, 2017 and 2018 are US$1,700,000, US$1,800,000 and US$1,900,000 respectively. The total amount of the aforesaid transactions for the period from 1 January 2016 to completion of the Disposal (i.e. 24 March 2016) was US$597,000.

The consideration for each of the leasing and sales of containers and the provision of services by the members of the Florens Group to the relevant members of the COSCO Group (excluding the Group) was agreed to be at rates no less favourable to the relevant members of the Florens Group (as lessor, seller or service providing party, as the case may be) than those at which the relevant members of the Florens Group charge other independent third parties for the relevant transactions.

(10) Florens-COSCON Container Related Services and Purchase of Materials Master Agreement entered into between FCHL, COSCO and COSCO SHIPPING Lines in respect of the following transactions:

(a) Provision of container related services by the relevant members of the COSCO Group (excluding the Group) to the Florens Group. The annual caps of the aggregate amount payable by the Florens Group to the relevant members of the COSCO Group (excluding the Group) for the aforesaid services for the three years ended 31 December 2016, 2017 and 2018 are US$4,881,000, US$5,020,000 and US$5,146,000 respectively. The total amount of the aforesaid transactions for the period from 1 January 2016 to completion of the Disposal (i.e. 24 March 2016) was US$315,000.

(b) Purchase of container related materials by the relevant members of the Florens Group from the COSCO Group (excluding the Group). The annual caps of the aggregate amount payable by the relevant members of Florens Group to the COSCO Group (excluding the Group) for such purchase for the three years ended 31 December 2016, 2017 and 2018 are US$80,000, US95,000 and US$105,000 respectively. No aforesaid purchases were made by the relevant members of the Florens Group from the COSCO Group (excluding the Group) for the period from 1 January 2016 to completion of the Disposal (i.e. 24 March 2016).

The consideration for the purchase of each of the container related materials by the relevant members of the Florens Group and the provision of services by the relevant members of the COSCO Group (excluding the Group) to the Florens Group was agreed to be at rates no less favourable to the relevant members of the Florens Group (as purchaser or service receiving party, as the case may be) than those which independent third parties charge the relevant members of the Florens Group for the relevant transactions.

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

The annual caps of the aggregate amount payable by GZ South China to CM Supply for the three years ended 31 December 2016, 2017 and 2018 are RMB30,000,000, RMB33,000,000 and RMB36,300,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB2,706,000.

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

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

The annual caps of the aggregate amount payable by Xiamen Ocean Gate Group to Chimbusco Fujian for the three years ended 31 December 2016, 2017 and 2018 are RMB20,000,000, RMB24,000,000 and RMB28,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB3,860,000.

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

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

The annual caps of the aggregate amount payable by Yangzhou Yuanyang to the Yangzhou Port Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB159,195,000, RMB190,714,000 and RMB228,506,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB41,088,000.

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

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

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

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

Xiamen Haicang Holding has a 30% equity interest in Xiamen Ocean Gate which is a subsidiary of the Company. During the year ended 31 December 2016, Xiamen Ocean Gate ceased to be an "insignificant subsidiary" (the term as defined under the Listing Rules) and therefore, members of the Xiamen Haicang Group (including Xiamen Haicang Holding) are connected persons of the Company.

Each of CM Supply and Chimbusco Fujian is owned as to 50% by COSCO SHIPPING (an indirect controlling shareholder of the Company) and hence are connected persons of the Company.

The continuing connected transactions under agreements numbered (1) and (2) above were subject to the reporting, annual review, announcement and independent shareholders' approval requirements and were approved by the independent shareholders of the Company at the special general meeting held on 26 November 2015 ("2015 SGM"), whilst the transactions under agreements numbered (3) to (7) were exempted from the independent shareholders' approval requirement (so far as applicable) under Rule 14A.101 of the Listing Rules.

With respect to the continuing connected transactions under agreements numbered (8) to (12), they were subject to the reporting, annual review and announcement requirements, but were exempt from the independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

In addition, the transactions under agreement numbered (13) did not constitute continuing connected transactions of the Group for the year ended 31 December 2016 for the reason that although Yangzhou Port Holding has a 40% equity interest in Yangzhou Yuanyang, a subsidiary of the Company, members of the Yangzhou Port Group (including Yangzhou Port Holding), being persons connected with an insignificant subsidiary for the relevant period under Rule 14A.09(1) of the Listing Rules, did not constitute connected persons of the Company.

After completion of the Disposal on 24 March 2016, FCHL ceased to be a subsidiary of the Company and accordingly, the transactions under agreements numbered (4), (9) and (10) ceased to be continuing connected transactions of the Company after the said date.

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

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

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

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

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

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

After completion of the Disposal on 24 March 2016, Florens Capital Management ceased to be a non-wholly owned subsidiary of the Company. However, it remains a subsidiary of COSCO, which is a controlling shareholder of the Company. Accordingly, the Florens Capital Management Group (including Florens Capital Management) are connected persons of the Company and the entering into of the Finance Leasing Master Agreement constituted a continuing connected transaction of the Company under the Listing Rules. The transaction also constituted a disclosable transaction of the Company.

The Finance Lease Master Agreement was approved by the independent shareholders of the Company at the 2015 SGM.

(5) Master agreement relating to provision of shipping and terminal related services with China Shipping

CSPD and other members of the Group have been carrying on shipping and terminal related transactions with members of China Shipping and its subsidiaries and their respective associates (the "Extended CS Group") and are expected to continue to do so. Since members of the Extended CS Group are deemed to be connected persons of the Company, those transactions constitute continuing connected transactions of the Company under the Listing Rules.

On 30 March 2016, the Company entered into an agreement with China Shipping for a term from 18 March 2016 (i.e. the date of completion of the Acquisition) to 31 December 2016 (the "CS Master Agreement") in relation to the provision of the following shipping and terminal services:

(a) Provision of shipping related services by members of the Group to members of the Extended CS Group, including but not limited to the handling, storage, stevedoring, transshipment and maintenance of cargoes, and provision of container storage space and terminal premises. The annual cap of the aggregate amount receivable by the Group from the Extended CS Group for such services for the period from 18 March 2016 to 31 December 2016 is RMB64,840,000. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB12,627,000.

(b) Provision of terminal related services by the members of the Extended CS Group to members of the Group, including but not limited to the provision of manpower services, cargo handling services, logistics services, purchase of materials, and subsidy on port construction fee. The annual cap of the aggregate amount payable by the Group from the Extended CS Group for such services for the period from 18 March 2016 to 31 December 2016 is RMB19,200,000. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB9,856,000.

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

(6) Concession Agreement

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

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

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

The concession is for an initial term of 30 years (which commenced on 1 October 2009), with a mandatory extension for a term of 5 years subject to PCT's fulfillment of its obligations to construct the eastern part of pier 3 of the Piraeus Port in accordance with the timetable agreed in the Concession Agreement.

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

Long term container leasing transactions (with waiver granted by the Stock Exchange)

During the year, long term container leasing transactions were entered into between COSCO Group and the Group in respect of the provision of long term container leases by the Group to COSCO Group to which the Stock Exchange had, subject to certain conditions, granted waiver dated 14 December 1994 to the Company from strict compliance with the requirements stipulated in the then Chapter 14 of the Listing Rules to disclose details of such connected transactions by press notice and/or circular and/or to obtain prior independent shareholders' approval. The total consideration of the aforesaid transactions for the period from 1 January 2016 to completion of the Disposal (i.e. 24 March 2016) amounted to US$38,005,000. In the opinion of the directors of the Company, the aforesaid transactions were conducted in the ordinary and normal course of business of the Group and using average leasing rates by reference to, if applicable, the average of the available leasing rates quoted from five of the top ten independent container leasing companies.

After completion of the Disposal on 24 March 2016, FCHL ceased to be a subsidiary of the Group and accordingly, the abovementioned transactions ceased to be continuing connected transactions of the Company after the said date.

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

Pursuant to the conditions of the waiver in relation to long term container leasing transactions and Rule 14A.55 of the Listing Rules, Mr. Adrian David LI Man Kiu, Mr. FAN Ergang, Mr. LAM Yiu Kin and Prof. CHAN Ka Lok, independent non-executive directors of the Company, have reviewed the above continuing connected transactions (either during the period from 1 January 2016 to completion of the Disposal (i.e. 24 March 2016) or for the year ended 31 December 2016, as the case may be) and opined that:

(i) the long term container leasing transactions had been conducted in the ordinary course of business of the Group and using average market rates by reference to, if applicable, the average of the available leasing rates quoted from five of the top ten independent container leasing companies and were fair and reasonable so far as the shareholders of the Company were concerned; and

(ii) the rental of office premises transaction and the transactions entered into by the Company, COSCO Ports, PCT, FCHL, GZ South China, Yangzhou Yuanyang, Plangreat and Xiamen Ocean Gate under the Financial Services Master Agreement, the Shipping and Terminal and Container Related Services Master Agreements, the Finance Leasing Master Agreement and the CS Master Agreement were:

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

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

- entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Dr. FAN HSU Lai Tai, Rita confirmed that in view of her position of also being an independent non-executive director of COSCO SHIPPING Holdings and that COSCO SHIPPING, COSCO (both being controlling shareholders of COSCO SHIPPING Holdings) and COSCO SHIPPING Holdings and their respective associates (including but not limited to China Shipping, COSCO SHIPPING Lines, Wing Thye, COSCO Finance, CM Supply, Chimbusco Fujian and Florens Capital Management Group) are parties of the long term container leasing transactions, the rental of office premises transaction and the transactions under the Financial Services Master Agreement, the Shipping and Terminal and Container Related Services Master Agreements, the Finance Leasing Master Agreement and the CS Master Agreeement respectively, for good corporate governance practices, she would not take part in the review process in respect of the above mentioned continuing connected transactions and would not express her opinion in relation to such transactions reviewed by the other independent non-executive directors of the Company.

Report from the auditor on the continuing connected transactions

For the purposes of the conditions of the waiver in relation to long term container leasing transactions, the Board engaged the auditor of the Company to perform certain agreed-upon procedures on the long term container leasing transactions for the period from 1 January 2016 to completion of the Disposal (i.e. 24 March 2016) (the "Relevant Period") in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants, and the auditor reported that the long term container leasing transactions for the Relevant Period had been conducted in the ordinary and normal course of business of the Group and by reference to, if applicable, the average of the available leasing rates quoted from five of the top ten independent container leasing companies.

For the purposes of Rule 14A.56 of the Listing Rules in relation to the other continuing connected transactions, the Board engaged the auditor of the Company to report on the above continuing connected transactions that are subject to annual review for the year ended 31 December 2016 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised)"Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the such continuing connected transactions, in accordance with Rule 14A.56 of Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Disclosure under Rule 13.22 of Chapter 13 of the Listing Rules

In relation to the financial assistance granted by the Group to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 31 December 2016 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	US$'000
Non-current assets	1,388,504
Current assets	314,721
Current liabilities	(79,029)
Non-current liabilities	(1,060,593)
Net assets	563,603
Share capital	103,246
Reserves	415,180
Non-controlling interest	45,177
Capital and reserves	563,603

As at 31 December 2016, the Group's attributable interests in these affiliated companies amounted to US$494,625,000.

Audit Committee

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

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

Auditor

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

On behalf of the Board

ZHANG Wei
Vice Chairman and Managing Director

Hong Kong, 28 March 2017

Independent Auditor’s Report

To the Shareholders of COSCO SHIPPING Ports Limited
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of COSCO SHIPPING Ports Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 114 to 200, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

- Major acquisition and major disposal with China Shipping (Group) Company (“China Shipping Group”);
- Recoverability of carrying amounts of terminal assets, investments in joint ventures and associates; and
- Recoverability of trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Major acquisition and major disposal with China Shipping Group Refer to note 1, 2, 3.1(a), 38 and 42 to the consolidated financial statements. On 1 February 2016, the shareholders of the Company approved in the special general meeting the proposed major and connected transactions with China Shipping Group (the "Transactions"). The Transactions comprised: (1) the acquisition of China Shipping Ports Developments Co., Limited ("CSPD") from COSCO SHIPPING Financial Holdings Co., Limited (formerly known as China Shipping (Hong Kong) Holdings Co., Limited, "COSCO SHIPPING Financial Holdings") and COSCO SHIPPING Development Company Limited (formerly known as China Shipping Container Lines Company Limited, "COSCO SHIPPING Development") (the "Major Acquisition"); and (2) the disposal of Florens Container Holdings Limited (now known as Florens International Limited, "FCHL") to COSCO SHIPPING Development (Hong Kong) Co., Limited (formerly known as China Shipping Container Lines (Hong Kong) Co., Limited, "CSDHK") (the "Major Disposal") We have identified the Major Acquisition and Major Disposal with China Shipping Group as a key audit matter because of its financial significance to the consolidated financial statements and because the Transactions significantly affected the composition of the Group's businesses and activities. Significant audit effort is required.	Our procedures in relation to the Major Acquisition and Major Disposal with China Shipping Group included the following: • participated in various meetings and discussions with external parties and Group management to understand the details of the Transactions; • obtained and read the related share purchase agreements and related announcements made by the Group in order to assess the accounting implications of the Transactions on the consolidated financial statements of the Group; and • checked the consideration received for the Major Disposal and paid for the Major Acquisition by the Group to bank statements.
Major Acquisition The Major Acquisition has been accounted for in the consolidated financial statements as business combination under common control using merger accounting as the Group, COSCO SHIPPING Financial Holdings, COSCO SHIPPING Development and CSPD are under the common control of the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC"). Details of the merger accounting method for common control combinations are disclosed in Note 3.1 (a) to the consolidated financial statements. Statement of adjustments for the Major Acquisition are disclosed in Note 42 to the consolidated financial statements.	**Major Acquisition** • assessed if the Major Acquisition fulfilled the requirements of business combination under common control for applying merger accounting; • compared the accounting policies of CSPD against those of the Group and assessed the adjustments made for alignment; • checked the intercompany balances and transactions between CSPD and the Group to assess the accuracy and completeness of the elimination adjustments; • assessed the appropriateness of the accounting treatment on those investments mutually owned by the Group and CSPD on a consolidated basis; • reconciled the relevant historical carrying values of the assets and liabilities of CSPD to corresponding historical audited financial statements of CSPD; and • tested balances of the assets and liabilities as at 1 January 2015 and 31 December 2015 included in the financial statements under merger accounting for the business combination.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td>

Major Disposal

The Group recorded a gain of US$59.0 million from the disposal of FCHL (representing the container leasing, management and sale, and related businesses of the Group), details of the calculation of the disposal gain is disclosed in note 38.

</td><td>

Major Disposal

We tested the accuracy of the assets and liabilities of FCHL by reconciling these amounts to the completion account of FCHL and assessed the corresponding tax effect, which were included in the calculation of the gain on disposal and related results disclosed within discontinued operations.

Based on the audit procedures performed, we found the accounting for the Major Acquisition and Major Disposal to be supportable.

</td></tr>
<tr><td>

Recoverability of carrying amounts of terminal assets, investments in joint ventures and associates

Refer to note 3.8, 5(a), 7, 11 and 12 to the consolidated financial statements.

The Group involves in terminals operation through subsidiaries, investments in joint ventures and associates in Hong Kong, Mainland China, Singapore, Belgium, Netherlands, Italy, Egypt, Greece, Taiwan and Turkey.

As at 31 December 2016, there were terminal assets with a total carrying value of property, plant and equipment of US$2,368 million (note 7), investment in joint ventures with a total carrying amount of US$1,409 million (note 11), and investment in associates with a total carrying amount of US$1,406 million (note 12).

Management performed assessment at the end of each reporting period whether there is any indication that the terminal assets, investments in joint ventures and associates may be impaired. Should there be any indicator exists, an impairment assessment will be performed accordingly.

The recoverable amounts of the terminal assets, investments in joint ventures and associates are assessed by value-in-use calculations which are based on future discounted cash flows on a cash generating unit basis.

Management has concluded that there was no impairment in respect of the terminal assets, investments in joint ventures and associates as at 31 December 2016.

This area is significant to our audit because of the significance of the carrying amounts of the assets and the significant management judgement involved in determining the value in use prepared based on future discounted cash flows. For terminals assets, investments in joint ventures and associates, the judgement focuses on future contractual revenue, future profitability, cost inflation rates and discount rates. All these factors are with estimation uncertainties and may impact the results of the impairment assessment.

</td><td>

We obtained an understanding on the Group's policies and procedures to identify impairment indicators of terminal assets, investments in joint ventures and associates, and performed the following procedures in relation to management's impairment assessment:

- evaluated the internal sources and external sources of information to identify impairment indications; if any;
- evaluated the appropriateness of the value in use model adopted for the impairment assessment;
- compared the current year's actual results with prior year's budgets to consider whether any past forecast included any assumptions, with hindsight, had been aggressive;
- assessed the reasonableness of key assumptions such as revenue growth, future profitability and cost inflation rate by comparing to commercial contracts, available market reports and historical trend analyses;
- assessed the discount rates used with the assistance of our expert team by checking to comparable companies within the same industry;
- reconciled input data to supporting evidence, such as approved budgets, inflation rates, strategic plans and market data; and
- evaluated management's sensitivity analysis in relation to key assumptions performed by management, to ascertain the extent of change in those assumptions that either individually or collectively would be required for the terminal assets, joint ventures and associates to be impaired, in relation to the value in use calculation.

Based on the audit procedures performed, we found the key judgements and assumptions used in the impairment identification and assessment to be to be supported by the available evidence.

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</table>

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables Refer to note 3.12, 5(b) and 18 to the consolidated financial statements. As at 31 December 2016, the Group had trade receivables of US$65.5 million and the provision for impairment of trade receivables amounted to US$0.4 million. Trade receivables of the Group comprise mainly receivables for terminal and related services rendered to the shipping line customers. The challenging operating environment in the shipping industry during the year has increased the risks of default on trade receivables from the Group's customers. In particular, in the event of insolvency of customers, the Group is exposed to a heightened risk of significant financial loss when the customers fail to meet their contractual obligations in accordance with the requirements of the agreements. Management assessed the recoverability of trade receivables by reviewing customers' aging profile, credit history and status of subsequent settlement, and determine whether an impairment provision is required. For the purpose of impairment assessment, significant judgement and assumptions, including the credit risks of customers, the timing and amount of realisation of these receivables, are required for the identification of impairment events and the determination of the impairment charge.	Our audit procedures in relation to the recoverability of trade receivables include: • understood and tested the Group's credit control procedures and tested key controls over granting of credits to customers; • verified the balances of trade receivables by requesting and receiving confirmations on a sample basis; • tested aging of trade receivable balances at year end on a sample basis; • obtained a list of long outstanding receivables and identified any debtors with financial difficulty through discussion with management as well as conducting market research on the industry; • assessed the recoverability of these outstanding receivables through our discussion with management and with reference to credit profile of the customers, publicly available information and latest correspondence with customers; and • assessed the recoverability of the balances by comparing the outstanding amounts as at year end against subsequent settlements. Based on the audit procedures performed, we found the Group's judgement and assumptions used in the impairment assessment to be supported by the available evidence.

Other Information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2017

Consolidated Balance Sheet

AS AT 31 DECEMBER 2016

	Note	2016 US$'000	2015 US$'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	7	**2,367,602**	4,219,262
Investment properties	8	**8,135**	28,860
Land use rights	9	**201,804**	220,819
Intangible assets	10	**5,435**	7,245
Joint ventures	11	**1,409,044**	1,413,204
Loans to joint ventures	11	**60,239**	61,107
Associates	12	**1,405,835**	1,375,475
Loans to associates	12	**114,944**	27,409
Available-for-sale financial assets	13	**156,939**	171,787
Finance lease receivables	14	**–**	33,450
Deferred income tax assets	15	**11**	1,947
Other non-current assets	16	**60,960**	74,748
		5,790,948	7,635,313
Current assets			
Inventories	17	**9,951**	14,600
Trade and other receivables	18	**148,015**	280,002
Current income tax recoverable		**442**	6,539
Restricted bank deposits	37(b)	**2,868**	1,020
Cash and cash equivalents	37(b)	**834,232**	923,171
		995,508	1,225,332
Total assets		**6,786,456**	8,860,645
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	20	**38,728**	38,090
Reserves		**4,316,133**	5,810,991
		4,354,861	5,849,081
Non-controlling interests		**410,943**	417,995
Total equity		**4,765,804**	6,267,076

	Note	2016 US$'000	2015 US$'000 (Restated)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	15	**52,914**	46,733
Long term borrowings	22	**1,071,406**	1,799,265
Loan from a non-controlling shareholder of a subsidiary	23(a)	**–**	50,000
Loans from a fellow subsidiary	23(b)	**28,805**	–
Other long term liabilities	24	**31,584**	30,235
		1,184,709	1,926,233
Current liabilities			
Trade and other payables	25	**395,955**	365,549
Current income tax liabilities		**8,403**	14,048
Current portion of long term borrowings	22	**256,609**	68,723
Short term borrowings	22	**174,976**	219,016
		835,943	667,336
Total liabilities		**2,020,652**	2,593,569
Total equity and liabilities		**6,786,456**	8,860,645

On behalf of the Board

ZHANG Wei
Vice Chairman and Managing Director

WONG Tin Yau, Kelvin
Executive Director and Deputy Managing Director

The accompanying notes on pages 121 to 200 are an integral part of these consolidated financial statements.

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 US$'000	2015 US$'000 (Restated)
Continuing operations:			
Revenues	6	**556,377**	550,217
Cost of sales		**(357,294)**	(351,128)
Gross profit		**199,083**	199,089
Administrative expenses		**(84,871)**	(66,215)
Other operating income	26	**16,704**	28,933
Other operating expenses		**(36,276)**	(17,365)
Operating profit	27	**94,640**	144,442
Finance income	28	**14,867**	22,211
Finance costs	28	**(52,142)**	(54,666)
Operating profit (after finance income and costs)		**57,365**	111,987
Share of profits less losses of			
– joint ventures	11	**112,081**	118,133
– associates	12	**88,161**	103,006
Profit before income tax from continuing operations		**257,607**	333,126
Income tax expenses	29	**(48,170)**	(42,439)
Profit for the year from continuing operations		**209,437**	290,687
Discontinued operations:			
Gain on disposal of a subsidiary	38	**59,021**	–
Profit for the year from discontinued operation	38	**7,526**	84,873
Write back of provision		**–**	79,152
		66,547	164,025
Profit for the year		**275,984**	454,712
Profit attributable to:			
Equity holders of the Company		**247,031**	429,313
Non-controlling interests		**28,953**	25,399
		275,984	454,712
Earnings per share for profit attributable to equity holders of the Company			
Basic			
– from continuing operations	30	**US6.08 cents**	US9.08 cents
– from discontinued operations	30	**US2.22 cents**	US5.50 cents
		US8.30 cents	US14.58 cents
Diluted			
– from continuing operations	30	**US6.08 cents**	US9.08 cents
– from discontinued operations	30	**US2.22 cents**	US5.50 cents
		US8.30 cents	US14.58 cents

The accompanying notes on pages 121 to 200 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 US$'000	2015 US$'000 (Restated)
Profit for the year	**275,984**	454,712
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Reversal of deferred tax upon transfer from investment properties to property, plant and equipment	**2,403**	–
Fair value adjustment upon transfer from property, plant and equipment to investment properties	**793**	–
Items that may be reclassified to profit or loss		
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates	**(209,919)**	(234,629)
Release of investment revaluation reserve upon impairment loss of an available-for-sale financial asset	**19,800**	–
Fair value (loss)/gain on available-for-sale financial assets	**(4,920)**	2,753
Release of reserves upon disposal of and dissolution of subsidiaries	**(598)**	–
Share of other comprehensive income of joint ventures and associates		
– exchange reserve	**(4,447)**	(7,357)
– other reserves	**2,368**	217
Other comprehensive loss for the year, net of tax	**(194,520)**	(239,016)
Total comprehensive income for the year	**81,464**	215,696
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	**80,481**	221,126
Non-controlling interests	**983**	(5,430)
	81,464	215,696
Total comprehensive income attributable to equity holders of the Company arising from:		
Continuing operations	**14,985**	59,125
Discontinued operations	**65,496**	162,001
	80,481	221,126

The accompanying notes on pages 121 to 200 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share Capital US$'000	Share premium US$'000	Share option reserve US$'000	Capital reserve US$'000	Contributed surplus US$'000	Investment revaluation reserve US$'000	Properties revaluation reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained profits US$'000	Total reserves US$'000	Non-Controlling interests US$'000	Total US$'000
At 1 January 2016, as previously reported	38,090	1,643,261	8,254	2,297	115	3,898	9,466	34,562	56,386	3,066,535	4,824,774	309,996	5,172,860
Adoption of merger accounting	–	–	–	928,175	–	(14,046)	–	(39,937)	7,529	104,496	986,217	107,999	1,094,216
At 1 January 2016, as restated	38,090	1,643,261	8,254	930,472	115	(10,148)	9,466	(5,375)	63,915	3,171,031	5,810,991	417,995	6,267,076
Profit for the year	–	–	–	–	–	–	–	–	–	247,031	247,031	28,953	275,984
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates	–	–	–	–	–	–	–	(181,172)	–	–	(181,172)	(28,747)	(209,919)
Release of investment revaluation reserve upon impairment loss of an available-for-sale financial asset	–	–	–	–	–	19,800	–	–	–	–	19,800	–	19,800
Fair value loss on available-for-sale financial assets	–	–	–	–	–	(4,920)	–	–	–	–	(4,920)	–	(4,920)
Release of reserves upon disposal of and dissolution of subsidiaries	–	–	–	(809)	–	–	(1,963)	(598)	(447)	3,219	(598)	–	(598)
Fair value adjustment upon transfer from property, plant and equipment to investment properties	–	–	–	–	–	–	793	–	–	–	793	–	793
Reversal of deferred tax upon transfer from investment properties to property, plant and equipment	–	–	–	–	–	–	2,403	–	–	–	2,403	–	2,403
Share of other comprehensive income of joint ventures and associates	–	–	–	2,260	–	–	–	(5,224)	108	–	(2,856)	777	(2,079)
Total comprehensive income for the year	–	–	–	1,451	–	14,880	1,233	(186,994)	(339)	250,250	80,481	983	81,464
Issue of shares on settlement of scrip dividends	638	51,145	–	–	–	–	–	–	–	–	51,145	–	51,783
Transfer of reserve upon lapse of share options	–	–	(1,933)	–	–	–	–	–	–	1,933	–	–	–
Distribution (note 31(a))	–	–	–	(1,164,077)	–	–	–	–	–	–	(1,164,077)	–	(1,164,077)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(5,702)	(5,702)
Capital injection from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	8,602	8,602
Dividends paid to equity holders of the Company													
– Conditional special cash dividend	–	–	–	–	–	–	–	–	–	(306,059)	(306,059)	–	(306,059)
– 2015 final	–	–	–	–	–	–	–	–	–	(87,454)	(87,454)	–	(87,454)
– 2016 interim	–	–	–	–	–	–	–	–	–	(68,894)	(68,894)	–	(68,894)
Dividends paid to non-controlling shareholder of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(10,935)	(10,935)
	638	51,145	(1,933)	(1,162,626)	–	14,880	1,233	(186,994)	(339)	(210,224)	(1,494,858)	(7,052)	(1,501,272)
At 31 December 2016	38,728	1,694,406	6,321	(232,154)	115	4,732	10,699	(192,369)	63,576	2,960,807	4,316,133	410,943	4,765,804
Representing:													
Share capital	38,728	–	–	–	–	–	–	–	–	–	–		
Reserves	–	1,694,406	6,321	(232,154)	115	4,732	10,699	(192,369)	63,576	2,930,647	4,285,973		
2016 final dividend proposed	–	–	–	–	–	–	–	–	–	30,160	30,160		
	38,728	1,694,406	6,321	(232,154)	115	4,732	10,699	(192,369)	63,576	2,960,807	4,316,133		

	Share Capital US$'000	Share premium US$'000	Share option reserve US$'000	Capital reserve US$'000	Contributed surplus US$'000	Investment revaluation reserve US$'000	Properties revaluation reserve US$'000	Exchange reserve US$'000	Other reserves US$'000	Retained profits US$'000	Total reserves US$'000	Non-Controlling interests US$'000	Total US$'000
At 1 January 2015, as previously reported	37,753	1,609,779	8,419	2,297	115	14,898	9,466	194,445	56,328	2,808,947	4,704,694	316,215	5,058,662
Adoption of merger accounting	–	–	–	928,016	–	(27,799)	–	11,337	7,529	56,827	975,910	109,754	1,085,664
At 1 January 2015, as restated	37,753	1,609,779	8,419	930,313	115	(12,901)	9,466	205,782	63,857	2,865,774	5,680,604	425,969	6,144,326
Profit for the year	–	–	–	–	–	–	–	–	–	429,313	429,313	25,399	454,712
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates	–	–	–	–	–	–	–	(205,790)	–	–	(205,790)	(28,839)	(234,629)
Fair value gain on available-for-sale financial assets	–	–	–	–	–	2,753	–	–	–	–	2,753	–	2,753
Share of other comprehensive income of joint ventures and associates	–	–	–	159	–	–	–	(5,367)	58	–	(5,150)	(1,990)	(7,140)
Total comprehensive income/(loss) for the year	–	–	–	159	–	2,753	–	(211,157)	58	429,313	221,126	(5,430)	215,696
Issue of shares on settlement of scrip dividends	337	33,482	–	–	–	–	–	–	–	–	33,482	–	33,819
Transfer of reserve upon lapse of share options	–	–	(165)	–	–	–	–	–	–	165	–	–	–
Capital injection from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	3,240	3,240
Dividends paid to equity holders of the Company													
– 2014 final	–	–	–	–	–	–	–	–	–	(58,456)	(58,456)	–	(58,456)
– 2015 interim	–	–	–	–	–	–	–	–	–	(65,765)	(65,765)	–	(65,765)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(5,784)	(5,784)
	337	33,482	(165)	159	–	2,753	–	(211,157)	58	305,257	130,387	(7,974)	122,750
At 31 December 2015, as restated	38,090	1,643,261	8,254	930,472	115	(10,148)	9,466	(5,375)	63,915	3,171,031	5,810,991	417,995	6,267,076
Representing:													
Share capital	38,090	–	–	–	–	–	–	–	–	–	–		
Reserves	–	1,643,261	8,254	930,472	115	(10,148)	9,466	(5,375)	63,915	3,083,577	5,723,537		
2015 final dividend proposed	–	–	–	–	–	–	–	–	–	87,454	87,454		
	38,090	1,643,261	8,254	930,472	115	(10,148)	9,466	(5,375)	63,915	3,171,031	5,810,991		

The accompanying notes on pages 121 to 200 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	**2016 US$'000**	2015 US$'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	37(a)	**313,542**	463,114
Interest received		**16,161**	23,470
Tax refunded		**3,255**	686
Tax paid		**(32,199)**	(40,076)
Net cash generated from operating activities		**300,759**	447,194
Cash flows from investing activities			
Dividends received from joint ventures		**73,645**	108,187
Dividends received from associates		**65,999**	58,118
Dividends received from listed and unlisted available-for-sale financial assets		**4,245**	7,071
Purchase of property, plant and equipment, land use rights and intangible assets		**(440,681)**	(368,508)
Investments in joint ventures		**(6,654)**	(413,839)
Investment in an associate		**(46,194)**	–
Loan advanced to an associate		**(94,501)**	–
Proceeds from disposal of a joint venture		**–**	1,556
Purchase of available-for-sale financial assets		**–**	(35)
Proceeds on disposal of a subsidiary		**1,406,597**	–
Proceeds from disposal of available-for-sale financial assets		**–**	4,489
Repayment of loans to joint ventures		**421**	46,871
Repayment of loan to an associate		**900**	863
Sale of property, plant and equipment		**1,565**	3,718
Compensation received for loss of containers		**2,370**	383
(Increase)/decrease in restricted bank balance		**(1,848)**	500
Net cash generated from/(used in) investing activities		**965,864**	(550,626)
Cash flows from financing activities			
Loans drawn down		**1,401,356**	875,385
Loans repaid		**(1,147,394)**	(666,703)
Loan from a non-controlling shareholder of a subsidiary		**66,311**	–
Repayment of loans from non-controlling shareholders of subsidiaries		**–**	(48,149)
Consideration paid for acquisition of a subsidiary		**(1,161,963)**	–
Loan from a joint venture		**–**	30,512
Repayment of loan from a joint venture		**–**	(30,512)
Loan from a fellow subsidiary		**7,529**	7,779
Repayment of loans from fellow subsidiaries		**(51,474)**	(89,821)
Dividends paid to equity holders of the Company		**(410,609)**	(90,255)
Dividends paid to non-controlling shareholders of subsidiaries		**(10,935)**	(11,299)
Dividend paid to a fellow subsidiary		**–**	(2,962)
Interest paid		**(57,409)**	(69,038)
Other incidental borrowing costs paid		**(5,996)**	(3,258)
Capital contribution from a non-controlling shareholder of a subsidiary		**8,602**	3,240
Net cash used in financing activities		**(1,361,982)**	(95,081)
Net decrease in cash and cash equivalents		**(95,359)**	(198,513)
Cash and cash equivalents at 1 January		**923,171**	1,153,309
Exchange differences		**6,420**	(31,625)
Cash and cash equivalents at 31 December	37(b)	**834,232**	923,171

The accompanying notes on pages 121 to 200 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

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

The intermediate holding company of the Company is COSCO SHIPPING Holdings Co., Ltd. (formerly known as China COSCO Holdings Company Limited) ("COSCO SHIPPING Holdings"), a company established in the People's Republic of China (the "PRC") with its H-Shares and A-Shares listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange respectively. The immediate holding company of COSCO SHIPPING Holdings is China Ocean Shipping (Group) Company ("COSCO"), a state-owned enterprise established in the PRC. On 4 May 2016, the State-owned Assets Supervision and Administration Commission of the State Council ("SASAC") transferred its entire equity interests in COSCO to China COSCO Shipping Corporation Limited ("COSCO SHIPPING"), a stated-owned enterprise wholly-owned by SASAC in the PRC. COSCO SHIPPING then became the parent company of COSCO.

On 18 March 2016, the Company completed its acquisition of all the issued shares in China Shipping Ports Development Co., Limited ("CSPD") for an initial consideration of US$1,164,077,000, which has been deducted by an amount equal to US$33,222,000 in relation to the incompletion of sale of Damietta International Port Company S.A.E. The Company acquired 51% and 49% of the shares in CSPD from COSCO SHIPPING Financial Holdings Co., Limited (formerly known as China Shipping (Hong Kong) Holdings Co., Limited) and COSCO SHIPPING Development Company Limited (formerly known as China Shipping Container Lines Company Limited), respectively. CSPD therefore became a wholly owned subsidiary of the Company after the completion of the acquisition.

The Company's acquisition of CSPD is considered to be a business combination under common control as CSPD and the Company are both ultimately controlled by the SASAC. As such, the consolidated financial statements for 2015 and the consolidated balance sheet as at 31 December 2015 were restated as a result of adoption of merger accounting, as if the business combinations had been occurred from the beginning of the earliest financial years presented. The adoption of merger accounting has resulted in changes to the presentation of certain comparative figures which have been restated as if the business had been combined at the previous balance sheet date. Details of relevant statements for the common control combinations on the Group's financial position as at 31 December 2016 and 31 December 2015 and the Group's results for the year ended 31 December 2016 and 31 December 2015 are set out in note 42.

On 24 March 2016, the Company completed the disposal of all the issued shares in Florens Container Holdings Limited (now known as Florens International Limited) ("FCHL") (representing the container leasing, management and sale, and related businesses of the Group to COSCO SHIPPING Development (Hong Kong) Co., Limited (formerly known as China Shipping Container Lines (Hong Kong) Co., Limited ("CSDHK") for an initial consideration of US$1,241,032,000. The FCHL's shareholder's loans in the aggregate sum of US$285,000,000 were transferred on the same day to CSDHK at the consideration of US$285,000,000. Upon completion of the disposal, FCHL ceased to be a subsidiary of the Company (note 38).

These consolidated financial statements have been approved for issue by the Board of Directors on 28 March 2017.

2 Basis of preparation

The consolidated financial statements for the year ended 31 December 2016 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for the Common Control Combinations'' issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA''). These accounting policies have been consistently applied to all the years presented unless otherwise mentioned.

The consolidated financial statements of the Company have been prepared in accordance with all applicable HKFRS issued by the HKICPA. The consolidated financial statements have been prepared under the historical cost convention except that, available-for-sale financial assets and investment properties are carried at fair value.

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

2 Basis of preparation (Continued)

(a) Adoption of new standards, amendments and improvements to existing standards

In 2016, the Group has adopted the following new standards, amendments and improvements to existing standards issued by the HKICPA which are mandatory for the financial year ended 31 December 2016:

New standards and amendments	
HKAS 1 Amendment	Disclosure Initiative
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants
HKAS 27 Amendment	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment Entities: Applying the Consolidation Exception
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements 2012-2014 Cycle	
HKAS 19 Amendment	Employee Benefits
HKAS 34 Amendment	Interim Financial Reporting
HKFRS 5 Amendment	Non-current Assets Held for Sales and Discontinued Operations
HKFRS 7 Amendment	Financial Instruments: Disclosures

The Group has assessed the impact of the adoption of these new standards, amendments and improvements to existing standards and considered that there was no significant impact on the Group's results and financial position.

(b) Standards and HKFRS amendments that are not yet effective for the year ended 31 December 2016 and have not been early adopted by the Group

The HKICPA has issued the following new standards and HKFRS amendments which are not yet effective for the year ended 31 December 2016 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
New standards and amendments		
HKAS 7 Amendment	Statement of Cash Flows	1 January 2017
HKAS 12 Amendment	Income taxes	1 January 2017
HKFRS 2 Amendments	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group will apply the above new standards and HKFRS amendments as and when they become effective.

HKFRS 16 will primarily affect the accounting for the Group's operating leases. At 31 December 2016, the Group had operating lease commitments of US$4,601,840,000 (note 36(b)). Upon adoption of HKFRS 16 the majority of operating lease commitments will be recognised in the consolidated balance sheet as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost and the right-of-use asset will be depreciated on a straight-line basis during the lease term.

The Group has already commenced an assessment of the impact of other new standards and HKFRS amendments, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements. The Group is not yet in a position to ascertain their impact on its results of operations and financial position.

3 Summary of significant accounting policies

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

3.1 Group accounting

(a) Merger accounting for common control combinations

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

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

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

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

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

(b) Acquisition method for non-common control combination

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

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

Acquisition-related costs are expensed as incurred.

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

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

3 Summary of significant accounting policies (Continued)

3.1 Group accounting (Continued)

(c) Subsidiaries

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

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

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

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

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

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

(e) Disposal of subsidiaries

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

(f) Joint ventures/associates

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

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

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

3 Summary of significant accounting policies (Continued)

3.1 Group accounting (Continued)

(f) Joint ventures/associates (Continued)

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

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

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

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

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

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

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

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

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

3 Summary of significant accounting policies (Continued)

3.1 Group accounting (Continued)

(g) Balances with subsidiaries, joint ventures and associates

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

3.2 Segment reporting

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

3.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences relating to the changes in amortised cost are recognised in the consolidated income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the investment revaluation reserve in other comprehensive income.

(c) Group companies

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

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

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

(iii) all resulting exchange differences are recognised in other comprehensive income.

3 Summary of significant accounting policies (Continued)

3.3 Foreign currency translation (Continued)

(c) Group companies (Continued)

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

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

3.4 Property, plant and equipment

Property, plant and equipment are stated at cost or 1994 valuation less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

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

Effective from 30 September 1995, no further revaluations of the Group's land and buildings have been carried out. The Group places reliance on paragraph 80A of HKAS 16 "Property, Plant and Equipment" issued by the HKICPA, which provides exemption from the need to make regular revaluations for such assets.

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

Containers	15 years
Generator sets	12 years
Leasehold land classified as finance lease	Remaining period of the lease
Buildings	25 to 50 years
Leasehold improvements	5 years or the remaining period of the lease, whichever is shorter
Other property, plant and equipment	5 to 35 years

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

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

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

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

When the containers cease to be rented and are held for sale, these containers are transferred to inventories at their carrying amount.

3 Summary of significant accounting policies (Continued)

3.5 Land use rights

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

3.6 Investment properties

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

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

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

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

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

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

3.7 Intangible assets

(a) Goodwill

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

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

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

3 Summary of significant accounting policies (Continued)

3.7 Intangible assets (Continued)

(b) Computer software

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

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

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

3.8 Impairment of non-financial assets

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

3.9 Discontinued operations

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 3.

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

3 Summary of significant accounting policies (Continued)

3.10 Available-for-sale financial assets

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

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

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

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

3.11 Offsetting financial instruments

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

3.12 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

3 Summary of significant accounting policies (Continued)

3.12 Impairment of financial assets (Continued)

(b) Financial assets classified as available-for-sales

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

3.13 Inventories

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

3.14 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3.15 Cash and cash equivalents

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

3.16 Assets under leases

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

(a) Leases – where the Group is the lessee

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

(b) Leases – where the Group is the lessor

When the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 3.4 above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in notes 3.24(b) and 3.24(e) below.

When assets are leased out under finance leases, the present value of the minimum lease payments is recognised as a receivable. Revenue on assets leased out under finance leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 3.24(b) below.

3 Summary of significant accounting policies (Continued)

3.17 Provisions

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

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

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

3.18 Trade and other payables

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

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

3.19 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurred because a specified debtor failed to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair value, and subsequently measured at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the balance sheet date.

3.20 Share capital

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

3.21 Borrowings

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

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

3 Summary of significant accounting policies (Continued)

3.22 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

(c) Offsetting

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

3 Summary of significant accounting policies (Continued)

3.23 Employee benefits

(a) Retirement benefit costs

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

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

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

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

(b) Employee leave entitlements

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

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

(c) Bonus entitlements

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

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

(d) Share-based compensation

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

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

3 Summary of significant accounting policies (Continued)

3.24 Recognition of revenues and income

The Group recognises revenues and income on the following bases:

(a) Revenues from terminal operations

Revenues from terminal operations are recognised when the services rendered are complete and the vessel leaves the berth.

(b) Revenues from leasing of assets

Rental income from leasing of containers and generator sets under operating leases is recognised on a straight-line basis over the period of each lease.

Revenues on containers and vessels leased out under finance leases are allocated to accounting period to give a constant periodic rate of return on the net investments in the lease in each period.

(c) Revenues from container handling, transportation and storage

Revenues from container handling and transportation are recognised when the services are rendered. Revenues from container storage are recognised on a straight-line basis over the period of storage.

(d) Revenues from container management

Revenues from container management are recognised when the related management and administrative services are rendered.

(e) Operating lease rental income from investment properties

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

(f) Revenues from sale of resaleable containers included in inventories

Revenues from sale of resaleable containers are recognised on the transfer of risks and rewards on ownership, which generally coincides with the time when the containers are delivered to customers and title has passed.

(g) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(h) Dividend income

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

(i) Income on sale of investments

Income on sale of investments is recognised when the risks and rewards associated with ownership of the related investment have been transferred to the purchaser.

3.25 Borrowing costs

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

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

3 Summary of significant accounting policies (Continued)

3.26 Government subsidy

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

3.27 Dividend distribution

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

3.28 Contingent liabilities and contingent assets

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

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

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

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

4 Financial risk management

4.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

With all other variables held constant, if the currencies of Non-Functional Currency Items had weakened/strengthened by 5% against the US dollar, the Group's profit after income tax for the year would have been increased/decreased by US$3,429,000 (2015: decreased/increased by US$10,923,000) as a result of the translation of those Non-Functional Currency Items.

4 Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk

The Group is exposed to price risk for its available-for-sale investment. Management monitors the market conditions and securities price fluctuations and response so as to minimise adverse effects on the Group's financial performance.

(iii) Cash flow and fair value interest rate risk

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

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

With all other variables held constant, if the interest rate had increased/decreased by 50 basis-points, the corresponding increase/decrease in net finance costs (representing interest expenses on Interest Bearing Liabilities net of interest income on the Interest Bearing Assets) would have been approximately increase/decrease US$1,643,000 (2015: US$4,229,000).

(b) Credit risk

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

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

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

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

In addition, the Group monitors the exposure to credit risk in respect of the financial assistance provided to subsidiaries, joint ventures and associates through exercising control or influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

For bank balances and cash, the Group has limited its credit exposure by restricting their selection of financial institutions on those reputable local banks or state-owned banks with sound credit ratings. As at 31 December 2016, approximately 48% (31 December 2015: 76%) of the Group's bank balances were placed with state-owned and listed banks. Management considers theses balances are subject to low credit risk.

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

4 Financial risk management (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
At 31 December 2016				
Bank and other borrowings	**470,848**	**68,758**	**527,451**	**617,152**
Loans from non-controlling shareholders of subsidiaries	**169,932**	**–**	**–**	**–**
Loans from a fellow subsidiary	**9,719**	**7,340**	**17,150**	**5,755**
Trade and other payables	**228,513**	**–**	**–**	**–**
Financial guarantee contracts	**2,306**	**–**	**–**	**6,804**
At 31 December 2015 (restated)				
Bank and other borrowings	349,679	359,124	1,025,533	621,236
Loans from non-controlling shareholders of subsidiaries	109,136	50,000	–	–
Trade and other payables	261,274	–	–	–
Financial guarantee contracts	2,464	–	–	–

4.2 Capital management

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

The Group monitors capital on the basis of the net debt (total bank borrowings less cash and cash equivalents and restricted bank deposits) to total equity ratio. The Group aims to maintain a manageable net debt to total equity ratio. As at 31 December 2016, the net debt-to-total equity ratio is 14.0% (2015: 18.6%).

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

4 Financial risk management (Continued)

4.3 Fair value estimation

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

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

The following table presents the Group's financial instrument that is measured at fair value at 31 December 2016 and 2015:

As at 31 December 2016

	Level 1 US$'000	**Level 3 US$'000**	**Total US$'000**
Available-for-sale financial assets	**55,846**	**101,093**	**156,939**

As at 31 December 2015 (Restated)

	Level 1 US$'000	Level 3 US$'000	Total US$'000
Available-for-sale financial assets	63,791	107,996	171,787

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

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

As at 31 December 2016 and 2015 (as restated), the fair value of unlisted available-for-sale financial assets is determined by the valuation performed by management using valuation techniques (including price/book multiple method and direct market quote). A discount rate of 20% is applied to compute the fair value on top of market price/book multiples. These available-for-sale financial asset are included in level 3 (note 13).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers during the year.

4 Financial risk management (Continued)

4.3 Fair value estimation (Continued)

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

Description Equity security:	Fair value at 31 December 2016 US$'000	Valuation techniques	Unobservable input	Range (weighted average)
Port industry	101,093	Market comparable companies	price/book multiples (a) discount for lack of marketability (b)	1.21-1.56 (1.34) 20%

Description Equity security:	Fair value at 31 December 2015 US$'000 (Restated)	Valuation techniques	Unobservable input	Range (weighted average)
Port industry	107,996	Market comparable companies	price/book multiples (a) discount for lack of marketability (b)	1.21-1.29 (1.24) 20%

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

(b) Represents amounts used when the entity has determined that market participants would take into account the discount when pricing the investment.

The carrying amounts of receivables and payables are assumed to approximate their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments.

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of terminal assets, investments in joint ventures and associates

Management determines whether terminal assets, investments in joint ventures and associates have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, according to their recoverable amounts determined by the cash-generating units based on value-in-use calculations. The determination of impairment indication requires significant judgement, and the calculations require the use of estimates which are subject to change of economic environment in future.

(b) Impairment of trade receivables

The impairment of trade receivables is primarily assessed based on prior experience by taking into account the past due status, the financial position of debtors and the guarantees obtained for the outstanding debts. Should there be any change in the assumptions and estimates, revisions to the provision for impairment of trade receivables would be required.

5 Critical accounting estimates and judgements (Continued)

(c) Fair value of available-of-sale financial assets

If information on current or recent prices of available-for sale financial assets is not available, the fair values of available-for-sale financial assets are determined using valuation techniques (including price/book multiple model). The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

(d) Acquisition of a joint venture and an associate

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

(e) Income taxes

Deferred income tax liabilities have not been established for the withholding taxation that would be payable on the undistributed profits of certain subsidiaries which were under certain jurisdictions as the directors consider that the timing of the reversal of related temporary differences can be controlled (note 15).

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

6 Revenues and segment information

Revenues recognised during the year are as follows:

	2016 **US$'000**	2015 US$'000 (Restated)
Continuing operations:		
Terminal operations income	**553,918**	547,315
Container handling, transportation and storage income	**2,459**	2,902
Turnover	**556,377**	550,217
Discontinued operation:		
Container leasing, management, sale and related businesses	**73,073**	315,675

6 Revenues and segment information (Continued)

(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 including terminal operations, container handling, transportation and storage were identified as the operating segments in accordance with the Group's continuing operations.

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

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

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

Segment assets

	Terminals and related businesses US$'000	Container leasing, management, sale and related businesses (note) US$'000	Segment total US$'000	Others US$'000	Elimination US$'000	Total US$'000
At 31 December 2016						
Segment assets	**5,971,235**	**–**	**5,971,235**	**1,384,015**	**(568,794)**	**6,786,456**
Segment assets include:						
Joint ventures	**1,409,044**	**–**	**1,409,044**	**–**	**–**	**1,409,044**
Associates	**1,405,835**	**–**	**1,405,835**	**–**	**–**	**1,405,835**
Available-for-sale financial assets	**156,939**	**–**	**156,939**	**–**	**–**	**156,939**
At 31 December 2015 (Restated)						
Segment assets	5,985,873	2,147,247	8,133,120	1,717,095	(989,570)	8,860,645
Segment assets include:						
Joint ventures	1,413,204	–	1,413,204	–	–	1,413,204
Associates	1,375,475	–	1,375,475	–	–	1,375,475
Available-for-sale financial assets	171,787	–	171,787	–	–	171,787

Note:

The container leasing, management, sale and related businesses segment was classified as discontinued operation in 2016 (note 38).

6 Revenues and segment information (Continued)

(a) Operating segments (Continued)

Segment revenues, results and other information

	Continuing operations				Discontinued operation
	Terminals and related businesses US$'000	Others US$'000	Elimination US$'000	Total US$'000	Container leasing, management, sale and related businesses US$'000
Year ended 31 December 2016					
Revenues – total sales	556,377	–	–	556,377	73,073
Segment profit/(loss) attributable to equity holders of the Company	242,898	(61,961)	–	180,937	66,094
Segment profit/(loss) attributable to equity holders of the Company includes:					
Finance income	974	33,039	(19,146)	14,867	76
Finance costs	(46,245)	(25,075)	19,178	(52,142)	(4,820)
Share of profits less losses of					
– joint ventures	112,081	–	–	112,081	–
– associates	88,161	–	–	88,161	–
Gain on disposal of a subsidiary	–	–	–	–	59,021
Income tax expenses	(25,846)	(22,324)	–	(48,170)	(375)
Depreciation and amortisation	(97,530)	(943)	–	(98,473)	(34,810)
Provision for impairment loss of an available-for-sales financial asset	(19,800)	–	–	(19,800)	–
Other non-cash expenses	(706)	(112)	–	(818)	(141)
Additions to non-current assets	(167,064)	(266)	–	(167,330)	(319,992)

6 Revenues and segment information (Continued)

(a) Operating segments (Continued)

Segment revenues, results and other information (Continued)

	Continuing operations (Restated)				Discontinued operations		
	Terminals and related businesses US$'000	Others US$'000	Elimination US$'000	Total US$'000	Container leasing, management, sale and related businesses US$'000	Container manufacturing and related businesses (note) US$'000	Total US$'000
Year ended 31 December 2015							
Revenues – total sales	550,217	–	–	550,217	315,675	–	315,675
Segment profit/(loss) attributable to equity holders of the Company	286,584	(19,272)	–	267,312	82,849	79,152	162,001
Segment profit/(loss) attributable to equity holders of the Company includes:							
Finance income	3,007	46,747	(27,543)	22,211	761	–	761
Finance costs	(62,953)	(19,043)	27,330	(54,666)	(20,452)	–	(20,452)
Share of profits less losses of							
– joint ventures	118,133	–	–	118,133	–	–	–
– associates	103,006	–	–	103,006	–	–	–
Gain on disposal of a joint venture	482	–	–	482	–	–	–
Gain on disposal of an available-for-sale financial asset	3,326	–	–	3,326	–	–	–
Write back of provision	–	–	–	–	–	79,152	79,152
Income tax expenses	(22,252)	(20,187)	–	(42,439)	(2,771)	–	(2,771)
Depreciation and amortisation	(96,274)	(1,749)	–	(98,023)	(124,803)	–	(124,803)
Provision for inventories	(88)	–	–	(88)	(1,116)	–	(1,116)
Other non-cash expenses	(200)	–	–	(200)	(1,229)	–	(1,229)
Additions to non-current assets	(101,589)	(191)	–	(101,780)	(204,783)	–	(204,783)

Note: Container manufacturing and related businesses represents the disposal of 21.8% equity interest in a then associate of the Group, China International Marine Containers (Group) Co., Ltd ("CIMC"), in 2013.

6 Revenues and segment information (Continued)

(b) Geographical information

(i) Revenues

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

In respect of the discontinued operation from container leasing, management, sale and related businesses, the movements of containers and generator sets of the Group are known through report from the lessees but the Group is not able to control the movements of containers and generator sets except to the degree that the movements are restricted by the terms of the leases or where safety of the containers and generator sets is concerned. It is therefore impracticable to present financial information by geographical areas and thus the revenues of which are presented as unallocated revenues.

	2016 US$'000	2015 US$'000 (Restated)
Continuing operations:		
Terminals and related businesses		
– Mainland China (excluding Hong Kong)	**377,692**	391,189
– Europe	**176,226**	156,126
– Others	**2,459**	2,902
	556,377	550,217
Discontinued operation:		
Container leasing, management, sale and related businesses		
– unallocated	**73,073**	315,675

(ii) Non-current assets

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

The containers and generator sets (included in property, plant and equipment) are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is impractical to present the locations of the containers and generator sets by geographical areas and thus the containers and generator sets are presented as unallocated non-current assets.

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

Other than container leasing, management, sale and related businesses, the activities of terminals and related businesses of the Group, its joint ventures and associates are predominantly carried out in Hong Kong, Mainland China, Singapore, Belgium, Egypt, Greece, the Netherlands, Taiwan and Turkey.

	2016 US$'000	2015 US$'000 (Restated)
Mainland China (excluding Hong Kong)	**4,004,652**	4,239,334
Europe	**546,603**	407,263
Others	**907,560**	914,844
Unallocated	**–**	1,778,172
	5,458,815	7,339,613

7 Property, plant and equipment

	Containers US$'000	Generator sets US$'000	Leasehold land and buildings in Hong Kong US$'000	Buildings outside Hong Kong US$'000	Leasehold improvements US$'000	Other property, plant and equipment US$'000	Construction in progress US$'000	Total US$'000
Cost or valuation								
At 1 January 2016	2,371,530	8,499	23,056	1,506,153	6,058	960,421	439,756	5,315,473
Exchange differences	107	–	–	(99,446)	(335)	(60,209)	(23,770)	(183,653)
Additions	319,972	–	–	2,845	387	83,529	79,367	486,100
Disposals	(15,710)	(75)	–	(45)	(76)	(5,315)	–	(21,221)
Disposal of a subsidiary	(2,675,839)	(8,424)	(19,973)	(123)	(514)	(1,915)	–	(2,706,788)
Transfer (to) and from investment properties (note 8)	–	–	(3,083)	20,176	–	–	–	17,093
Transfers	–	–	–	134,434	48	22,399	(156,881)	–
At 31 December 2016	60	–	–	1,563,994	5,568	998,910	338,472	2,907,004
Accumulated depreciation and impairment losses								
At 1 January 2016	596,312	5,537	5,848	200,389	3,439	284,686	–	1,096,211
Exchange differences	28	–	–	(14,267)	(172)	(18,942)	–	(33,353)
Depreciation charge for the year	34,342	157	35	44,344	370	46,098	–	125,346
Disposals	(4,723)	(47)	–	(31)	(5)	(4,354)	–	(9,160)
Disposal of a subsidiary	(625,902)	(5,647)	(5,676)	(94)	(501)	(1,615)	–	(639,435)
Transfer to investment properties (note 8)	–	–	(207)	–	–	–	–	(207)
At 31 December 2016	57	–	–	230,341	3,131	305,873	–	539,402
Net book value								
At 31 December 2016	3	–	–	1,333,653	2,437	693,037	338,472	2,367,602

	Containers US$'000 (Restated)	Generator sets US$'000	Leasehold land and buildings in Hong Kong US$'000 (Restated)	Buildings outside Hong Kong US$'000 (Restated)	Leasehold improvements US$'000 (Restated)	Other property, plant and equipment US$'000 (Restated)	Construction in progress US$'000 (Restated)	Total US$'000 (Restated)
Cost or valuation								
At 1 January 2015	2,188,828	9,344	23,056	1,573,136	6,594	980,390	448,490	5,229,838
Exchange differences	(1,032)	–	–	(97,984)	(318)	(64,954)	(29,929)	(194,217)
Additions	204,020	722	–	650	15	23,108	75,981	304,496
Disposals	(4,584)	(1,567)	–	(46)	(233)	(2,512)	–	(8,942)
Transfer to inventories	(15,702)	–	–	–	–	–	–	(15,702)
Transfers	–	–	–	30,397	–	24,389	(54,786)	–
At 31 December 2015	2,371,530	8,499	23,056	1,506,153	6,058	960,421	439,756	5,315,473
Accumulated depreciation and impairment losses								
At 1 January 2015	486,136	5,908	5,651	171,624	3,219	254,004	–	926,542
Exchange differences	(331)	–	–	(11,942)	(148)	(16,986)	–	(29,407)
Depreciation charge for the year	122,729	680	197	40,743	576	48,906	–	213,831
Disposals	(2,631)	(1,051)	–	(36)	(208)	(1,238)	–	(5,164)
Transfer to inventories	(9,591)	–	–	–	–	–	–	(9,591)
At 31 December 2015	596,312	5,537	5,848	200,389	3,439	284,686	–	1,096,211
Net book value								
At 31 December 2015	1,775,218	2,962	17,208	1,305,764	2,619	675,735	439,756	4,219,262

7 Property, plant and equipment (Continued)

Notes:

(a) As at 31 December 2015, certain land and buildings in Hong Kong of the Group with carrying amount of US$14,348,000 were revalued in 1994 on an open market value basis by C.Y. Leung & Company Limited (now known as DTZ Cushman & Wakefield Limited), an independent professional property valuer.

As at 31 December 2015, the carrying amount of these land and buildings would have been US$12,961,000 had the buildings been carried at cost less accumulated depreciation and impairment losses in the consolidated financial statements.

As at 31 December 2016, there is no revalued land and building in Hong Kong of the Group.

(b) The aggregate cost and accumulated depreciation as at 31 December 2015 of the leased assets of the Group (where the Group is a lessor) which comprised containers, generator sets and certain other property, plant and equipment and were leased to fellow subsidiaries and third parties under operating leases amounted to US$2,236,766,000 and US$601,852,000 respectively. There is no leased asset of the Group as at 31 December 2016.

(c) The accumulated impairment losses of property, plant and equipment of the Group as at 31 December 2015 amounted to US$2,627,000. There are no accumulated impairment losses as at 31 December 2016.

(d) During 2015, the Group transferred containers with an aggregate net book value of US$6,111,000 to inventories. There is no transfer to inventories during 2016.

(e) During 2016, the Group transferred buildings within Hong Kong with an aggregate net book value of US$2,876,000 to investment properties at the time of commencement of leases. On the other hand, the Group transferred buildings outside Hong Kong with an aggregate net book value of US$20,176,000 from investment properties at the time of termination of leases. There was no transfer to/from investment properties during 2015.

(f) As at 31 December 2016, certain other property, plant and equipment with an aggregate net book value of US$103,928,000 (2015: US$115,071,000) were pledged as security for banking facilities granted to the Group (note 22(g)).

(g) During the year, interest expenses of US$6,038,000 (2015: US$5,993,000) was capitalised in construction in progress (note 28).

(h) Terminal buildings and equipment under finance leases with costs of approximately US$80,428,000 (2015: US$119,687,000) as at 31 December 2016 are accounted for as property, plant and equipment. As at 31 December 2016, the balance of approximately US$38,061,000 (2015: Nil) in respect of such finance lease arrangements was included in loans from a fellow subsidiary (note 23 (b)).

8 Investment properties

	2016 US$'000	2015 US$'000
At 1 January	**28,860**	29,194
Exchange differences	**(525)**	(1,553)
Disposal of a subsidiary	**(3,693)**	–
Transfer (to) and from property, plant and equipment, net (note 7)	**(17,300)**	–
Revaluation surplus (note a)	**793**	1,219
At 31 December	**8,135**	28,860

Notes:

(a) The investment properties as at 31 December 2016 and 2015 were revalued on an open market value basis by DTZ Cushman & Wakefield Limited, China Tong Cheng Assets Appraisals Company Limited and Roma Appraisals Limited, independent professional property valuers who hold recognised relevant professional qualifications and have recent experiences in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

(b) The Group's interests in investment properties are office units situated in PRC on leases of 50 years and a residential property in Hong Kong on leases of over 50 years respectively. Office units in Hong Kong as at 31 December 2015 are disposed with the disposal of FCHL.

(c) The valuations are derived using direct comparison method, discounted cash flow method and income capitalisation method respectively.

For properties in PRC, valuations are derived by direct comparison method or discounted cash flow method. Discounted cash flow method is based on net present value of estimated income stream by adopting an appropriate discount rate which reflects the risk profile and net operating income growth rate. The higher the discount rate, the lower the fair value. The higher the net operating income growth rate, the higher the fair value. Prevailing market rents are estimated based on recent lettings within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration.

For properties in Hong Kong, valuations are derived by direct comparison method or income capitalisation method. Income capitalisation method is based on the capitalisation of the net rental income derived from the existing leases and/or achievable in existing market with reversionary income potential by adopting appropriate capitalisation rates. Capitalisation is estimated by valuer based on the risk profile of the properties being valued. The higher the rates, the lower the fair value. Prevailing market rents are estimated based on recent lettings within the subject properties and other comparable properties. The lower the rents, the lower the fair value.

(d) There were no changes to the valuation techniques during the year.

9 Land use rights

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2016 US$'000	2015 US$'000 (Restated)
At 1 January	**220,819**	239,831
Exchange differences	**(13,894)**	(13,612)
Amortisation	**(5,021)**	(5,400)
Disposal of a subsidiary	**(100)**	–
At 31 December	**201,804**	220,819

10 Intangible assets

	Computer software		**Computer systems under development**		**Goodwill**		**Total**	
	2016 US$'000	2015 US$'000 (Restated)	**2016 US$'000**	2015 US$'000 (Restated)	**2016 US$'000**	2015 US$'000	**2016 US$'000**	2015 US$'000 (Restated)
Cost								
At 1 January	**25,833**	25,559	**1,019**	–	**322**	342	**27,174**	25,901
Exchange differences	**(459)**	(662)	**(26)**	(22)	**(21)**	(20)	**(506)**	(704)
Additions	**986**	306	**236**	1,761	**–**	–	**1,222**	2,067
Write-off	**(13)**	(90)	**–**	–	**–**	–	**(13)**	(90)
Disposal of a subsidiary	**(16,400)**	–	**–**	–	**–**	–	**(16,400)**	–
Transfer	**362**	720	**(362)**	(720)	**–**	–	**–**	–
At 31 December	**10,309**	25,833	**867**	1,019	**301**	322	**11,477**	27,174
Accumulated amortisation								
At 1 January	**19,929**	18,281	**–**	–	**–**	–	**19,929**	18,281
Exchange differences	**(281)**	(289)	**–**	–	**–**	–	**(281)**	(289)
Amortisation for the year	**1,343**	2,008	**–**	–	**–**	–	**1,343**	2,008
Write-off	**(11)**	(71)	**–**	–	**–**	–	**(11)**	(71)
Disposal of a subsidiary	**(14,938)**	–	**–**	–	**–**	–	**(14,938)**	–
At 31 December	**6,042**	19,929	**–**	–	**–**	–	**6,042**	19,929
Net book value								
At 31 December	**4,267**	5,904	**867**	1,019	**301**	322	**5,435**	7,245

11 Joint ventures

	2016 US$'000	2015 US$'000 (Restated)
Investment in joint ventures (including goodwill on acquisitions) (note b)	**1,266,169**	1,270,237
Equity loan to a joint venture (note d)	**142,875**	142,967
	1,409,044	1,413,204
Loans to joint ventures (note e)	**60,239**	61,107

Notes:

(a) Qingdao Qianwan Container Terminal Co., Ltd. ("QQCT") is a joint venture (note 44) that is material to the Group. QQCT is a container terminal operator and developer of the port facilities in the Qingdao Qianwan Container Terminal. The information below reflects the amounts presented in the financial statements of the joint venture (not the Group's share of these amounts), adjusted for differences in accounting policies between the group and the joint venture.

QQCT is a private company and there is no quoted market price available for its shares.

Set out below are the summarised consolidated financial information for QQCT which is accounted for using the equity method:

Summarised consolidated balance sheet

	QQCT 2016 US$'000	QQCT 2015 US$'000
Non-current		
Assets	**1,237,646**	1,215,095
Financial liabilities	**(285,829)**	(385,580)
Current		
Cash and cash equivalents	**210,147**	120,857
Other current assets	**145,671**	101,231
Total current assets	**355,818**	222,088
Financial liabilities (excluding trade and other payables)	**(287,636)**	(79,687)
Other current liabilities	**(68,195)**	(68,359)
Total current liabilities	**(355,831)**	(148,046)
Net assets	**951,804**	903,557

Summarised consolidated statement of comprehensive income

	QQCT 2016 US$'000	QQCT 2015 US$'000
Revenues	**482,910**	463,476
Depreciation and amortisation	**(46,439)**	(50,616)
Interest income	**4,091**	14,117
Interest expense	**(18,993)**	(30,860)
Profit before income tax	**320,909**	283,989
Income tax expense	**(79,333)**	(71,010)
Profit for the year	**241,576**	212,979
Other comprehensive income	**–**	–
Total comprehensive income	**241,576**	212,979
Dividends received from the joint venture	**29,528**	40,584
Group's share of profits of the joint venture	**48,089**	42,898

11 Joint ventures (Continued)

(a) **Reconciliation of summarised consolidated financial information**
Reconciliation of summarised consolidated financial information presented to the carrying amount of the Group's interest in the joint venture.

Summarised consolidated financial information

	QQCT 2016 US$'000	2015 US$'000
Attributable to equity holders		
Opening net assets	**885,798**	924,568
Profit for the year	**240,443**	213,336
Dividends	**(143,651)**	(199,304)
Other appropriations	**(144)**	(200)
Exchange difference	**(60,748)**	(52,602)
Closing net assets	**921,698**	885,798
Interest in joint venture at 20%	**184,340**	177,160
Goodwill	**5,361**	5,361
Carrying amount	**189,701**	182,521

(b) The carrying amount of goodwill on acquisitions of joint ventures amounted to US$71,851,000 (2015: US$71,874,000), mainly represented the goodwill on acquisitions of equity interests in Shanghai Pudong International Container Terminals Limited, Asia Container Terminals Holdings Limited and QQCT of US$31,435,000 (2015: US$31,435,000), US$34,942,000 (2015: US$34,964,000) and US$5,361,000 (2015: US$5,361,000).

(c) In December 2015, the Group acquired 26% effective interest of Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret A.S. ("Kumport Terminal") at a consideration of approximately US$386,114,000 through the establishment of a joint venture, Euro-Asia Oceangate S. à. r.l., with a 40% equity interest.

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

(e) Balances of US$ 2,212,000 (2015: US$3,043,000) is secured, which bears interest at 5% per annum above the 3 months Euro Interbank Offered Rate ("EURIBOR") and wholly repayable on or before December 2020. The remaining balance is unsecured and interest bearing at the rate of 5% above Hong Kong Interbank Offered Rate ("HIBOR") per annum quoted in respect of a one month's period, and wholly repayable on or before March 2018.

(f) The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective joint ventures other than QQCT disclosed above:

	Net assets US$'000	Profits less losses for the year US$'000	Other comprehensive income US$'000	Total comprehensive income US$'000
2016	**1,219,343**	**63,992**	**283**	**64,275**
2015 (Restated)	1,230,683	75,235	218	75,453

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

(h) Details of the Group's joint ventures as at 31 December 2016 are set out in note 44 to the consolidated financial statements.

12 Associates

	2016 US$'000	2015 US$'000 (Restated)
Investment in associates (including goodwill on acquisitions) (note b)	**1,360,835**	1,330,475
Equity loan to an associate (note e)	**45,000**	45,000
	1,405,835	1,375,475
Loans to associates (note d)	**114,944**	27,409

Notes:

(a) Sigma Enterprises Limited ("Sigma") and Wattrus Limited ("Wattrus") and their subsidiary companies (collectively "Sigma and Wattrus Group") are associates (note 45) that are material to the Group. Sigma and Wattrus Group are engaged in the operation, management and development of container terminals and investment holding. Set out below are the summarised financial information, after fair value adjustments upon acquisition, for these associates which are accounted for using the equity method:

Summarized balance sheet

	Sigma and Wattrus Group 2016 US$'000	2015 US$'000
Non-current assets	**4,018,343**	3,972,833
Current assets	**796,494**	717,880
Non-current liabilities	**(528,014)**	(369,363)
Current liabilities	**(629,541)**	(754,637)

Summarised statement of comprehensive income

	Sigma and Wattrus Group 2016 US$'000	2015 US$'000
Revenues	**907,385**	961,344
Profit attributable to equity holders for the year	**248,915**	261,153
Group's share of profits of associates	**51,152**	53,667

12 Associates (Continued)

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

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

Summarised financial information

	Sigma and Wattrus Group	
	2016 US$'000	2015 US$'000
Capital and reserves attributable to equity holders	**2,822,141**	2,734,594
Group's effective interest	**20.55%**	20.55%
Group's share of capital and reserves attributable to equity holders	**579,950**	561,959
Adjustment to cost of investment	**46,860**	46,860
Carrying amount	**626,810**	608,819

(b) The carrying amount of goodwill on acquisitions of associates amounted to US$70,217,000 (2015: US$55,386,000), mainly represented the goodwill on acquisition of equity interests in Sigma, Suez Canal Container Terminal S.A.E., Euromax Terminal Rotterdam B.V. ("Euromax Terminal"), Wattrus and Nanjing Port Longtan Containers Co., Ltd. of US$20,669,000 (2015: US$20,669,000), US$16,624,000 (2015: US$16,624,000), US$14,898,000 (2015: US$Nil), US$7,523,000 (2015: US$7,523,000) and US$4,533,000 (2015: US$4,533,000) respectively.

(c) On 30 September 2016, the Group acquired 35% equity interests in Euromax Terminal in Rotterdam at a consideration of Euro125,430,000 (equivalent to approximately US$139,853,000).

(d) Balance of US$88,478,000 (2015: US$Nil) is unsecured, which bears interest at the aggregate of 2.3% per annum and EURIBOR with reference to Reuters or other rate mutually agreed. The remaining balance is unsecured, bears interest at 2.5% per annum above 10-year EURIBOR ICE swap rate (2015: 2% per annum above the 10-year Belgium prime rate) and has no fixed terms of repayment.

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

(f) The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective associates other than Sigma and Wattrus Group disclosed above:

	Net assets US$'000	Profits less losses for the year US$'000	Other comprehensive income/(loss) US$'000	Total comprehensive income US$'000
2016	**779,025**	**37,009**	**1,529**	**38,538**
2015 (Restated)	766,656	49,339	(2,793)	46,546

(g) There are no significant contingent liabilities relating to the Group's interest in associates.

(h) Details of the Group's associates as at 31 December 2016 are set out in note 45 to the consolidated financial statements.

13 Available-for-sale financial assets

Available-for-sale financial assets represent the following:

	2016 US$'000	2015 US$'000 (Restated)
Listed shares in Hong Kong (note a)	**55,846**	63,791
Unlisted investments (note b)	**101,093**	107,996
	156,939	171,787

Notes:

(a) Listed investments represent equity interests in entities which are principally engaged in provision of port and port related services.

(b) Unlisted investments mainly comprise equity interests in terminal operating companies, and port information system engineering companies.

(c) Available-for-sale financial assets are denominated in the following currencies:

	2016 US$'000	2015 US$'000 (Restated)
Hong Kong dollar	**55,846**	63,791
Renminbi	**101,093**	107,996
	156,939	171,787

(d) Movement of the available-for-sale financial assets during the year is as follows:

	2016 US$'000	2015 US$'000 (Restated)
At 1 January	**171,787**	179,402
Disposal	**–**	(1,163)
Fair value (loss)/gain recognised in equity	**(4,920)**	2,753
Translation difference	**(9,928)**	(9,205)
At 31 December	**156,939**	171,787

(e) As at 31 December 2016, an available-for-sale financial asset of carrying amount of US$10,167,000 (2015: Nil) had impaired with an impairment loss of US$19,800,000 (2015: Nil) and the debit reserves recycled to profit or loss had US$19,800,000 (2015: Nil).

14 Finance lease receivables

	2016			2015		
	Gross receivables US$'000	**Unearned finance income US$'000**	**Present value of minimum lease payment receivables US$'000**	Gross receivables US$'000	Unearned finance income US$'000	Present value of minimum lease payment receivables US$'000
Amounts receivable under finance leases:						
Current portion (note 18)	–	–	–	9,261	(2,067)	7,194
Non-current portion						
– later than one year and not later than five years	–	–	–	37,467	(4,504)	32,963
– later than five years	–	–	–	497	(10)	487
	–	–	–	37,964	(4,514)	33,450
	–	–	–	47,225	(6,581)	40,644

As at 31 December 2015, the Group entered into 16 finance lease contracts for leasing of certain containers and a vessel. The average term of the finance lease contracts is 4.9 years.

The cost of assets acquired for the purpose of letting under finance leases amounted to US$54,783,000 as at 31 December 2015.

Unguaranteed residual values of assets leased under finance lease contracts are estimated at approximately US$41,000 as at 31 December 2015.

15 Deferred income tax

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

The movements on the net deferred income tax liabilities during the year are as follows:

	2016 US$'000	2015 US$'000 (Restated)
At 1 January	**44,786**	43,869
Exchange differences	**12**	24
Charged to consolidated income statement	**9,890**	893
Disposal of a subsidiary	**618**	–
Reversal of deferred tax upon transfer from investment properties to property, plant and equipment	**(2,403)**	–
At 31 December	**52,903**	44,786

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2016, the Group has unrecognised tax losses of US$85,239,000 (31 December 2015: US$105,756,000) to carry forward. Except for the tax losses of US$58,331,000 (31 December 2015: US$51,509,000) of the Group which will be expired between 2017 and 2020 (31 December 2015: between 2016 and 2035), all other tax losses have no expiry dates.

15 Deferred income tax (Continued)

As at 31 December 2015, deferred income tax liabilities of US$9,129,000 have not been established for the withholding taxation that would be payable on the undistributed profits of certain subsidiaries in certain tax jurisdictions totaling US$57,664,000 as the directors considered that the timing of the reversal of the related temporary differences can be controlled and accordingly the temporary differences will not be reversed in the foreseeable future.

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

Deferred income tax liabilities

	Accelerated tax depreciation		Undistributed profits		Fair value gains		Total	
	2016 US$'000	2015 US$'000 (Restated)	**2016 US$'000**	2015 US$'000 (Restated)	**2016 US$'000**	2015 US$'000 (Restated)	**2016 US$'000**	2015 US$'000 (Restated)
At 1 January	**2,866**	10,069	**44,186**	37,870	**2,546**	2,403	**49,598**	50,342
Exchange differences	**(57)**	(192)	**14**	(15)	**17**	(159)	**(26)**	(366)
(Credited)/charged to consolidated income statement	**(132)**	(7,011)	**8,566**	6,331	**(150)**	302	**8,284**	(378)
Disposal of a subsidiary	**(1,134)**	–	**–**	–	**–**	–	**(1,134)**	–
Reversal of deferred tax upon transfer from investment properties to property, plant and equipment	**–**	–	**–**	–	**(2,403)**	–	**(2,403)**	–
At 31 December	**1,543**	2,866	**52,766**	44,186	**10**	2,546	**54,319**	49,598

Deferred income tax assets

	Tax losses		Others		Total	
	2016 US$'000	2015 US$'000	**2016 US$'000**	2015 US$'000	**2016 US$'000**	2015 US$'000
At 1 January	**294**	309	**4,518**	6,164	**4,812**	6,473
Exchange differences	**(4)**	(1)	**(34)**	(389)	**(38)**	(390)
Charged to consolidated income statement	**(284)**	(14)	**(1,322)**	(1,257)	**(1,606)**	(1,271)
Disposal of a subsidiary	**–**	–	**(1,752)**	–	**(1,752)**	–
At 31 December	**6**	294	**1,410**	4,518	**1,416**	4,812

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

	2016 US$'000	2015 US$'000 (Restated)
Deferred income tax assets	**11**	1,947
Deferred income tax liabilities	**52,914**	46,733

15 Deferred income tax (Continued)

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

	2016 US$'000	2015 US$'000
Deferred income tax assets to be recovered after more than 12 months	**1,465**	3,454
Deferred income tax liabilities to be settled after more than 12 months	**1,617**	5,367

16 Other non-current assets

Other non-current assets of the Group mainly represent prepaid operating lease payments, which included the unamortised upfront concession fee incurred in respect of the concession agreement with Piraeus Port Authority S.A. for the concession of Piers 2 and 3 of the Piraeus Port in Greece for a term of 35 years (the "Concession"). The Concession commenced on 1 October 2009. Apart from the aforesaid upfront concession fee, the Group had operating lease commitment in relations to the Concession (note 36(b)).

17 Inventories

Inventories of the Group mainly include containers held for sale transferred from property, plant and equipment and consumable parts for terminal operations at their carrying amount.

18 Trade and other receivables

	2016 US$'000	2015 US$'000 (Restated)
Trade receivables (note a)		
– third parties	**36,646**	62,994
– fellow subsidiaries (notes b)	**12,396**	35,119
– joint ventures (note b)	**3**	79
– non-controlling shareholders of subsidiaries (note b)	**4,486**	5,794
– related companies (note b)	**1,029**	590
	54,560	104,576
Bills receivables (note a)	**10,958**	15,507
	65,518	120,083
Less: provision for impairment	**(449)**	(4,090)
	65,069	115,993
Deposits and prepayments	**13,443**	66,100
Other receivables	**18,888**	37,291
Current portion of finance lease receivables (note 14)	**–**	7,194
Loans to joint ventures (note c)	**19,180**	19,225
Amounts due from		
– fellow subsidiaries (note b)	**20,446**	23,239
– joint ventures (note d)	**243**	6,435
– associates (note d)	**9,923**	3,532
– non-controlling shareholders of subsidiaries (note b)	**823**	993
	148,015	280,002

18 Trade and other receivables (Continued)

Notes:

(a) 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:

	2016 US$'000	2015 US$'000 (Restated)
Within 30 days	**41,584**	58,489
31-60 days	**11,014**	33,825
61-90 days	**3,968**	11,669
Over 90 days	**8,503**	12,010
	65,069	115,993

As at 31 December 2016, trade receivables and bills receivables of US$57,146,000 (2015: US$100,665,000) were fully performing.

As at 31 December 2016, trade receivables of US$7,923,000 (2015: US$15,328,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables which were past due but not impaired is as follows:

	2016 US$'000	2015 US$'000 (Restated)
Within 30 days	**3,111**	11,000
31-60 days	**1,016**	3,190
61-90 days	**1,380**	578
Over 90 days	**2,416**	560
	7,923	15,328

As at 31 December 2016, trade receivables of US$449,000 (2015: US$4,090,000) were impaired. The ageing of these receivables is as follows:

	2016 US$'000	2015 US$'000 (Restated)
Within 30 days	**102**	732
31-60 days	**37**	684
61-90 days	**7**	664
Over 90 days	**303**	2,010
	449	4,090

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

	2016 US$'000	2015 US$'000 (Restated)
At 1 January	**(4,090)**	(4,364)
Exchange differences	**21**	72
Provision for impairment of trade receivables	**(413)**	(1,084)
Write back of provision for impairment of trade receivables	**1,247**	895
Receivables written off during the year as uncollectible	**73**	391
Disposal of a subsidiary	**2,713**	–
At 31 December	**(449)**	(4,090)

18 Trade and other receivables (Continued)

(b) The balances are unsecured and interest free. Trading balances have credit periods ranging from 30 to 90 days while other balances have no fixed terms of repayment.

(c) As at 31 December 2016, balance of US$18,443,000 (2015: US$18,790,000) is unsecured, interest free, and wholly repayable within twelve months. Balance of US$737,000 (2015: US$435,000) is secured, bears interest at 5.5% per annum above 3 months EURIBOR and repayable within twelve months.

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

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

	2016 US$'000	2015 US$'000 (Restated)
US dollar	**20,015**	100,611
Renminbi	**80,210**	84,232
Hong Kong dollar	**3,115**	25,976
Euro	**26,229**	49,736
Other currencies	**18,446**	19,447
	148,015	280,002

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

19 Financial instruments by category

	2016 US$'000	2015 US$'000 (Restated)
Assets as per balance sheet		
Available-for-sale financial assets	**156,939**	171,787
Loans and receivables		
Loans to joint ventures	**79,419**	80,332
Loans to associates	**114,944**	27,409
Finance lease receivables	**–**	40,644
Trade and other receivables excluding prepayments	**115,392**	187,483
Cash and cash equivalents	**834,232**	923,171
Restricted bank deposits	**2,868**	1,020
Total	**1,303,794**	1,431,846

19 Financial instruments by category (Continued)

	2016 US$'000	2015 US$'000 (Restated)
Liabilities as per balance sheet		
Financial liabilities at amortised cost		
Borrowings	**1,502,991**	2,087,004
Loans from non-controlling shareholders of subsidiaries	**167,772**	154,275
Loans from a fellow subsidiary	**38,061**	–
Loan from a joint venture	**40,147**	30,030
Trade and other payables excluding receipt in advance	**174,600**	223,446
Total	**1,923,571**	2,494,755

20 Share capital

	2016 US$'000	2015 US$'000
Issued and fully paid:		
3,016,018,628 (2015: 2,966,559,439) ordinary shares of HK$0.10 each	**38,728**	38,090

The movements of the issued share capital of the Company are summarised as follows:

	Number of ordinary shares	Nominal value US$'000
At 1 January 2016	**2,966,559,439**	**38,090**
Issue of scrip dividend for 2015 final (note a)	**3,015,196**	**39**
Issue of scrip dividend for 2016 interim (note b)	**46,443,993**	**599**
At 31 December 2016	**3,016,018,628**	**38,728**
At 1 January 2015	2,940,437,862	37,753
Issue of scrip dividend for 2014 final (note a)	745,519	10
Issue of scrip dividend for 2015 interim (note b)	25,376,058	327
At 31 December 2015	2,966,559,439	38,090

Notes:

(a) During the year ended 31 December 2016, 3,015,196 (2015: 745,519) new shares were issued by the Company at HK$7.824 (2015: HK$11.580) per share for the settlement of 2015 final (2015: 2014 final) scrip dividends.

(b) During the year ended 31 December 2016, 46,443,993 (2015: 25,376,058) new shares were issued by the Company at HK$8.140 (2015: HK$9.988) per share for the settlement of 2016 interim (2015: 2015 interim) scrip dividends.

21 Share-based payment

On 23 May 2003, the shareholders of the Company approved the adoption of an option scheme (the "2003 Share Option Scheme") and the termination of the share option scheme adopted by the shareholders of the Company on 30 November 1994.

On 5 December 2005, amendments to certain terms of the 2003 Share Option Scheme were approved by the shareholders of the Company (the "Amended 2003 Share Option Scheme"). Under the Amended 2003 Share Option Scheme, the directors of the Company may, at their discretion, invite any participants, as defined under the Amended 2003 Share Option Scheme, to take up share options for subscribing the Company's shares, subject to the terms and conditions stipulated therein.

The consideration on acceptance of an offer of the grant of options is HK$1.00.

The 2003 Share Option Scheme was expired on 22 May 2013. No further options shall thereafter be granted under the 2003 Share Option Scheme but in all other respects the provision of the 2003 Share Option Scheme shall remain in full force and effect.

Movements of the share options are set out below:

			For the year ended 31 December 2016 Number of share options				
Category	**Note**	**Exercise price HK$**	**Outstanding at 1 January 2016**	**Exercised during the year**	**Transfer (to)/ from other categories during the year**	**Lapsed during the year**	**Outstanding at 31 December 2016**
Directors	(i) (ii)	**19.30**	**500,000**	**–**	**–**	**–**	**500,000**
Continuous contract employees	(i) (ii)	**19.30**	**11,050,000**	**–**	**–**	**(2,740,000)**	**8,310,000**
Others	(i) (ii)	**19.30**	**1,430,000**	**–**	**–**	**(300,000)**	**1,130,000**
			12,980,000	**–**	**–**	**(3,040,000)**	**9,940,000**

21 Share-based payment (Continued)

Category	Note	Exercise price HK$	For the year ended 31 December 2015 Number of share options: Outstanding at 1 January 2015	Exercised during the year	Transfer (to)/ from other categories during the year	Lapsed during the year	Outstanding at 31 December 2015
Directors	(i) (ii) (iii)	19.30	500,000	–	–	–	500,000
Continuous contract employees	(i) (ii)	19.30	11,880,000	–	(570,000)	(260,000)	11,050,000
Others	(i) (ii)	19.30	860,000	–	570,000	–	1,430,000
			13,240,000	–	–	(260,000)	12,980,000

Notes:

(i) All the outstanding options were vested and exercisable as at 31 December 2016 and 2015. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(ii) The share options were granted during the period from 17 April 2007 to 19 April 2007 under the 2003 Share Option Scheme at an exercise price of HK$19.30. The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 17 April 2007 to 19 April 2007.

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

(vi) No share options were granted, exercised or cancelled under the 2003 share option scheme during the year ended 31 December 2016.

(v) Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	**Exercise price HK$**	**Number of share options 2016**	2015
17 April 2017 to 19 April 2017	19.30	**9,940,000**	12,980,000

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

	2016 Average exercise price per share HK$	**Number of share options**	2015 Average exercise price per share HK	Number of share options
At 1 January	**19.30**	**12,980,000**	19.30	13,240,000
Lapsed	**19.30**	**(3,040,000)**	19.30	(260,000)
At 31 December	**19.30**	**9,940,000**	19.30	12,980,000

22 Borrowings

	2016 US$'000	2015 US$'000 (Restated)
Long term borrowings		
Secured		
– bank loans	**336,321**	274,021
– loans from China Shipping Finance Co., Ltd. ("CS Finance")	**14,185**	16,170
	350,506	290,191
Unsecured		
– bank loans	**655,556**	1,254,379
– loans from COSCO Finance Co., Ltd. ("COSCO Finance")	**24,074**	26,026
– notes	**297,879**	297,392
	977,509	1,577,797
	1,328,015	1,867,988
Amounts due within one year included under current liabilities	**(256,609)**	(68,723)
	1,071,406	1,799,265
Short term borrowings – unsecured		
– bank loans	**64,870**	104,911
– loans from COSCO Finance	**110,106**	114,105
	174,976	219,016

Notes:

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

	2016 US$'000	2015 US$'000 (Restated)
Bank loans		
Within one year	**231,295**	67,707
Between one and two years	**36,089**	280,220
Between two and five years	**448,005**	914,660
Over five years	**276,488**	265,813
	991,877	1,528,400
Loans from COSCO Finance		
Within one year	**24,074**	–
Between one and two years	**–**	26,026
	24,074	26,026
Loans from CS Finance		
Within one year	**1,240**	1,016
Between one and two years	**1,476**	1,324
Between two and five years	**5,011**	5,082
Over five years	**6,458**	8,748
	14,185	16,170
Notes (note b)		
Over five years	**297,879**	297,392
	1,328,015	1,867,988

22 Borrowings (Continued)

(b) Details of the notes as at 31 December 2016 are as follows:

	2016 US$'000	2015 US$'000
Principal amount	**300,000**	300,000
Discount on issue	**(2,040)**	(2,040)
Notes issuance cost	**(2,250)**	(2,250)
Net proceeds received	**295,710**	295,710
Accumulated amortised amounts of		
– discount on issue	**1,032**	800
– notes issuance cost	**1,137**	882
	297,879	297,392

10-year notes with principal amount of US$300,000,000 were issued by a subsidiary of the Company to investors on 31 January 2013. The notes carried a fixed interest yield of 4.46% per annum and were issued at a price of 99.320 per cent of their principal amount with a fixed coupon rate of 4.375% per annum, resulting in a discount on issue of US$2,040,000. The notes bear interest from 31 January 2013, payable semi-annually in arrear on 31 January and 31 July of each year, commencing on 31 July 2013. The notes are guaranteed unconditionally and irrevocably by the Company and listed on the Stock Exchange. Unless previously redeemed or repurchased by the Company, the notes will mature on 31 January 2023 at their principal amount. The notes are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of the Company at any time in the event of certain changes affecting the taxes of certain jurisdictions.

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

	Less than one year US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
At 31 December 2016				
Total borrowings	**256,609**	**490,581**	**580,825**	**1,328,015**
At 31 December 2015 (Restated)				
Total borrowings	68,723	1,227,312	571,953	1,867,988

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

	2016 US$'000	2015 US$'000 (Restated)
US dollar	**633,479**	1,388,455
Renminbi	**422,359**	448,783
Euro	**447,153**	249,766
	1,502,991	2,087,004

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

	2016			2015 (Restated)		
	US$	RMB	Euro	US$	RMB	Euro
Bank loans, loans from CS Finance and COSCO Finance	**2.8%**	**4.1%**	**1.3%**	2.4%	4.2%	1.4%
Notes	**4.4%**	**N/A**	**N/A**	4.4%	N/A	N/A

22 Borrowings (Continued)

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

	Carrying amounts		Fair values	
	2016 **US$'000**	2015 US$'000 (Restated)	**2016** **US$'000**	2015 US$'000 (Restated)
Bank loans, loans from CS Finance and COSCO Finance	**773,527**	1,501,873	**768,589**	1,501,362
Notes	**297,879**	297,392	**297,426**	296,997
	1,071,406	1,799,265	**1,066,015**	1,798,359

The fair values of the Group's non-current borrowings are determined based on cash flows discounted using a weighted average borrowing rate of 1.9% (2015: 2.8%) per annum.

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

(g) As at 31 December 2016, bank loans of US$336,321,000 (2015: US$274,021,000) and a loan from CS Finance of US$14,185,000 (2015: US$16,170,000) granted to subsidiaries of the Company were secured by certain other property, plant and equipment of the Group (note 7(f)) and the Company's interests in the subsidiaries. Under the circumstances that the terms and conditions as included in the loan agreements were not met, bank balances of US$23,348,000 (2015: US$14,692,000) would be pledged as security (note 37(b)(iii)).

(h) As at 31 December 2016, the committed and undrawn borrowing facilities of the Group amounted to US$266,874,000 (2015: US$927,288,000).

23 Loan from a non-controlling shareholder of a subsidiary and loans from a fellow subsidiary

(a) Loan from a non-controlling shareholder of a subsidiary

As at 31 December 2015, balance of US$50,000,000 was unsecured, interest free and not repayable within next twelve months. The balance was released in 2016 due to disposal of subsidiary. The carrying value of the loan is not materially different from its fair value.

(b) Loans from a fellow subsidiary

As at 31 December 2016, balance of US$38,061,000 (2015: Nil) represented finance lease contracts the Group entered for leasing of terminal equipment with a fellow subsidiary. The average term of the finance lease contracts is 8 years (2015: 6 years), and bear interest ranging from 2% above to 11% below the RMB five-year benchmark lending rate, or 5.98%. The cost of assets acquired under the finance leases amounted to US$80,428,000 (2015: US$119,687,000) as at 31 December 2016 (note 7(h)). The carrying value of the loan is not materially different from its fair value.

24 Other long term liabilities

	2016 US$'000	2015 US$'000
Deferred income	**30,675**	28,768
Others	**909**	1,686
	31,584	30,454
Less: current portion (note 25)	**–**	(219)
	31,584	30,235

25 Trade and other payables

	2016 US$'000	2015 US$'000 (Restated)
Trade payables (note a)		
– third parties	**23,602**	25,955
– fellow subsidiaries (note b)	**5,142**	175
– non-controlling shareholders of subsidiaries (note b)	**3,563**	3,124
– related companies (note b)	**568**	146
	32,875	29,400
Bills payables	**–**	4,001
	32,875	33,401
Accruals	**32,929**	36,220
Other payables	**97,139**	128,469
Current portion of other long term liabilities (note 24)	**–**	219
Dividend payable	**9**	7
Loans from a fellow subsidiary (note 23(b))	**9,256**	–
Loan from a joint venture (note c)	**40,147**	30,030
Loans from non-controlling shareholders of subsidiaries (note d)	**167,772**	104,275
Amounts due to (note b)		
– fellow subsidiaries	**3,104**	6,401
– non-controlling shareholders of subsidiaries	**12,413**	15,955
– joint ventures	**240**	10,256
– related companies	**71**	316
	395,955	365,549

25 Trade and other payables (Continued)

Notes:

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

	2016 US$'000	2015 US$'000 (Restated)
Within 30 days	**14,603**	14,653
31-60 days	**1,619**	4,140
61-90 days	**9,248**	4,040
Over 90 days	**7,405**	10,568
	32,875	33,401

(b) The balances as at 31 December 2015 included an amount due to a fellow subsidiary of US$6,160,000, which was unsecured, interest bearing at the prevailing bank borrowing interest rate and was repayable according to the contracts signed between related parties. The whole amount was repaid during 2016. The remaining balances as at 31 December 2016 and 2015 are unsecured and interest free. Trading balances have similar credit periods granted as those of other third party suppliers while the other balances have no fixed terms of repayment.

(c) Loan from a joint venture of US$40,147,000 (2015: US$30,030,000) are unsecured, bear interest at 2.3% (2015: 3.5%) per annum and repayable within twelve months.

(d) Loans from non-controlling shareholders of subsidiaries are unsecured and repayable within twelve months. Balance of US$8,534,000 (2015: US$8,395,000) bears interest at 0.6% above 1-year US dollar London Interbank Offered Rate ("LIBOR") per annum. Balance of US$49,681,000 (2015: US$49,681,000) is interest free. Balances of US$57,661,000 and US$51,896,000 (31 December 2015: US$15,400,000 and US$30,799,000) bear interest at 3.9% and 3.5% respectively (31 December 2015: 6.0% and 4.1% respectively) per annum.

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

	2016 US$'000	2015 US$'000 (Restated)
US dollar	**89,835**	122,686
Renminbi	**263,855**	187,411
Euro	**32,982**	41,632
Hong Kong dollar	**9,262**	12,664
Other currencies	**21**	1,156
	395,955	365,549

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

26 Other operating income

	2016 US$'000	2015 US$'000 (Restated)
Management fee and other service income	**4,479**	5,189
Dividends income from listed and unlisted available-for-sale financial assets	**4,245**	7,071
Write back of provision for impairment of trade receivables	**–**	3
Revaluation surplus of investment properties	**–**	1,208
Rental income from		
– investment properties	**600**	1,026
– buildings, leasehold land and land use rights	**645**	736
Gain on disposal of property, plant and equipment	**125**	301
Gain on disposal of a joint venture	**–**	482
Gain on disposal of an available-for-sale financial asset	**–**	3,326
Government subsidies	**5,237**	5,900
Others	**1,373**	3,691
	16,704	28,933

27 Operating profit

Operating profit is stated after charging the following:

	2016 US$'000	2015 US$'000 (Restated)
Charging:		
Amortisation of		
– land use rights	**5,020**	5,395
– intangible assets (note a)	**1,097**	967
– other non-current assets (note 16)	**1,573**	1,587
Depreciation of other owned property, plant and equipment	**90,783**	90,074
Exchange loss, net	**9,097**	13,179
Loss on disposal of property, plant and equipment and intangible assets	**452**	100
Auditors' remuneration		
– current year	**800**	660
– underprovision in prior year	**30**	–
Provision for impairment of trade receivables	**304**	110
Provision for impairment loss of an available-for-sale financial asset	**19,800**	–
Provision for inventories	**–**	88
Rental expense under operating leases of		
– land and buildings leased from third parties	**2,244**	2,286
– buildings leased from a fellow subsidiary	**1,724**	1,726
– buildings leased from a joint venture	**34**	33
– land use rights leased from non-controlling shareholders of subsidiaries	**2,673**	2,054
– plant and machinery leased from third parties	**53**	138
– Concession (note 16)	**38,840**	40,411
Total staff costs (including directors' emoluments and retirement benefit costs) (note b)	**190,117**	182,621

Notes:

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

(b) Total staff costs do not include the amounts of benefits in kind provided to the Company's directors and the Group's employees in respect of the Company's share options granted prior to 2005 and staff quarters. Details of the Company's share options are set out in note 21 to the consolidated financial statements.

28 Finance income and costs

	2016 US$'000	2015 US$'000 (Restated)
Finance income		
Interest income on		
– bank balances and deposits	**9,494**	14,946
– deposits with COSCO Finance	**540**	620
– deposits with CS Finance	**4**	30
– loans to joint ventures and associates	**4,829**	6,615
	14,867	22,211
Finance costs		
Interest expenses on		
– bank loans	**(29,702)**	(28,637)
– notes not wholly repayable within five years	**(13,128)**	(13,128)
– loans from COSCO Finance	**(4,456)**	(1,637)
– loans from CS Finance	**(646)**	(856)
– loans from and amount due to fellow subsidiaries (note 23(b), 25(b))	**(3,040)**	(6,381)
– loans from non-controlling shareholders of subsidiaries (note 25(d))	**(2,792)**	(5,447)
– loan from a joint venture (note 25(c))	**(872)**	(1,045)
Amortised amount of		
– discount on issue of notes	**(231)**	(253)
– transaction costs on bank loans and notes	**(313)**	(279)
	(55,180)	(57,663)
Less: amount capitalised in construction in progress (note 7(g))	**6,038**	5,993
	(49,142)	(51,670)
Other incidental borrowing costs and charges	**(3,000)**	(2,996)
	(52,142)	(54,666)
Net finance costs	**(37,275)**	(32,455)

29 Income tax expenses

	2016 US$'000	2015 US$'000 (Restated)
Current income tax		
– Hong Kong profits tax	**(903)**	(1,224)
– Mainland China taxation	**(22,877)**	(21,378)
– Overseas taxation	**(11,879)**	(12,963)
– (Under)/over provision in prior years	**(2,567)**	663
	(38,226)	(34,902)
Deferred income tax charge (note 15)	**(9,944)**	(7,537)
	(48,170)	(42,439)

The Group's share of income tax expenses of joint ventures and associates of US$34,209,000 (2015: US$32,622,000) and US$24,644,000 (2015: US$21,299,000) are included in the Group's shares of profits less losses of joint ventures and associates respectively. The deferred income tax charge mainly represents the withholding income tax in respect of the undistributed profits for the year of the Group's subsidiaries, joint ventures and associates.

Hong Kong profits tax was provided at a rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2016 US$'000	2015 US$'000 (Restated)
Profit before income tax from continuing operations	**257,607**	333,126
Less: Share of profits less losses of joint ventures and associates from continuing operations	**(200,242)**	(221,139)
	57,365	111,987
Aggregate tax at domestic rates applicable to profits in respective territories concerned	**27,466**	24,194
Income not subject to income tax	**(8,903)**	(6,066)
Expenses not deductible for income tax purposes	**4,984**	2,059
Under/(over) provision in prior years	**2,567**	(663)
Utilisation of previously unrecognised tax losses	**(778)**	(84)
Tax losses not recognised	**3,342**	3,385
Withholding income tax upon distribution of profits and payment of interest	**19,549**	19,362
Tax effect of change in tax rate	**–**	(196)
Others	**(57)**	448
Income tax expenses	**48,170**	42,439

Except for the income tax US$2,403,000 relating to the reversal of deferred tax upon transfer from investment properties to property, plant and equipment, there was no income tax relating to components of other comprehensive income for the year ended 31 December 2016 and 2015.

30 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.

	2016	2015 (Restated)
Profit from continuing operations attributable to equity holders of the Company	**US$180,937,000**	US$267,312,000
Profit from discontinued operations attributable to equity holders of the Company	**US$66,094,000**	US$162,001,000
	US$247,031,000	US$429,313,000
Weighted average number of ordinary shares in issue	**2,976,420,791**	2,945,443,161
Basic earnings per share		
– from continuing operations	**US6.08 cents**	US9.08 cents
– from discontinued operations	**US2.22 cents**	US5.50 cents
	US8.30 cents	US14.58 cents

(b) Diluted

The outstanding share options granted by the Company did not have any dilutive effect on the earnings per share for the year ended 31 December 2016 and 2015 (as restated) respectively, and the diluted earnings per share for the year ended 31 December 2016 and 2015 (as restated) is equal to the basic earnings per share for the year ended 31 December 2016 and 2015 (as restated) respectively.

31 Distribution, dividends and special cash dividend

(a) Distribution

	2016 US$'000	2015 US$'000
Consideration in connection with the purchase of CSPD from fellow subsidiaries	**1,164,077**	–

31 Distribution, dividends and special cash dividend (Continued)

(b) Dividends and special cash dividend

	2016 US$'000	2015 US$'000
Conditional special cash dividend paid of US10.317 cents (2015: Nil) per ordinary share	**306,059**	–
Interim dividend paid of US2.320 cents (2015: US2.236 cents) per ordinary share	**68,894**	65,748
Final dividend proposed of US1.000 cents (2015: US2.948 cents) per ordinary share	**30,160**	87,454
Additional dividends paid on shares issued due to issue of scrip dividends and exercise of share options before the closure of register of members:		
– 2015 interim	**–**	17
	405,113	153,219

Note:

At a meeting held on 28 March 2017, the directors recommended the payment of a final dividend of HK7.8 cents (equivalent to US1.000 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 2017.

32 Retirement benefit costs

The retirement benefit costs charged to the consolidated income statement represent contributions payable by the Group to the retirement benefit schemes and amounted to US$10,668,000 (2015: US$10,140,000). Contributions totaling US$1,809,000 (2015: US$1,573,000) were payable to the retirement benefit schemes as at 31 December 2016 and were included in trade and other payables. No forfeited contributions were available as at 31 December 2016 and 31 December 2015 to reduce future contributions.

33 Directors' and management's emoluments

(a) Directors' emoluments

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

	2016 US$'000	2015 US$'000
Fees	**295**	282
Salaries, housing and other allowances	**1,610**	1,403
Benefits in kind	**–**	4
Bonuses	**193**	308
Contributions to retirement benefit schemes	**2**	2
	2,100	1,999

Directors' fees disclosed above include US$224,000 (2015: US$216,000) paid to independent non-executive directors. The Company did not grant any share options during the year ended 31 December 2016 and 2015.

33 Directors' and management's emoluments (Continued)

(a) Directors' emoluments (Continued)

As at 31 December 2016, one (2015: one) director of the Company had 500,000 (2015: 500,000) share options which are exercisable at HK$19.30 per share granted by the Company under the 2003 Share Option Scheme.

For the year ended 31 December 2016, no (2015: Nil) share option was exercised.

Details and movements of share options granted and exercised during the year are set out in note 21 to the consolidated financial statements.

The directors' emoluments are analysed as follows:

		Year ended 31 December 2016								
Name of directors	Note	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Housing and other allowances US$'000	Estimated money value of other benefits US$'000	Contributions to retirement benefit schemes US$'000	Remunerations paid or receivable in respect of accepting office as director US$'000	As management (note e) US$'000	Total US$'000
Mr. HUANG Xiaowen	(i)	–	–	–	–	–	–	–	–	–
Mr. ZHANG Wei (張為)	(ii)	5	503	–	15	–	–	–	–	523
Mr. FANG Meng	(iii)	–	171	–	15	–	–	–	–	186
Mr. DENG Huangjun	(iv)	–	252	18	18	–	–	–	–	288
Mr. FENG Boming	(v)	4	–	–	–	–	–	–	–	4
Mr. ZHANG Wei (張煒)	(v)	4	–	–	–	–	–	–	–	4
Mr. CHEN Dong	(v)	4	–	–	–	–	–	–	–	4
Mr. XU Zunwu	(v)	4	–	–	–	–	–	–	–	4
Mr. WANG Haimin	(vi)	15	–	–	–	–	–	–	–	15
Dr. WONG Tin Yau, Kelvin		–	356	91	18	–	2	–	–	467
Dr. FAN HSU Lai Tai, Rita		50	–	–	–	–	–	–	–	50
Mr. Adrian David LI Man Kiu		57	–	–	–	–	–	–	–	57
Mr. FAN Ergang		34	–	–	–	–	–	–	–	34
Mr. LAM Yiu Kin	(vii)	40	–	–	–	–	–	–	–	40
Prof. CHAN Ka Lok	(v)	9	–	–	–	–	–	–	–	9
Mr. WAN Min	(viii)	–	–	–	–	–	–	–	–	–
Mr. QIU Jinguang	(ix)	–	239	84	23	–	–	–	–	346
Mr. TANG Runjiang	(x)	9	–	–	–	–	–	–	–	9
Mr. FENG Bo	(xi)	13	–	–	–	–	–	–	–	13
Mr. WANG Wei	(xi)	13	–	–	–	–	–	–	–	13
Mr. IP Sing Chi	(xi)	34	–	–	–	–	–	–	–	34
		295	1,521	193	89	–	2	–	–	2,100

33 Directors' and management's emoluments (Continued)

(a) Directors' emoluments (Continued)

The directors' emoluments are analysed as follows:

		Year ended 31 December 2015								
Name of directors	Note	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Housing and other allowances US$'000	Estimated money value of other benefits US$'000	Contributions to retirement benefit schemes US$'000	Remunerations paid or receivable in respect of accepting office as director US$'000	As management (note e) US$'000	Total US$'000
Mr. ZHANG Wei (張為)	(ii)	6	–	–	–	–	–	–	–	6
Mr. DENG Huangjun	(iv)	–	53	–	10	–	–	–	–	63
Mr. WANG Haimin	(vi)	15	21	77	2	4	–	–	–	119
Dr. WONG Tin Yau, Kelvin		–	356	77	18	–	2	–	–	453
Dr. FAN HSU Lai Tai, Rita		50	–	–	–	–	–	–	–	50
Mr. Adrian David LI Man Kiu		57	–	–	–	–	–	–	–	57
Mr. FAN Ergang		34	–	–	–	–	–	–	–	34
Mr. LAM Yiu Kin	(vii)	17	–	–	–	–	–	–	–	17
Mr. LI Yunpeng	(xii)	–	–	–	–	–	–	–	–	–
Mr. WAN Min	(viii)	–	–	–	–	–	–	–	–	–
Mr. QIU Jinguang	(ix)	–	716	77	18	–	–	–	–	811
Mr. FENG Jinhua	(xiii)	–	200	77	9	–	–	–	–	286
Mr. TANG Runjiang	(x)	15	–	–	–	–	–	–	–	15
Mr. FENG Bo	(xi)	15	–	–	–	–	–	–	–	15
Mr. WANG Wei	(xi)	15	–	–	–	–	–	–	–	15
Mr. IP Sing Chi	(xi)	41	–	–	–	–	–	–	–	41
Mr. Timothy George FRESHWATER	(xiv)	17	–	–	–	–	–	–	–	17
		282	1,346	308	57	4	2	–	–	1,999

Notes:

(i) appointed as Chairman of the Board and a non-executive director on 29 March 2016

(ii) appointed as a non-executive director on 14 August 2015, re-designated from a non-executive director to an executive director and appointed as Vice Chairman of the Board and Managing Director on 27 April 2016

(iii) appointed on 27 April 2016

(iv) appointed on 16 October 2015

(v) appointed on 24 October 2016

(vi) re-designated from an executive director to a non-executive director and resigned as a Deputy Managing Director on 21 January 2015

(vii) appointed on 14 August 2015

(viii) resigned on 29 March 2016

(ix) resigned on 27 April 2016

33 Directors' and management's emoluments (Continued)

(a) Directors' emoluments (Continued)

(x) resigned on 7 July 2016

(xi) resigned on 24 October 2016

(xii) resigned on 21 January 2015

(xiii) resigned on 16 October 2015

(xiv) retired on 14 May 2015

The above analysis includes two (2015: two) directors whose emoluments were among the five highest in the Group.

(b) Management's emoluments

Details of the aggregate emoluments paid to three (2015: three) individuals whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2016 US$'000	2015 US$'000
Salaries and other allowances	**884**	884
Bonuses	**280**	239
Contributions to retirement benefit schemes	**6**	6
	1,170	1,129

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

	Number of individuals	
	2016	2015
Emolument bands		
US$322,158-US$386,589 (HK$2,500,001-HK$3,000,000)	**1**	2
US$386,590-US$451,021 (HK$3,000,001-HK$3,500,000)	**2**	1
	3	3

(c) During the year, no emolument had been paid by the Group to the directors or the five highest paid individuals as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

(d) No significant transactions, arrangements and contracts in relation to the group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(e) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included salaries, discretionary bonuses, employer's contributions to retirement benefit schemes and housing allowance.

34 Financial guarantee contracts

The financial guarantees issued by the Group as at 31 December 2016 are analysed as below:

	2016 US$'000	2015 US$'000 (Restated)
Bank guarantees to a joint venture	**9,110**	2,464

The directors of the Company consider that it is not probable for a claim to be made against the Group under any of these guarantees as at the balance sheet date.

The fair value of the guarantee contracts is not material and has not been recognised.

35 Capital commitments

The Group has the following significant capital commitments as at 31 December 2016:

	2016 US$'000	2015 US$'000 (Restated)
Contracted but not provided for		
– Investments (note)	**671,956**	556,675
– Other property, plant and equipment	**591,399**	314,729
	1,263,355	871,404

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

	2016 US$'000	2015 US$'000 (Restated)
Contracted but not provided for	**60,121**	5,636

Note:

The capital commitments in respect of investments of the Group as at 31 December 2016 are as follows:

	2016 US$'000	2015 US$'000 (Restated)
Contracted but not provided for		
Investments in:		
– QQCT	**64,997**	64,997
– Antwerp Gateway NV	**44,548**	39,726
– Dalian Port Container Terminal Co., Ltd.	**42,093**	44,967
– Tianjin Port Euroasia International Container Terminal Co., Ltd.	**101,196**	108,106
– Qingdao Port Dongjiakou Ore Terminal Co, Ltd.	**86,493**	92,399
– APMT Vado Holding B.V.	**55,880**	–
– Others	**214,453**	139,931
	609,660	490,126
Terminal projects in:		
– Shanghai Yangshan Port Phase II	**57,662**	61,599
– Others	**4,634**	4,950
	62,296	66,549
	671,956	556,675

36 Operating lease arrangements/commitments

(a) Operating lease arrangements – where the Group is the lessor

As at 31 December 2016, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	2016 US$'000	2015 US$'000
Containers		
– not later than one year	–	203,549
– later than one year and not later than five years	–	494,068
– later than five years	–	165,745
	–	863,362
Generator sets		
– not later than one year	–	366
– later than one year and not later than five years	–	546
– later than five years	–	21
	–	933
Plant and machinery		
– not later than one year	–	452
– later than one year and not later than five years	–	52
	–	504
Buildings, leasehold land and land use rights		
– not later than one year	**417**	3,040
– later than one year and not later than five years	**623**	1,396
– later than five years	**234**	350
	1,274	4,786
Investment properties		
– not later than one year	**21**	155
– later than one year and not later than five years	**26**	77
	47	232
	1,321	869,817

The future lease receipts above do not include those lease contracts with the amount of future lease receipts depends on the timing of pick up and drop off of containers by lessees during the lease period of the contracts. After the disposal of FCHL in 2016, there are no further receipts related to containers.

36 Operating lease arrangements/commitments (Continued)

(b) Operating lease commitments – where the Group is the lessee

As at 31 December 2016, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2016 US$'000	2015 US$'000 (Restated)
Buildings, leasehold land and land use rights		
– not later than one year	**4,471**	7,476
– later than one year and not later than five years	**1,345**	6,754
– later than five years	**–**	2
	5,816	14,232
Plant and machinery		
– not later than one year	**9**	42
– later than one year and not later than five years	**9**	13
	18	55
Containers (note)		
– not later than one year	**–**	34,036
– later than one year and not later than five years	**–**	49,510
	–	83,546
Concession (note 16)		
– not later than one year	**53,680**	46,878
– later than one year and not later than five years	**332,176**	275,389
– later than five years	**4,210,150**	2,311,156
	4,596,006	2,633,423
	4,601,840	2,731,256

Note:

The Group had entered into operating lease agreements from 2008 to 2014 for the disposal of certain containers and agreed to lease back these containers from the purchasers with lease terms of five to six years each. The lessors calculated the rent payable by the Group, which was determined on the terms agreed among the parties.

Pursuant to the operating lease agreement entered into in 2008, the lessor has granted a lease extension option to the Group, which must be exercised by the Group at least six months but not more than eight months from the expiry date of the original term. If exercised, the lease term of all containers under the operating lease agreement will be extended for a further term of five years from the original expiry date. During 2012, the Group has exercised the lease extension option with same terms. The new expiry date of this operating lease agreement is in July 2018.

After the disposal of FCHL in 2016, there are no further operating lease commitments related to containers.

37 Notes to the consolidated cash flow statement

(a) Reconciliation of profit before income tax to cash generated from operations

	2016 US$'000	2015 US$'000 (Restated)
Profit before income tax including discontinued operations	**324,529**	499,922
Write back of provision	**–**	(79,152)
Depreciation and amortisation	**133,283**	222,826
Interest expenses	**51,972**	64,340
Amortised amount of		
– discount on issue of notes	**231**	253
– transaction costs on bank loans and notes	**914**	3,158
Other incidental borrowing costs and charges	**3,000**	2,996
Provision for impairment of trade receivables	**413**	1,084
Provision for inventories	**–**	1,204
Write off of inventories	**–**	10
Loss/(gain) on disposal of property, plant and equipment, net	**160**	(1,281)
Dividends income from unlisted available-for-sale financial assets	**(1,225)**	(1,371)
Dividends income from listed available-for-sale financial assets	**(3,020)**	(5,700)
Gain on disposal of a subsidiary	**(59,021)**	–
Gain on disposal of a joint venture	**–**	(482)
Gain on disposal of an available-for-sale financial asset	**–**	(3,326)
Provision for impairment loss of an available-for-sale financial asset	**19,800**	–
Revaluation surplus of investment properties	**–**	(1,219)
Write back of provision for impairment of trade receivables	**(1,247)**	(895)
Interest income	**(14,943)**	(22,972)
Share of profits less losses of		
– joint ventures	**(112,081)**	(118,133)
– associates	**(88,161)**	(103,006)
Operating profit before working capital changes	**254,604**	458,256
Decrease/(increase) in finance lease receivables	**6,665**	(9,833)
Increase in prepaid agency fee for finance lease	**–**	(16)
Decrease in rent receivable collected on behalf of owners of managed containers	**–**	5,983
Decrease in inventories	**9,649**	15,161
Decrease/(increase) in trade and other receivables	**32,106**	(28,812)
Decrease in amounts due from fellow subsidiaries	**18,161**	35,601
Decrease/(increase) in amount due from an associate	**2,238**	(179)
Increase in amounts due from joint ventures	**(100)**	–
Decrease in amounts due from non-controlling shareholders of subsidiaries	**170**	1,303
Decrease in trade and other payables	**(3,960)**	(10,135)
Decrease in payables to owners of managed containers	**(2,048)**	(7,607)
Increase in amounts due to fellow subsidiaries	**717**	374
Increase/(decrease) in amounts due to joint ventures	**98**	(147)
(Decrease)/increase in amounts due to related companies	**(235)**	304
(Decrease)/increase in amounts due to non-controlling shareholders of subsidiaries	**(6,436)**	697
Increase in other long term liabilities	**1,913**	2,164
Cash generated from operations	**313,542**	463,114

37 Notes to the consolidated cash flow statement (Continued)

(b) Analysis of the balances of cash and cash equivalents

	2016 US$'000	2015 US$'000 (Restated)
Total time deposits, bank balances and cash (note i)	**837,100**	924,191
Restricted bank deposits included in current assets	**(2,868)**	(1,020)
	834,232	923,171
Representing:		
Time deposits	**658,396**	701,527
Bank balances and cash	**83,474**	147,277
Balance placed with COSCO Finance (note iv)	**92,358**	69,806
Balance placed with CS Finance (note v)	**4**	4,561
	834,232	923,171

Notes:

(i) As at 31 December 2016, cash and cash equivalents of US$37,053,000 (2015: US$103,691,000) of the Group denominated in Renminbi and US dollar were held by certain subsidiaries with bank accounts operating in the PRC where exchange controls apply.

(ii) The carrying amounts of time deposits, bank balances and cash are denominated in the following currencies:

	2016 US$'000	2015 US$'000 (Restated)
US dollar	**605,764**	437,212
Renminbi	**161,768**	424,628
Euro	**24,012**	15,922
Hong Kong dollar	**42,668**	43,770
Other currencies	**20**	1,639
	834,232	923,171

(iii) Under the circumstances that the terms and conditions as included in the loan agreement were not met, bank balances of US$23,348,000 (2015: US$14,692,000) would be pledged as security for a banking facility granted to the Group (note 22(g)). As at 31 December 2016, there was no violation of the terms and conditions of this loan and thus such bank balances were not pledged.

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

(v) Balances placed with CS Finance, a fellow subsidiary of the Group, bear interest at prevailaing market rates.

38 Discontinued operation

On 24 March 2016 ("Completion Date"), the Company completed the disposal of all the issued shares in FCHL (representing the container leasing, management and sales, and related businesses of the Group) to CSDHK for a total consideration of US$1,241,032,000. The FCHL's shareholder's loans in the aggregate sum of US$285,000,000 were transferred on the same day to CSDHK at the consideration of US$285,000,000. Upon completion of the disposal, FCHL ceased to be a subsidiary of the Company. Given that FCHL represented a separate major line of business with separately identifiable operations and cash flows before the disposal, it is classified as discontinued operation in the consolidated financial statements.

The details of the net assets of discontinued operation as at the Completion Date are as follows:

	US$'000
Property, plant and equipment	2,067,353
Investment properties	3,693
Land use rights	100
Intangible assets	1,462
Finance lease receivables	87,004
Deferred income tax assets	618
Other non-current assets	4,811
Inventories	4,616
Trade and other receivables	74,929
Cash and cash equivalents	102,128
Trade and other payables	(24,112)
Current income tax liabilities	(7,846)
Current portion of long term liabilities	(32,104)
Loans from immediate holding company	(285,000)
Other long term liabilities	(758,956)
Loan from a non-controlling shareholder	(50,000)
Net assets	1,188,696
Less: non-controlling interests	(5,702)
Net assets disposed of	1,182,994
Release of reserves upon disposal	(983)
	1,182,011
Sales proceeds – cash received	1,223,725
– price adjustment	17,307
	1,241,032
Gain on disposal of a subsidiary	59,021
Satisfied by:	
Cash consideration received	1,223,725
Assignment of shareholder's loans	285,000
Total consideration received	1,508,725
Less: cash and cash equivalents of a subsidiary disposed of	(102,128)
Net cash inflow on disposal of a subsidiary	1,406,597

38 Discontinued operation (Continued)

The results and cash flows of discontinued operation are as follows:

	For the period from 1 January 2016 to Completion Date US$'000	Year ended 31 December 2015 US$'000
Revenues	**73,073**	315,675
Expenses	**(65,172)**	(228,031)
Profit before income tax	**7,901**	87,644
Income tax expenses	**(375)**	(2,771)
Profit for the year	**7,526**	84,873
Gain on disposal of a subsidiary	**59,021**	–
	66,547	84,873
Profit attributable to:		
– Equity holders of the Company	**66,094**	82,849
– Non-controlling interests	**453**	2,024
	66,547	84,873
Net cash generated from operating activities	**52,903**	215,185
Net cash used in investing activities	**(274,252)**	(260,195)
Net cash generated from/(used in) financing activities	**193,524**	(77,087)
Net decrease in cash and cash equivalents	**(27,825)**	(122,097)
Cash and cash equivalents at beginning of year	**129,835**	253,181
Exchange difference	**118**	(1,249)
Cash and cash equivalents at end of year	**102,128**	129,835

39 Related party transaction

The Group is controlled by COSCO SHIPPING Holdings which owns 46.72% of the Company's shares as at 31 December 2016. The parent company of COSCO SHIPPING Holdings is COSCO, and the parent company of COSCO is COSCO SHIPPING.

COSCO SHIPPING is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. Government related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government, are also defined as related parties of the Group. On that basis, related parties include COSCO SHIPPING and its subsidiaries, other government related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO SHIPPING as well as their close family members.

For the purpose of the related party transaction disclosures, the Directors believe that it is meaningful to disclose the related party transactions with COSCO SHIPPING group companies for the interests of financial statements' users, although certain of those transactions which are individually or collectively not significant, and are exempted from disclosure upon adoption of HKAS 24 (Revised). The Directors believe that the information of related party transactions has been adequately disclosed in the consolidated financial statements.

In addition to those disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year.

39 Related party transaction (Continued)

(a) Continuing operations

Sales/purchases of goods, services and investments

	2016 US$'000	2015 US$'000 (Restated)
Handling, storage and transportation income from fellow subsidiaries (note i, xv)	**949**	1,672
Management fee and service fee income from (note ii, xv)		
– joint ventures	**3,867**	4,373
– associates	**597**	616
– an investee company	**90**	100
Terminal handling and storage income received from (note iii, xv)		
– fellow subsidiaries	**87,893**	89,608
– non-controlling shareholders of subsidiaries	**48,331**	43,572
Container handling and logistics service fees to non-controlling shareholders of subsidiaries (note iv, xv)	**(14,602)**	(17,139)
Electricity and fuel expenses paid to (note v, xv)		
– fellow subsidiaries	**(1,209)**	(1,072)
– non-controlling shareholders of subsidiaries	**(8,169)**	(6,279)
Finance lease charges paid to a fellow subsidiary (note vi)	**(2,099)**	–
Handling, storage and maintenance expenses paid to fellow subsidiaries (note vii, xv)	**(2,186)**	(2,619)
High-frequency communication fee to a non-controlling shareholder of a subsidiary (note viii, xv)	**(80)**	(128)
Rental expenses paid to (note ix, xv)		
– fellow subsidiaries	**(1,748)**	(2,344)
– non-controlling shareholders of subsidiaries	**(4,423)**	(5,176)

(b) Discountinued operation

Sales/purchases of goods, services and investments

	2016 US$'000	2015 US$'000 (Restated)
Continer rental income from fellow subsidiaries (note x, xv)		
– long term leases	**38,005**	170,325
– short term lease	**353**	1,226
Compensation for loss of containers from a fellow subsidiary (note xi, xv)	**2,370**	383
Handling, storage and maintenance expenses to fellow subsidiaries (note vii, xv)	**(233)**	(579)
Container freight charges to (note xii, xv)		
– fellow subsidiaries	**–**	(53)
– subsidiaries of CIMC	**(52)**	(878)
Approved continual examination program fees to a fellow subsidiary (note xiii)	**–**	(1,300)
Purchase of containers from (note xiv)		
– fellow subsidiaries	**–**	(14,804)
– subsidiaries of CIMC	**–**	(163,883)

39 Related party transaction (Continued)

Notes:

(i) The handling, storage and transportation income received from fellow subsidiaries of the Group were at terms as set out in the agreements entered into between the Group and these fellow subsidiaries.

(ii) The Group provided advisory and management services to COSCO-HIT Terminals (Hong Kong) Limited, a joint venture of the Group, during the year. Management fee was charged and agreed at HK$20,000,000 (equivalent to US$2,577,000) (2015: HK$20,000,000 (equivalent to US$2,580,000)) per annum.

Other management fee and service fee income charged to joint ventures, associates and an investee company were agreed between the Group and the respective parties in concern.

(iii) The terminal handling and storage income received from fellow subsidiaries and non-controlling shareholders of subsidiaries in relation to the cargoes shipped from/to Zhangjiagang, Yangzhou, Quanzhou, Jinjiang, Xiamen, Nansha, Lianyungang and Jinzhou were charged at rates by reference to rates as set out by the Ministry of Communications of the PRC.

The container terminal handling and storage income received from fellow subsidiaries in relation to the cargoes shipped from/to Piraeus Ports were charged at rates as mutually agreed.

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

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

(vi) Finance lease charges paid to a fellow subsidiary were charged at rates as matually agreed.

(vii) Handling, storage and maintenance expenses paid to fellow subsidiaries were charged at rates as mutually agreed.

(viii) High-frequency communication fee paid to a non-controlling shareholder of a subsidiary were charged at rates as mutually agreed.

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

(x) The Group conducts long term container leasing business with COSCO SHIPPING Lines Co., Ltd. (formerly known as COSCO Container Lines Company Limited) ("COSCO SHIPPING Lines"). During the two years ended 31 December 2015 and 2016, the Group entered into new long term container leasing contracts/arrangements with COSCO SHIPPING Lines. The Group's long term container leasing transactions with COSCO SHIPPING Lines during the year were conducted by reference to, if applicable, the average of the available leasing rates quoted from five (2015: five) independent container leasing companies and in the ordinary and normal course of the business of the Group.

The other container leasing businesses with COSCO SHIPPING Lines and other subsidiaries of COSCO were conducted at terms as agreed between the Group and respective parties in concern.

(xi) During the year the Group had compensation received and receivable of US$2,370,000 (2015: US$383,000) from COSCO SHIPPING Lines for the loss of containers under operating leases, resulting in a profit of US$6,000 (2015: a profit of US$48,000).

(xii) The container freight charges paid to fellow subsidiaries and subsidiaries of CIMC for container repositioning services rendered to the Group were charged at rates as mutually agreed.

(xiii) Approved continuous examination program fees of US$1,300,000 to COSCO SHIPPING Lines in connection with the containers leased to COSCO SHIPPING Lines on a long term basis were agreed between the Group and COSCO SHIPPING Lines for the year ended 31 December 2015.

(xiv) The purchases of containers from fellow subsidiaries and subsidiaries of CIMC were conducted at terms as set out in the agreements entered into between the Group and the respective parties in concern.

(xv) The transactions represent continuing connected transactions which has complied with the disclosure requirements in accordance with Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules").

39 Related party transaction (Continued)

(c) Key management compensation

	2016 **US$'000**	2015 US$'000 (Restated)
Fees	**5**	15
Salaries, bonuses and other allowances	**3,546**	3,688
Contributions to retirement benefit schemes	**60**	111
	3,611	3,814

Key management includes directors of the Company and six (2015: nine) senior management members of the Group.

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

	Number of individuals **2016**	 2015 (Restated)
Emolument bands		
US$64,432-US$128,862 (HK$500,000-HK$1,000,000)	**–**	2
US$128,863-US$257,725 (HK$1,000,001-HK$2,000,000)	**2**	3
US$257,726-US$322,157 (HK$2,000,001-HK$2,500,000)	**1**	1
US$322,158-US$386,589 (HK$2,500,001-HK$3,000,000)	**1**	2
US$386,590-US$451,021 (HK$3,000,001-HK$3,500,000)	**2**	1
	6	9

40 Event after balance sheet date

On 20 January 2017, Shanghai China Shipping Terminal Development Co., Ltd ("SCSTD", a wholly owned subsidiary of the Company) and Qingdao Port International Co., Ltd ("QPI") entered into an agreement, pursuant to which SCSTD has conditionally agreed to subscribe for 1,015,520,000 non-circulating domestic shares in QPI at a total consideration of RMB5,798,619,200 (equivalent to approximately US$835,897,000, being RMB5.71 per share), of which RMB3,198,650,840 (equivalent to approximately US$461,100,000) will be settled by the transfer of a 20% equity interest in QQCT to QPI and the remaining RMB2,599,968,360 (equivalent to approximately US$374,797,000) will be settled in cash. As at the reporting date, the subscription and disposal were not completed.

41 Balance sheet and reserve movement of the Company

	Note	2016 US$'000	2015 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**149**	186
Subsidiaries		**5,252,031**	2,898,539
Amounts due from subsidiaries		**208,782**	91,710
		5,460,962	2,990,435
Current assets			
Other receivables		**628**	2,417
Amounts due from subsidiaries		**2,197,718**	1,823,706
Amount due from a fellow subsidiary		**17,307**	–
Cash and cash equivalents		**632,977**	389,310
		2,848,630	2,215,433
Total assets		**8,309,592**	5,205,868
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**38,728**	38,090
Reserves	(a)	**4,166,186**	3,282,478
Total equity		**4,204,914**	3,320,568
LIABILITIES			
Non-current liabilities			
Long term borrowings		**467,709**	395,600
Current liabilities			
Other payables		**14,566**	9,214
Current income tax liabilities		**91**	–
Loan from a subsidiary		**296,610**	296,610
Amounts due to subsidiaries		**3,323,588**	1,183,876
Amounts due to fellow subsidiaries		**2,114**	–
		3,636,969	1,489,700
Total liabilities		**4,104,678**	1,885,300
Total equity and liabilities		**8,309,592**	5,205,868

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

Note (a) Reserve movement of the Company

	Share Premium US$'000	Contributed surplus (note) US$'000	Share option reserve US$'000	Retained profits US$'000	Total US$'000
At 1 January 2016	**1,643,261**	**414,214**	**8,254**	**1,216,749**	**3,282,478**
Profit for the year	**–**	**–**	**–**	**1,294,970**	**1,294,970**
Issue of shares on settlement of scrip dividends	**51,145**	**–**	**–**	**–**	**51,145**
Transfer of reserve upon lapse of share options	**–**	**–**	**(1,933)**	**1,933**	**–**
Dividends					
– Conditional special cash dividends	**–**	**–**	**–**	**(306,059)**	**(306,059)**
– 2015 final	**–**	**–**	**–**	**(87,454)**	**(87,454)**
– 2016 interim	**–**	**–**	**–**	**(68,894)**	**(68,894)**
At 31 December 2016	**1,694,406**	**414,214**	**6,321**	**2,051,245**	**4,166,186**
Representing:					
Reserves	**1,694,406**	**414,214**	**6,321**	**2,021,085**	**4,136,026**
2016 final dividend proposed	**–**	**–**	**–**	**30,160**	**30,160**
At 31 December 2016	**1,694,406**	**414,214**	**6,321**	**2,051,245**	**4,166,186**
At 1 January 2015	1,609,779	414,214	8,419	1,165,676	3,198,088
Profit for the year	–	–	–	175,129	175,129
Issue of shares on settlement of scrip dividends	33,482	–	–	–	33,482
Transfer of reserve upon lapse of share options	–	–	(165)	165	–
Dividends					
– 2014 final	–	–	–	(58,456)	(58,456)
– 2015 interim	–	–	–	(65,765)	(65,765)
At 31 December 2015	1,643,261	414,214	8,254	1,216,749	3,282,478
Representing:					
Reserves	1,643,261	414,214	8,254	1,129,295	3,195,024
2015 final dividend proposed	–	–	–	87,454	87,454
At 31 December 2015	1,643,261	414,214	8,254	1,216,749	3,282,478

Note:

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued share capital and the net asset value of the subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders.

42 Business combination under common control

The Group adopts merger accounting for common control combination in respect of the acquisition of subsidiaries as mentioned in note 1. Statements of adjustments for business combinations under common control on the Group's financial position as at 31 December 2016 and 31 December 2015 and the results for the year ended 31 December 2016 and 31 December 2015 are summarised as follows:

	The Group before the acquired subsidiary US$'000	Acquired subsidiary US$'000	Note	Adjustments US$'000	Total US$'000
Year ended 31 December 2016					
Continuing operations					
Revenues	494,846	61,531		–	556,377
Profit before income tax	229,869	26,823	(i)	915	257,607
Income tax	(41,960)	(5,563)	(i)	(647)	(48,170)
Profit for the year	187,909	21,260		268	209,437
As at 31 December 2016					
ASSETS					
Non-current assets	5,879,000	1,023,804	(ii), (iv)	(1,111,856)	5,790,948
Current assets	940,806	67,678	(ii), (iii)	(12,976)	995,508
Total assets	6,819,806	1,091,482		(1,124,832)	6,786,456
EQUITY					
Capital and reserves					
Share capital	38,728	1,112,304	(iv)	(1,112,304)	38,728
Reserves	4,517,028	(155,028)	(ii), (iv)	(45,867)	4,316,133
	4,555,756	957,276		(1,158,171)	4,354,861
Non-controlling interests	301,103	68,622	(ii)	41,218	410,943
Total equity	4,856,859	1,025,898		(1,116,953)	4,765,804
LIABILITIES					
Non-current liabilities	1,149,989	33,909	(ii)	811	1,184,709
Current liabilities	812,958	31,675	(ii), (iii)	(8,690)	835,943
Total liabilities	1,962,947	65,584		(7,879)	2,020,652
Total equity and liabilities	6,819,806	1,091,482		(1,124,832)	6,786,456

42 Business combination under common control (Continued)

	As previously reported US$'000	Acquired subsidiary US$'000	Note	Adjustments US$'000	Total US$'000
Year ended 31 December 2015					
Continuing operations					
Revenues	486,747	63,470		–	550,217
Profit before income tax	277,070	54,838	(i)	1,218	333,126
Income tax	(38,382)	(3,529)	(i)	(528)	(42,439)
Profit for the year	238,688	51,309		690	290,687
As at 31 December 2015					
ASSETS					
Non-current assets	6,510,725	1,078,921	(ii)	45,667	7,635,313
Current assets	1,160,849	62,338	(ii), (iii)	2,145	1,225,332
Total assets	7,671,574	1,141,259		47,812	8,860,645
EQUITY					
Capital and reserves					
Share capital	38,090	1,112,304	(iv)	(1,112,304)	38,090
Reserves	4,824,774	(134,168)	(ii), (iv)	1,120,385	5,810,991
	4,862,864	978,136		8,081	5,849,081
Non-controlling interests	309,996	68,023	(ii)	39,976	417,995
Total equity	5,172,860	1,046,159		48,057	6,267,076
LIABILITIES					
Non-current liabilities	1,886,201	39,436	(ii)	596	1,926,233
Current liabilities	612,513	55,664	(ii), (iii)	(841)	667,336
Total liabilities	2,498,714	95,100		(245)	2,593,569
Total equity and liabilities	7,671,574	1,141,259		47,812	8,860,645

Notes:

(i) Adjustments to adjust the profit and tax in relation to reclassification of certain investments after acquisition of the Acquired Subsidiary.

(ii) Adjustments for reclassification of certain investments after acquisition of the Acquired Subsidiary.

(iii) Adjustments to eliminate the inter-group balances as at 31 December 2016 and 31 December 2015.

(iv) Adjustments to eliminate the investment cost, share capital of the Acquired Subsidiary against reserves.

No other significant adjustment were made to the net assets and net profit of any entities or business as a result of the common control combination to achieve consistency of accounting policies.

43 Details of subsidiaries

Details of the subsidiaries as at 31 December 2016 are as follows:

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2016	2015
2, 6	Allgood International Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	–	100.00%
2	Cheer Dragon Investment Limited	Hong Kong	Hong Kong	Investment holding	HK$3 divided into 3 ordinary shares	**66.67%**	66.67%
	Cheer Hero Development Limited	Hong Kong	Hong Kong	Container handling, storage and stevedoring	HK$100,000 divided into 10,000 ordinary shares	**77.00%**	77.00%
1	China Shipping Ports Development Co., Limited	Hong Kong	Hong Kong	Investment holding	HK$8,620,135,795 divided into 5,679,542,724 ordinary shares	**100.00%**	100.00%
2,3	China Shipping Terminal Development Co., Limited	PRC	PRC	Investment holding	RMB4,286,531,586	**100.00%**	100.00%
	COSCO Container Services Limited	Hong Kong	Hong Kong	Investment holding, depot handling, storage and container repairing	HK$2 divided into 2 ordinary shares	**100.00%**	100.00%
1, 2, 3	COSCO Pacific (China) Investments Co., Ltd.	PRC	PRC	Investment holding	US$147,000,000	**100.00%**	100.00%
1,6	COSCO Pacific Finance (2003) Company Limited	British Virgin Islands	Hong Kong	Financing	1 ordinary share of US$1	–	100.00%
1	COSCO Pacific Finance (2013) Company Limited	British Virgin Islands	Hong Kong	Financing	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO Pacific Limited (formerly known as COSCO Ports (Zhenjiang Terminal) Limited)	Hong Kong	Hong Kong	Inactive	HK$1 divided into 1 ordinary share	**100.00%**	100.00%
1, 2,6	COSCO Pacific Logistics Company Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	–	100.00%
1, 2	COSCO Pacific Nominees Limited	British Virgin Islands	Hong Kong	Provision of nominee services	1 ordinary share of US$1	**100.00%**	100.00%
6	COSCO Pacific Properties Limited	British Virgin Islands	Hong Kong	Property holding	1 ordinary share of US$1	–	100.00%
1	COSCO Ports (ACT) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%

43 Details of subsidiaries (Continued)

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2016	2015
2 COSCO Ports (Antwerp) NV	Belgium	Belgium	Investment holding	Euro61,500 divided into 2 shares with no face value	**100.00%**	100.00%
1 COSCO Ports (Belgium) Limited	Hong Kong	Hong Kong	Investment holding	HK$1 divided into 1 ordinary share	**100.00%**	100.00%
1, 2 COSCO Ports (Dalian) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2 COSCO Ports (Dalian RoRo) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2, 6 COSCO Ports (Europe) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**–**	100.00%
2, 6 COSCO Ports (Fuzhou) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**–**	100.00%
1, 2 COSCO Ports (Greece) S.à r.l.	Luxembourg	Luxembourg	Investment holding	Euro512,500	**100.00%**	100.00%
2 COSCO Ports (Guangzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2, 6 COSCO Ports (Haikou) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**–**	100.00%
1 COSCO Ports (Holdings) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2, 6 COSCO Ports (Hong Kong) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**–**	100.00%
1 COSCO Ports (Istanbul) Limited	Hong Kong	Hong Kong	Investment holding	HK$1 divided into 1 ordinary share	**100.00%**	100.00%
2, 6 COSCO Ports (Lian Yun Gang) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**–**	100.00%
1, 2 COSCO Ports (Nanjing) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1 COSCO Ports (Nansha) Limited	British Virgin Islands	Hong Kong	Investment holding	US$10,000	**66.10%**	66.10%
2, 6 COSCO Ports (Netherlands) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**–**	100.00%
1, 2 COSCO Ports (Ningbo Beilun) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2 COSCO Ports (Panama) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%

43 Details of subsidiaries (Continued)

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2016	2015
1, 2 COSCO Ports (Port Said) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2 COSCO Ports (Pudong) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2 COSCO Ports (Qianwan) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2, 6 COSCO Ports (Qingdao) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**–**	100.00%
1, 2 COSCO Ports (Quanzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2 COSCO Ports (Quanzhou Jinjiang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2, 4, 6 COSCO Ports (Rotterdam) Coöperatief U.A.	Netherlands	Netherlands	Inactive	–	**–**	100.00%
1, 2 COSCO Ports (Rotterdam) Limited	Hong Kong	Hong Kong	Investment holding	HK$1 divided into 1 ordinary share	**100.00%**	–
2, 6 COSCO Ports (Services) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**–**	100.00%
1, 2 COSCO Ports (Singapore) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1 COSCO Ports (Taiwan Kaohsiung) Limited	Hong Kong	Hong Kong	Investment holding	HK$1 divided into 1 ordinary share	**100.00%**	100.00%
1, 2 COSCO Ports (Tianjin) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2 COSCO Ports (Tianjin North Basin) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2 COSCO Ports (Xiamen Haicang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2 COSCO Ports (Yangzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2 COSCO Ports (Yingkou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2, 6 COSCO Ports (Zhenjiang) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**–**	100.00%
1, 2 COSCO SHIPPING Ports (Abu Dhabi) Limited	British Virgin Islands	British Virgin Islands	Investment holding	1 ordinary share of US$1	**100.00%**	–

43 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2016	2015
1	COSCO SHIPPING Ports Management Company Limited (formerly known as COSCO Pacific Management Company Limited)	Hong Kong	Hong Kong	Investment holding and provision of management services	HK$2 divided into 2 ordinary shares	**100.00%**	100.00%
1	COSCO SHIPPING Ports Treasury Limited (formerly known as CPL Treasury Limited)	British Virgin Islands	Hong Kong	Provision of treasury services	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Vado) Limited	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 ordinary shares	**100.00%**	–
1, 2	COSCO SHIPPING Ports (Yangshan) Limited (formerly known as COSCO Ports (Yangshan) Limited)	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
1	Crestway International Limited	British Virgin Islands	Hong Kong	Investment holding	50,000 ordinary shares of US$1 each	**100.00%**	100.00%
1, 2, 6	Elegance Investment Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**–**	100.00%
7	Fairbreeze Shipping Company Limited	Hong Kong	Hong Kong	Property investment	HK$500,000 divided into 5,000 ordinary shares	**–**	100.00%
2, 7	Famous International Limited	British Virgin Islands	Worldwide	Investment holding	1 ordinary share of US$1	**–**	100.00%
2, 3, 7	Florens (China) Company Limited	PRC	PRC	Container leasing and resale of old containers	US$12,800,000	**–**	100.00%
2, 3, 5, 7	Florens (Tianjin) Finance Leasing Co., Ltd.	PRC	PRC	Financing leasing	US$50,000,000	**–**	50.00%
5, 7	Florens Capital Management Company Limited	Hong Kong	Hong Kong	Investment holding	HK$2,000 divided into 2,000 ordinary shares	**–**	50.00%
7	Florens Container (Macao Commercial Offshore) Limited	Macau	Worldwide	Sale of containers and administration of marine shipping container activities	1 quota of MOP100,000	**–**	100.00%
7	Florens Container Corporation S.A.	Panama	Worldwide	Container leasing	100 ordinary shares of US$100 each	**–**	100.00%

43 Details of subsidiaries (Continued)

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2016	2015
1, 7 Florens Container Holdings Limited	British Virgin Islands	Hong Kong	Investment holding	22,014 ordinary shares of US$1 each	–	100.00%
7 Florens Container Inc.	United States of America	United States of America	Investment holding and container leasing	1 ordinary share of US$1	–	100.00%
7 Florens Container, Inc. (1998)	United States of America	United States of America	Leasing of generator sets	100 ordinary shares of US$1 each	–	100.00%
7 Florens Container, Inc. (2002)	United States of America	United States of America	Sale of old containers	1 ordinary share of US$1	–	100.00%
7 Florens Container, Inc. (2003)	United States of America	United States of America	Sale of old containers	1 ordinary share of US$1	–	100.00%
7 Florens Container Services Company Limited	Hong Kong	Worldwide	Provision of container management services	HK$100 divided into 100 ordinary shares	–	100.00%
2, 7 Florens Container Services (Australia) Pty Limited	Australia	Australia	Provision of container management services	100 ordinary shares of AUD1 each	–	100.00%
2, 7 Florens Container Services (Deutschland) GmbH.	Germany	Germany	Provision of container management services	2 shares of Euro12,782.30 each	–	100.00%
2, 7 Florens Container Services (Italy) S.R.L.	Italy	Italy	Provision of container management services	20,000 quotas of Euro 0.52 each	–	100.00%
2, 3, 7 Florens Container Services (Shenzhen) Co., Ltd.	PRC	PRC	Container leasing, sale, management and auxiliary services	US$500,000	–	100.00%
7 Florens Container Services (Singapore) Pte., Ltd.	Singapore	Singapore	Provision of container management services	1,000 ordinary shares of SGD 1 each	–	100.00%
2, 7 Florens Container Services (UK) Limited	United Kingdom	United Kingdom	Provision of container management services	183,610 ordinary shares of GBP1 each	–	100.00%
7 Florens Container Services (USA), Ltd.	United States of America	United States of America	Container manager and provision of container management services	1,000 ordinary shares of US$0.001 each	–	100.00%
1, 2, 6 Florens Industrial Holdings Limited	Bermuda	Hong Kong	Inactive	12,000 ordinary shares of US$1 each	–	100.00%
7 Florens Management Services (Macao Commercial Offshore) Limited	Macau	Macau	Provision of container management services	1 quota of MOP100,000	–	100.00%

43 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2016	2015
7	Florens Maritime Limited	Bermuda	Worldwide	Container leasing	12,000 ordinary shares of US$1 each	–	100.00%
7	Florens Shipping Corporation Limited	Bermuda	Worldwide	Container leasing	12,000 ordinary shares of US$1 each	–	100.00%
2, 6	Fota Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	–	100.00%
1, 2	Frosti International Limited	British Virgin Islands	Hong Kong	Investment holding	2 ordinary shares of US$1 each	**100.00%**	100.00%
	Greating Services Limited	Hong Kong	Hong Kong	Transportation of containers	HK$250,000 divided into 250,000 ordinary shares	**100.00%**	100.00%
2, 3	Guangzhou South China Oceangate Container Terminal Company Limited	PRC	PRC	Operation of container terminals	RMB1,928,293,400	**39.00%**	39.00%
1, 2, 6	Hang Shing Investment Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	–	100.00%
2	Hong Kong Haima Development Co., Ltd	Hong Kong	Hong Kong	Inactive	US$8,553.58 divided into 2,001 ordinary shares	**100.00%**	100.00%
2, 3	Jinjiang Pacific Ports Development Co., Ltd.	PRC	PRC	Operation of terminals	US$49,900,000	**80.00%**	80.00%
2, 3	Jinzhou New Age Container Terminal Co., Ltd.	PRC	PRC	Operation of terminals	RMB320,843,634	**51.00%**	51.00%
2, 3	Lianyungang New Oriental International Terminals Co., Ltd.	PRC	PRC	Operation of terminals	RMB470,000,000	**55.00%**	55.00%
2, 3	Lianyungang Xiansanly Container Service Co., Ltd.	PRC	PRC	Container inspection and auxiliary services	RMB1,000,000	**22.00%**	22.00%
2, 6	Loson Investment Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	–	100.00%
1	Piraeus Container Terminal S.A.	Greece	Greece	Operation of container terminals	Euro77,299,800	**100.00%**	100.00%
1, 2	Plangreat Limited	British Virgin Islands	Hong Kong	Investment holding	100 ordinary shares of US$1 each	**100.00%**	100.00%
2, 3	Quan Zhou Pacific Container Terminal Co., Ltd.	PRC	PRC	Operation of terminals	US$80,770,000	**82.35%**	82.35%

43 Details of subsidiaries (Continued)

Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2016	2015
2,3 Shanghai China Shipping Terminal Development Co., Ltd.	PRC	PRC	Investment holding	RMB622,000,000	**100.00%**	100.00%
1, 2, 6 Topview Investment Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	–	100.00%
1 Win Hanverky Investments Limited	Hong Kong	Hong Kong	Investment holding	HK$100,000 divided into 10,000 ordinary shares	**100.00%**	100.00%
2, 3 Xiamen Haitou Tongda Terminal Co., Ltd.	PRC	PRC	Operation of container terminals	RMB170,000,000	**70.00%**	70.00%
2, 3 Xiamen Ocean Gate Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminals	RMB1,813,680,000	**70.00%**	70.00%
2, 3 Yangzhou Yuanyang International Ports Co., Ltd.	PRC	PRC	Operation of terminals	US$69,600,000	**55.59%**	55.59%
2, 3 Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminals	US$36,800,000	**51.00%**	51.00%
2, 3, 6 上海蛀遠實業有限公司	PRC	PRC	Investment holding	RMB200,000	–	100.00%

1 Shares held directly by the Company.

2 Subsidiaries not audited by PricewaterhouseCoopers.

3 China Shipping Terminal Development Co., Limited, COSCO Pacific (China) Investments Co., Ltd., Florens (China) Company Limited, Florens (Tianjin) Finance Leasing Co., Ltd., Florens Container Services (Shenzhen) Co., Ltd. and Shanghai China Shipping Terminal Development Co., Ltd., are wholly foreign-owned enterprises. Guangzhou South China Oceangate Container Terminal Company Limited, Jinjiang Pacific Ports Development Co., Ltd., Jinzhou New Age Container Terminal Co., Ltd., Lianyungang New Oriental International Terminals Co., Ltd., Lianyungang Xinsanly Contianer Service Co., Ltd., Quan Zhou Pacific Container Terminal Co., Ltd., Xiamen Haitou Tongda Terminal Co., Ltd., Xiamen Ocean Gate Container Terminal Co., Ltd., Yangzhou Yuanyang International Ports Co., Ltd., Zhangjiagang Win Hanverky Container Terminal Co., Ltd. and 上海蛀遠實業有限公司 are sino-foreign equity joint ventures established in the PRC.

4 As at 31 December 2016, there is no issued share capital and paid up capital for this subsidiary.

5 The directors of the Company considered that the Group remains to have control through its representatives on the board of directors of Florens Capital Management Company Limited ("FCMCL") and Florens (Tianjin) Finance Leasing Co., Ltd. ("FFLTJ") and therefore classified FCMCL and FFLTJ as subsidiaries as at 31 December 2015.

6 These subsidiaries were dissolved during the year.

7 These subsidiaries were disposed during the year.

44 Details of joint ventures

Details of the joint ventures as at 31 December 2016, which principally affect the results and/or net assets of the Group, are as follows:

Name	Place of incorporation/ establishment	Principal activities	Paid-up capital	Percentage of interest in ownership/ voting power/ profit sharing 2016	2015
Asia Container Terminals Holdings Limited	Cayman Islands	Investment holding	HK$ 1 divided into 1,000 ordinary shares	**20.00%**	20.00%
COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	Operation of container terminals	HK$20 divided into 2 "A" ordinary shares HK$20 divided into 2 "B" ordinary shares HK$40 divided into 4 non-voting 5% deferred shares	**50.00%**	50.00%
COSCO-HPHT ACT Limited (notes i)	British Virgin Islands	Investment holding	1,000 ordinary shares of US$1 each	**50.00%**	50.00%
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminals	SGD65,900,000	**49.00%/ 50.00%/ 49.00%**	49.00%/ 50.00%/ 49.00%
Dalian Dagang China Shipping Container Co., Ltd.	PRC	Operation of container terminals	RMB7,500,000	**35.00%**	35.00%
Dalian International Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB1,400,000,000	**40.00%**	40.00%
Euro-Asia Oceangate S.à.r.l. (note ii)	Luxembourg	Investment holding	US$30,000	**40.00%**	40.00%
Lianyungang Port Railway International Container Multimodal Transport Co., Ltd.	PRC	Logistics	RMB3,400,000	**30.00%**	30.00%
Nansha Stevedoring Corporation Limited of Port of Guangzhou	PRC	Operation of container terminals	RMB1,260,000,000	**40.00%**	40.00%
Ningbo Yuan Dong Terminals Limited	PRC	Operation of container terminals	RMB2,500,000,000	**20.00%**	20.00%
Panama International Terminals, S.A.	Panama	Inactive	300 ordinary shares with no face value	**50.00%**	50.00%
Piraeus Consolidation and Distribution Centre S.A.	Greece	Storage, consolidation and distribution	Euro1,000,000	**50.00%/ 60.00%/ 50.00%**	50.00%/ 60.00%/ 50.00%

44 Details of joint ventures (Continued)

Name	Place of incorporation/ establishment	Principal activities	Paid-up capital	Percentage of interest in ownership/ voting power/ profit sharing 2016	2015
Qingdao Port Dongjiakou Ore Terminal Co., Ltd.	PRC	Operation of iron ore terminal	RMB1,400,000,000	**25.00%/ 22.22%/ 25.00%**	25.00%/ 22.22%/ 25.00%
Qingdao Qianwan Container Terminal Co., Ltd. (note iii)	PRC	Operation of container terminals	US$308,000,000	**20.00%/ 18.18%/ 20.00%**	20.00%/ 18.18%/ 20.00%
Qingdao Qianwan Intelligent Container Terminal Co., Ltd. (note iii)	PRC	Operation of container terminals	RMB642,000,000	**20.00%**	20.00%
Qinzhou International Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB500,000,000	**40.00%**	40.00%
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminals	RMB1,900,000,000	**30.00%**	30.00%
Tianjin Port Euroasia International Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB1,260,000,000	**30.00%/ 28.60%/ 30.00%**	30.00%/ 28.60%/ 30.00%
Xiamen Haicang Free Trade Port Zone Container Inspection Co., Ltd.	PRC	Container stevedoring, storage, inspection and auxiliary services	RMB10,000,000	**22.40%/ 33.33%/ 22.40%**	22.40%/ 33.33%/ 22.40%
Yingkou Container Terminals Company Limited	PRC	Operation of container terminals	RMB8,000,000	**50.00%/ 57.14%/ 50.00%**	50.00%/ 57.14%/ 50.00%
Yingkou New Century Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB40,000,000	**40.00%**	40.00%

Notes:

(i) COSCO-HPHT ACT effectively holds 80% equity interest in ACT, which engages in the operation, management and development of container terminals in Hong Kong, and is considered as a subsidiary of COSCO-HPHT ACT.

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

(iii) QQCT effectively holds 48% equity interest in Qingdao Qianwan Intelligent Container Terminal Co., Ltd., and considered as a subsidiary of QQCT.

45 Details of associates

Details of the associates as at 31 December 2016, which principally affect the results and/or net assets of the Group, are as follows:

Name	Place of establishment operation	Principal activities	Issued share capital/ registered capital	Group equity interest 2016	Group equity interest 2015
Antwerp Gateway NV	Belgium	Operation of container terminals	Euro17,900,000	**20.00%**	20.00%
APM Terminals Zeebrugge NV	Belgium	Operation of container terminals	3,500,001 ordinary shares of Euro10 each	**24.00%**	24.00%
COSCO Shipping Terminal (USA) LLC (formerly known as China Shipping Terminals (USA) LLC)	USA	Investment holding	US$200,000	**40.00%**	40.00%
Dalian Automobile Terminal Co., Ltd.	PRC	Construction and operation of automobile terminals	RMB320,000,000	**24.00%**	30.00%
Dalian Port Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB730,000,000	**20.00%**	20.00%
Damietta International Port Company S.A.E	Egypt	Operation of container terminals	20,000,000 ordinary shares of US$10 each	**20.00%**	20.00%
Dawning Company Limited	British Virgin Islands	Investment holding	200 "A" shares of US$1 each and 800 "B" shares of US$1 each	**20.00%**	20.00%
Euromax Terminal Rotterdam B.V.	Netherlands	Operation of container terminals	65,000 "A" shares of Euro1 each and 35,000"B" shares of Euro1 each	**35.00%**	35.00%
Jiangsu Yantze Petrochemical Co., Ltd.	PRC	Operation of bulk liquid storage	RMB219,635,926	**30.40%**	30.40%
Kao Ming Container Terminal Corp.	Taiwan	Operation of container terminals	TWD6,800,000,000	**20.00%**	20.00%
Nanjing Port Longtan Container Co., Ltd.	PRC	Operation of container terminals	RMB1,544,961,839	**16.14%**	16.14%
Ningbo Meishan Bonded Port New Habour Terminal Operating Co., Ltd.	PRC	Operation of container terminals	RMB200,000,000	**20.00%**	20.00%
Qinhuangdao Port New Habour Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB400,000,000	**30.00%**	30.00%

45 Details of associates (Continued)

Name	Place of establishment operation	Principal activities	Issued share capital/ registered capital	Group equity interest 2016	Group equity interest 2015
Shanghai Mingdong Container Terminals Limited	PRC	Operation of container terminals	RMB4,000,000,000	**20.00%**	20.00%
Sigma Enterprises Limited (note)	British Virgin Islands	Investment holding	2,005 "A" shares of US$1 each and 8,424 "B" shares of US$1 each	**16.49%**	16.49%
Suez Canal Container Terminal S.A.E.	Egypt	Operation of container terminals	1,856,250 ordinary shares of US$100 each	**20.00%**	20.00%
Taicang International Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB450,800,000	**39.04%**	39.04%
Tianjin Five Continents International Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB1,145,000,000	**28.00%**	28.00%
Wattrus Limited (note)	British Virgin Islands	Investment holding	32 "A" shares of US$1 each and 593 "B" shares of US$1 each	**5.12%**	5.12%

Note:

The directors of the Company considered that the Group has significant influence over Sigma and Wattrus through its representatives on the boards of directors of Sigma and Wattrus with 20% voting rights respectively and therefore classified Sigma and Wattrus as associates as at 31 December 2016 and 2015.

Five-Year Financial Summary

	For the year ended 31 December				
	2016 US$'000	2015 US$'000 (Restated)	2014 US$'000	2013 US$'000	2012 US$'000
Revenues	**556,377**	550,217	870,091	798,626	735,500
Operating profit after finance income and costs	**57,365**	111,987	180,657	180,392	159,336
Share of profits less losses of					
– joint ventures	**112,081**	118,133	99,729	81,406	96,461
– associates (note 3)	**88,161**	103,006	71,496	95,563	126,577
Net gain on disposal of an associate (note 4)	**–**	–	–	393,411	–
Write back of provision (note 5)	**–**	79,152	–	–	–
Gain on disposal of a subsidiary (note 6)	**59,021**	–	–	–	–
Profit before income tax from a discontinued operation	**7,901**	87,644	–	–	–
Profit before income tax	**324,529**	499,922	351,882	750,772	382,374
Income tax expenses (note 7)	**(48,545)**	(45,210)	(38,995)	(33,497)	(27,905)
Profit for the year	**275,984**	454,712	312,887	717,275	354,469
Profit attributable to:					
Equity holders of the Company	**247,031**	429,313	292,759	702,676	342,194
Non-controlling interests	**28,953**	25,399	20,128	14,599	12,275
	275,984	454,712	312,887	717,275	354,469
Dividends	**405,113**	153,219	117,701	282,253	138,474
Basic earnings per share (US cents)	**8.30**	14.58	10.01	24.95	12.51
Dividend per share (US cents)	**13.637**	5.184	4.004	9.980	5.004

	As at 31 December				
	2016 US$'000	2015 US$'000 (Restated)	2014 US$'000	2013 US$'000	2012 US$'000
Total assets	**6,786,456**	8,860,645	7,616,710	7,551,304	7,363,858
Total liabilities	**(2,020,652)**	(2,593,569)	(2,558,048)	(2,707,810)	(3,146,465)
Net assets	**4,765,804**	6,267,076	5,058,662	4,843,494	4,217,393

Notes:

1 The consolidated results of the Group for the two years ended 31 December 2016 and the assets and liabilities of the Group as at 31 December 2016 have been extracted from the audited consolidated financial statements of the Group as set out on pages 114 to 120 of the annual report.

2 The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) on 26 July 1994.

3 Balances included share of profit of CIMC, which was classified as a discontinued operation in 2013.

4 Balances included the net gain on disposal of CIMC in 2013 which was classified as discontinued operation in 2013.

5 The balance represents the write back of provision on the disposal of 21.8% equity interest in a then associate of the Group, CIMC, in 2013.

6 Balance represents the gain on disposal of Florens in 2016 which was classified as discontinued operation in 2016.

7 Balances in 2015 and 2016 included income tax expenses of Florens which was classified as discontinued operation.

8 The financial figures for the year 2012 to 2014 were extracted from the 2015 annual report. No retrospective adjustment for the common control combinations during the year were made on the financial figures for the year 2012 to 2014. No separate disclosures of continuing operations and discontinued operations were made on the financial figures for the year 2012 to 2014.

Historical Statistics Summary

Financial statistics		2007	2008
Consolidated income statement	US$M		
Revenues			
Terminals		43.3	78.7
Container leasing, management, sale and related businesses		247.9	252.6
Container handling, transportation and storage		7.7	6.7
Elimination of inter-segment		–	–
Total		298.9	338.0
EBITDA		574.2	413.6
Depreciation & amortisation		(84.0)	(92.6)
EBIT		490.2	321.0
Interest expenses		(49.9)	(52.7)
Interest income		10.5	6.9
Profit before income tax		450.8	275.2
Operating profit after finance income and costs		172.8	120.0
Profit attributable to equity holders of the Company		427.8	274.7
Breakdown of profit attributable to equity holders of the Company			
Terminals and related businesses		120.6	120.6
Container leasing, management, sale and related businesses		92.3	115.0
Container manufacturing and related businesses		123.5 [Note 1]	39.3
Logistics and related businesses		19.7	25.0
Other operations		98.4	–
Net corporate finance income/(costs)		(14.5)	(9.7)
Net corporate income/(expenses)		(12.2)	(15.5)
Total		427.8	274.7
Consolidated balance sheet			
Consolidated total assets		3,871.6	4,213.2
Consolidated total liabilities		1,096.9	1,566.9
Consolidated net assets		2,774.7	2,646.3
Consolidated total debts		914.0	1,424.3
Consolidated cash balances		387.4	429.0
Consolidated net debts		526.6	995.3
Per share data			
Capital and reserves attributable to the equity holders of the Company per share	US$	1.21	1.14
Basic earnings per share	US cents	19.09	12.24
Dividend per share	US cents	9.406	4.896
Net asset value per share	US$	1.24	1.18
Net asset value per share	HK$	9.637	9.135
Share price (as at 31 December)	US$	2.668	1.021
	HK$	20.80	7.91
Ratios			
P/E (as at 31 December)	Times	14.0	8.3
Dividend payout ratio	%	56.6 [Note 2]	40.0
Return on total assets	%	12.5	6.8
Return on net assets	%	17.2	10.1
Return on equity holders of the Company	%	17.5	10.4
Net debt-to-equity ratio	%	19.0	37.6
Interest coverage	Times	10.0	6.2
Other information			
Total number of shares issued (as at 31 December)	M	2,244.9	2,245.0
Weighted average number of ordinary shares issued	M	2,240.3	2,245.0
Market capitalisation (as at 31 December)	US$M	5,988.4	2,291.3

Notes:

1. The amount in 2007 included the financial effect of put options associated with the CIMC share reform.
2. The financial effect of put options associated with the CIMC share reform was excluded in the calculation of dividend payout ratio of year 2007.
3. The comparative figures from 2007 to 2008 for the breakdown of profit attributable to equity holders of the Company as presented above have been restated as a result of the adoption of Hong Kong financial Reporting Standard 8 "Operating Segments" issues.
4. The amount in 2016 included a conditional special cash dividend of HK80.0 cents (equivalent to US10.317 cents) per share.
5. The financial figures for the year 2007 to 2014 were extracted from the 2015 annual report. No retrospective adjustment for the common control combinations during the year were made on the financial figures for the year 2007 to 2014. No separate disclosures of continuing operations and discontinued operations were made on the financial figures for the year 2007 to 2014.
6. The conditional special cash dividend of HK80.0 cents (equivalent to US10.317 cents) per share was excluded in the calculation of dividend payout ratio of year 2016.

2009	2010	2011	2012	2013	2014	2015 (Restated)	**2016**
114.9	190.8	320.1	398.5	452.2	514.7	547.3	**553.9**
229.8	250.9	276.5	336.2	347.7	357.1	–	**–**
4.7	4.8	3.3	3.7	2.9	2.3	2.9	**2.5**
–	–	(0.7)	(2.9)	(4.2)	(4.0)	–	**–**
349.4	446.5	599.2	735.5	798.6	870.1	550.2	**556.4**
321.4	516.6	621.9	618.3	1,007.7	610.4	463.6	**393.4**
(98.3)	(111.8)	(142.2)	(167.9)	(190.5)	(211.7)	(98.0)	**(98.5)**
223.1	404.8	479.7	450.4	817.2	398.7	365.6	**294.9**
(39.8)	(29.4)	(58.4)	(77.3)	(84.5)	(72.5)	(54.7)	**(52.1)**
6.0	6.5	5.1	9.2	18.1	25.7	22.2	**14.8**
189.3	381.9	426.4	382.3	750.8	351.9	333.1	**257.6**
66.1	90.4	126.1	159.3	180.4	180.7	112.0	**57.4**
172.5	361.3	388.8	342.2	702.7	292.8	429.3	**247.0**
83.5	119.9	184.9	189.0	186.8	221.0	286.6	**242.9**
71.4	96.3	116.5	139.5	125.2	95.8	82.8	**66.1**
30.9	91.9	119.8	61.9	416.5	–	79.2	**–**
25.6	84.7	–	–	–	–	–	**–**
–	–	–	–	–	–	–	**–**
(9.6)	(1.9)	(0.6)	(1.9)	10.7	32.0	27.7	**8.0**
(29.3)	(29.6)	(31.8)	(46.3)	(36.5)	(56.0)	(47.0)	**(70.0)**
172.5	361.3	388.8	342.2	702.7	292.8	429.3	**247.0**
4,635.3	5,251.9	6,472.2	7,363.9	7,551.3	7,616.7	8,860.6	**6,786.5**
1,776.9	1,758.0	2,592.0	3,146.5	2,707.8	2,558.0	2,593.5	**2,020.7**
2,858.4	3,493.9	3,880.2	4,217.4	4,843.5	5,058.7	6,267.1	**4,765.8**
1,604.3	1,558.8	2,168.0	2,601.7	2,046.2	1,860.2	2,087.0	**1,503.0**
405.8	524.3	581.1	849.3	1,237.6	1,116.5	924.2	**837.1**
1,198.5	1,034.5	1,586.9	1,752.4	808.6	743.7	1,162.8	**665.9**
1.21	1.23	1.34	1.42	1.56	1.61	1.97	**1.44**
7.66	14.17	14.34	12.51	24.95	10.01	14.58	**8.30**
3.061	5.668	5.736	5.004	9.980	4.004	5.148	**13.637** [Note 4]
1.26	1.29	1.43	1.51	1.66	1.72	2.11	**1.58**
9.796	10.015	11.115	11.732	12.895	13.342	16.373	**12.254**
1.281	1.742	1.167	1.424	1.372	1.421	1.102	**1.005**
9.93	13.54	9.07	11.04	10.64	11.02	8.54	**7.79**
16.7	12.3	8.1	11.4	5.5	14.2	7.6	**12.1**
40.0	40.0	40.0	40.0	40.0	40.0	40.0	**40.0** [Note 6]
3.9	7.3	6.6	4.9	9.4	3.9	5.2	**3.2**
6.3	11.4	10.5	8.5	15.5	5.9	7.6	**4.5**
6.5	11.9	11.1	9.0	16.5	6.3	8.1	**4.8**
41.9	29.6	40.9	41.6	16.7	14.7	18.6	**14.0**
5.8	14.0	8.3	5.9	9.9	5.9	7.1	**5.9**
2,262.5	2,711.5	2,711.8	2,786.1	2,912.3	2,940.4	2,966.6	**3,016.0**
2,252.9	2,550.4	2,711.8	2,735.1	2,816.2	2,924.9	2,945.4	**2,976.4**
2,897.3	4,723.5	3,166.4	3,968.5	3,996.4	4,178.3	3,268.9	**3,029.6**

Historical Statistics Summary

Financial statistics		2007	2008
Container throughput	TEU		
COSCO-HIT Terminal		1,846,559	1,752,251
Yantian Terminal		9,368,696	9,683,493
Shanghai Terminal		3,446,135	3,681,785
Zhangjiagang Win Hanverky Terminal		601,801	710,831
Qingdao Cosport Terminal		1,005,439	1,099,937
Dalian Port Terminal		2,873,474	2,742,503
Shanghai Pudong Terminal		2,723,722	2,779,109
Qingdao Qianwan Terminal		8,237,501	8,715,098
COSCO-PSA Terminal		833,892	1,247,283
Yangzhou Yuanyang Terminal		253,772	267,970
Yingkou Terminal		1,125,557	950,801
Nanjing Longtan Terminal		950,289	1,160,261
Dalian Port Terminal		850,359	1,656,968
Tianjin Five Continents Terminal		1,988,456	1,938,580
Antwerp Terminal		792,459	1,091,657
Quan Zhou Pacific Terminal		856,784	910,058
Guangzhou South China Oceangate Terminal		577,196	2,000,130
Ningbo Yuan Dong Terminal		331,361	903,865
Suez Canal Terminal		319,153	2,392,516
Jinjiang Pacific Terminal		–	193,779
Piraeus Terminal		–	–
Tianjin Euroasia Terminal		–	–
Xiamen Ocean Gate Terminal		–	–
Kao Ming Container Terminal		–	–
Taicang International Container Terminal		–	–
Asia Container Terminals		–	–
Dalian International Terminal		–	–
Dalian Dagang Terminal		–	–
Yingkou New Century Terminal		–	–
Jinzhou New Age Terminal		–	–
Qinhuangdao New Harbour Terminal		–	–
Shanghai Mingdong Terminal		–	–
Lianyungang New Oriental Terminal		–	–
Guangzhou Nansha Stevedoring Terminal		–	–
Qinzhou International Terminal		–	–
Zeebrugge Terminal		–	–
Seattle Terminal		–	–
Busan Terminal		–	–
Kumport Terminal		–	–
Euromax Terminal		–	–
Total		38,982,605	45,878,875

2009	2010	2011	2012	2013	2014	2015 (Restated)	**2016**
1,360,945	1,535,923	1,625,819	1,683,748	1,639,275	1,639,995	1,575,858	**1,343,859**
8,579,013	10,133,967	10,264,440	10,666,758	10,796,113	11,672,798	12,165,687	**11,696,492**
2,979,849	3,197,244	–	–	–	–	–	**–**
715,413	889,515	1,065,382	1,228,935	1,374,596	798,773	672,295	**675,062**
1,145,352	1,284,903	–	–	–	–	–	**–**
2,906,768	–	–	–	–	–	–	**–**
2,291,281	2,450,176	2,388,156	2,151,297	2,246,026	2,373,620	2,508,121	**2,556,220**
8,961,785	10,568,065	12,426,090	14,045,503	14,981,635	16,108,145	16,995,934	**17,499,703**
904,829	1,091,639	1,106,262	1,232,954	1,048,846	1,311,747	1,526,328	**1,809,428**
221,046	302,617	400,224	401,003	449,849	481,704	482,106	**454,104**
1,023,107	1,196,932	1,303,068	1,600,094	1,716,106	1,716,128	1,560,138	**1,586,108**
1,058,499	1,245,559	1,600,523	2,035,617	2,400,370	2,495,608	2,633,753	**2,773,005**
1,509,401	1,668,418	1,900,204	2,216,353	2,732,174	2,732,136	2,495,053	**2,683,879**
1,940,933	1,917,873	2,100,321	2,180,184	2,300,918	2,569,695	2,570,233	**2,571,772**
639,957	795,534	1,168,930	1,101,163	1,370,609	1,727,116	2,015,306	**1,922,281**
936,136	1,050,710	1,186,799	1,201,279	1,090,660	1,160,480	1,221,692	**1,308,652**
2,158,291	3,060,591	3,914,348	4,230,574	4,449,311	4,647,266	4,486,627	**4,781,665**
1,117,169	1,704,588	2,145,653	2,402,554	2,806,406	3,214,703	3,040,762	**2,536,182**
2,659,584	2,856,854	3,246,467	2,863,167	3,124,828	3,400,397	2,954,080	**2,547,597**
274,390	313,585	314,101	358,836	418,242	467,610	347,226	**364,255**
166,062	684,881	1,188,148	2,108,090	2,519,664	2,986,904	3,034,428	**3,470,981**
–	574,296	1,350,962	1,705,667	1,803,407	2,004,170	2,032,389	**2,232,973**
–	–	–	271,449	609,393	806,183	1,034,753	**1,131,197**
–	–	–	–	1,170,704	1,333,226	1,525,359	**1,728,922**
–	–	–	–	235,759	538,304	539,771	**513,296**
–	–	–	–	–	1,139,414	1,252,815	**1,088,891**
–	–	–	–	–	–	2,826,893	**3,182,368**
–	–	–	–	–	–	15,971	**21,094**
–	–	–	–	–	–	1,850,064	**1,870,076**
–	–	–	–	–	–	351,773	**449,016**
–	–	–	–	–	–	500,879	**515,482**
–	–	–	–	–	–	5,668,946	**5,900,056**
–	–	–	–	–	–	3,525,770	**3,100,243**
–	–	–	–	–	–	5,757,635	**5,786,311**
–	–	–	–	–	–	920,737	**1,138,057**
–	–	–	–	–	–	268,261	**277,363**
–	–	–	–	–	–	128,332	**151,534**
–	–	–	–	–	–	–	**2,084,592**
–	–	–	–	–	–	–	**665,398**
–	–	–	–	–	–	–	**653,808**
43,549,810	48,523,870	50,695,897	55,685,225	61,284,891	67,326,122	90,485,975	**95,071,922**

Corporate Information

Board of Directors

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

1 Executive Director
2 Non-executive Director
3 Independent Non-executive Director

General Counsel & Company Secretary

Ms. HUNG Man, Michelle

Place of Incorporation

Bermuda

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

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

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor
Prince's Building
Hong Kong

Solicitors

Holman Fenwick Willan
Linklaters
Slaughter & May
Woo, Kwan, Lee & Lo

Principal Bankers

Bank of China (Hong Kong) Limited
China Development Bank
China Merchant Bank
DBS Bank Ltd
Industrial and Commercial Ban of China (Asia) Limited
ING Bank N.V.
The Hongkong and Shanghai Banking Corporation Limited

Principal Registrar and Transfer Office in Bermuda

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

Branch Registrar and Transfer Office in Hong Kong

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Listing Information/Stock Code

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

Note

Note

CONCEPT & DESIGN: YELLOW CREATIVE (HK) LIMITED www.yellowcreative.com

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Stock Code: 1199