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

# 2017 INTERIM REPORT 中期報告

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# INTERIM RESULTS

The board of directors (the “Board”) of COSCO SHIPPING Ports Limited (the “Company” or “COSCO SHIPPING Ports”) is pleased to present the interim report, including the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2017. The interim report has been reviewed by the Company’s Audit Committee.

The Group’s unaudited condensed consolidated interim financial information as set out on pages 2 to 41 has also been reviewed by the Company’s independent auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

# UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2017

| | Note | As at 30 June 2017 US$'000 | As at 31 December 2016 US$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 6 | **2,456,771** | 2,367,602 |
| Investment properties | | **8,242** | 8,135 |
| Land use rights | | **204,195** | 201,804 |
| Intangible assets | | **6,460** | 5,435 |
| Joint ventures | | **1,219,825** | 1,409,044 |
| Loans to joint ventures | | **60,055** | 60,239 |
| Associates | | **2,392,826** | 1,405,835 |
| Loans to associates | | **153,141** | 114,944 |
| Available-for-sale financial assets | | **359,218** | 156,939 |
| Deferred income tax assets | | **432** | 11 |
| Other non-current assets | 7 | **64,185** | 60,960 |
| | | **6,925,350** | 5,790,948 |
| **Current assets** | | | |
| Inventories | | **8,951** | 9,951 |
| Trade and other receivables | 8 | **189,468** | 148,015 |
| Current income tax recoverable | | **1,586** | 442 |
| Restricted bank deposits | 9 | **96** | 2,868 |
| Cash and cash equivalents | 9 | **332,800** | 834,232 |
| | | **532,901** | 995,508 |
| **Total assets** | | **7,458,251** | 6,786,456 |
| **EQUITY** | | | |
| **Capital and reserves attributable to the equity holders of the Company** | | | |
| Share capital | 10 | **38,728** | 38,728 |
| Reserves | | **4,939,838** | 4,316,133 |
| | | **4,978,566** | 4,354,861 |
| **Non-controlling interests** | | **435,534** | 410,943 |
| **Total equity** | | **5,414,100** | 4,765,804 |

## Unaudited Condensed Consolidated Balance Sheet

As at 30 June 2017

| | Note | As at 30 June 2017 US$'000 | As at 31 December 2016 US$'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | | **119,291** | 52,914 |
| Long term borrowings | 11 | **1,201,973** | 1,071,406 |
| Loans from a fellow subsidiary | 12 | **24,584** | 28,805 |
| Other long term liabilities | | **32,243** | 31,584 |
| | | **1,378,091** | 1,184,709 |
| **Current liabilities** | | | |
| Trade and other payables | 13 | **434,061** | 395,955 |
| Current income tax liabilities | | **14,465** | 8,403 |
| Current portion of long term borrowings | 11 | **93,714** | 256,609 |
| Short term borrowings | 11 | **123,820** | 174,976 |
| | | **666,060** | 835,943 |
| **Total liabilities** | | **2,044,151** | 2,020,652 |
| **Total equity and liabilities** | | **7,458,251** | 6,786,456 |

The accompanying notes on pages 9 to 41 are an integral part of these unaudited condensed consolidated interim financial information.

# UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2017

| | Note | Six months ended 30 June 2017 US$'000 | 2016 US$'000 |
|---|---|---|---|
| **Continuing operations:** | | | |
| Revenues | | **275,776** | 274,983 |
| Cost of sales | | **(177,248)** | (167,626) |
| **Gross profit** | | **98,528** | 107,357 |
| Administrative expenses | | **(38,342)** | (41,357) |
| Other operating income | | **5,017** | 8,647 |
| Other operating expenses | | **(2,036)** | (4,760) |
| Gain on remeasurement of previously held interest of an available-for-sale financial asset at fair value upon further acquisition to become an associate | 14 | **38,434** | — |
| Gain on disposal of a joint venture | 14 | **283,961** | — |
| **Operating profit** | 15 | **385,562** | 69,887 |
| Finance income | 16 | **6,184** | 7,434 |
| Finance costs | 16 | **(23,767)** | (26,050) |
| Operating profit (after finance income and costs) | | **367,979** | 51,271 |
| Share of profits less losses of | | | |
| — joint ventures | | **40,095** | 55,848 |
| — associates | | **57,450** | 42,247 |
| **Profit before income tax from continuing operations** | | **465,524** | 149,366 |
| Income tax expenses | 17 | **(62,361)** | (27,836) |
| **Profit for the period from continuing operations** | | **403,163** | 121,530 |
| **Discontinued operation:** | 18 | | |
| Gain on disposal of a subsidiary | | **—** | 59,021 |
| Profit for the period from discontinued operation | | **—** | 7,526 |
| | | **—** | 66,547 |
| **Profit for the period** | | **403,163** | 188,077 |
| **Profit attributable to:** | | | |
| Equity holders of the Company | | **384,712** | 171,948 |
| Non-controlling interests | | **18,451** | 16,129 |
| | | **403,163** | 188,077 |

## Unaudited Condensed Consolidated Income Statement

For the six months ended 30 June 2017

| | Note | Six months ended 30 June **2017** | 2016 |
|---|---|---|---|
| **Earnings per share for profit attributable to equity holders of the Company** | | | |
| Basic | | | |
| — from continuing operations | 19 | **US12.76 cents** | US3.57 cents |
| — from discontinued operation | 19 | **—** | US2.23 cents |
| | | **US12.76 cents** | US5.80 cents |
| Diluted | | | |
| — from continuing operations | 19 | **US12.76 cents** | US3.57 cents |
| — from discontinued operation | 19 | **—** | US2.23 cents |
| | | **US12.76 cents** | US5.80 cents |

The accompanying notes on pages 9 to 41 are an integral part of these unaudited condensed consolidated interim financial information.

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **US$'000** | US$'000 |
| **Profit for the period** | **403,163** | 188,077 |
| **Other comprehensive income** | | |
| *Items that may be reclassified to profit or loss* | | |
| Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates | **108,515** | (59,552) |
| Fair value gain/(loss) on available-for-sale financial assets, net of tax | **216,871** | (4,161) |
| Release of reserves upon disposal or dissolution of subsidiaries | **—** | (598) |
| Release of investment revaluation reserve of an available-for-sale financial asset at fair value upon further acquisition to become an associate | **(38,434)** | — |
| Release of reserve upon disposal of a joint venture | **(11,495)** | — |
| Share of other comprehensive income of joint ventures and associates | | |
| — exchange reserve | **5,935** | 261 |
| — other reserves | **839** | 2,564 |
| **Other comprehensive income/(loss) for the period, net of tax** | **282,231** | (61,486) |
| **Total comprehensive income for the period** | **685,394** | 126,591 |
| **Total comprehensive income attributable to:** | | |
| Equity holders of the Company | **654,063** | 118,531 |
| Non-controlling interests | **31,331** | 8,060 |
| | **685,394** | 126,591 |
| **Total comprehensive income attributable to equity holders of the Company arising from:** | | |
| Continuing operations | **654,063** | 53,035 |
| Discontinued operation | **—** | 65,496 |
| | **654,063** | 118,531 |

The accompanying notes on pages 9 to 41 are an integral part of these unaudited condensed consolidated interim financial information.

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

| | Capital and reserves attributable to the equity holders of the Company US$'000 | Non-controlling interests US$'000 | Total US$'000 |
|---|---|---|---|
| **Total equity at 1 January 2017** | **4,354,861** | **410,943** | **4,765,804** |
| Total comprehensive income for the period | **654,063** | **31,331** | **685,394** |
| Transfer of an available-for-sale financial asset by the Company to National Social Security Fund | **(198)** | **—** | **(198)** |
| Capital contribution from a non-controlling shareholder of a subsidiary | **—** | **4** | **4** |
| Deemed disposal of interest in a subsidiary | **—** | **(232)** | **(232)** |
| Dividends paid to | | | |
| — equity holders of the Company | **(30,160)** | **—** | **(30,160)** |
| — non-controlling shareholders of subsidiaries | **—** | **(6,512)** | **(6,512)** |
| | **623,705** | **24,591** | **648,296** |
| **Total equity at 30 June 2017** | **4,978,566** | **435,534** | **5,414,100** |
| | | | |
| Total equity at 1 January 2016, as previously reported | 4,862,864 | 309,996 | 5,172,860 |
| Adoption of merger accounting | 986,217 | 107,999 | 1,094,216 |
| Total equity at 1 January 2016, as restated | 5,849,081 | 417,995 | 6,267,076 |
| Total comprehensive income for the period | 118,531 | 8,060 | 126,591 |
| Distribution (note 20 (a)) | (1,164,846) | — | (1,164,846) |
| Capital contribution from a non-controlling shareholder of a subsidiary | — | 8,602 | 8,602 |
| Disposal of a subsidiary | — | (5,702) | (5,702) |
| Dividends paid to equity holders of the Company | (393,513) | — | (393,513) |
| | (1,439,828) | 10,960 | (1,428,868) |
| Total equity at 30 June 2016 | 4,409,253 | 428,955 | 4,838,208 |

The accompanying notes on pages 9 to 41 are an integral part of these unaudited condensed consolidated interim financial information.

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **US$'000** | US$'000 |
| Net cash generated from operating activities | **70,129** | 167,844 |
| Net cash (used in)/generated from investing activities | **(405,782)** | 1,115,778 |
| Net cash used in financing activities | **(164,857)** | (1,316,237) |
| Net decrease in cash and cash equivalents | **(500,510)** | (32,615) |
| Cash and cash equivalents at 1 January | **834,232** | 923,171 |
| Exchange differences | **(922)** | 3,859 |
| Cash and cash equivalents at 30 June | **332,800** | 894,415 |
| Analysis of balances of cash and cash equivalents: | | |
| Time deposits | **189,119** | 749,529 |
| Bank balances and cash | **67,361** | 93,443 |
| Balances placed with COSCO Finance Co., Ltd. ("COSCO Finance") | **76,320** | 51,442 |
| Balances placed with China Shipping Finance Co., Ltd ("CS Finance") | **—** | 1 |
| | **332,800** | 894,415 |

Major non-cash transaction

For the period ended 30 June 2017, the Group subscribed for the non-circulating domestic shares in Qingdao Port International Co., Ltd. ("QPI") at a total consideration of RMB5,798,619,200 (equivalent to US$843,858,000). RMB3,198,650,840 (equivalent to US$465,491,000) of the subscription price was satisfied by the Group by transferring 20% equity interests in Qingdao Qianwan Container Terminal Co., Ltd. ("Qingdao Qianwan Terminal") to QPI. Further details of the subscription are set out in note 14 to the unaudited condensed consolidated interim financial information.

The accompanying notes on pages 9 to 41 are an integral part of these unaudited condensed consolidated interim financial information.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 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 related businesses. The Company is a limited liability company incorporated in Bermuda with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

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

The unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2017 (the "Unaudited Condensed Consolidated Interim Financial Information") is presented in United States ("US") dollar, unless otherwise stated and has been approved for issue by the Board on 29 August 2017.

## 2 Basis of preparation and significant accounting policies

The Unaudited Condensed Consolidated Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* and the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 *Merger Accounting for Common Control Combinations issued* by the HKICPA.

The Unaudited Condensed Consolidated Interim Financial Information should be read in conjunction with the Group's annual audited consolidated financial statements for the year ended 31 December 2016 (the "2016 Annual Financial Statements"), which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

As at 30 June 2017, the Group had net current liabilities of US$133,159,000. Taking into account the available unutilised loan facilities and expected cash flows from operations, the Group will have adequate resources to meet its liabilities and commitments as and when they fall due and to continue in operational existence for the next twelve months. Accordingly, the Group has continued to adopt the going concern basis in preparing the Unaudited Condensed Consolidated Interim Financial Information.

# 2 Basis of preparation and significant accounting policies (Continued)

## Adoption of new HKFRSs

The accounting policies and methods of computation used in the preparation of the Unaudited Condensed Consolidated Interim Financial Information are consistent with those used in the 2016 Annual Financial Statements, except that the Group has adopted the following amendments and improvements to existing standards (collectively the "new HKFRSs") issued by the HKICPA which are mandatory for the financial year beginning 1 January 2017:

**Amendments and improvements**

| | |
|---|---|
| HKAS 7 Amendment | Statement of Cash Flows |
| HKAS 12 Amendment | Income Taxes |

**Annual Improvements 2014–2016 Cycle**

| | |
|---|---|
| HKFRS 12 Amendment | Disclosure of Interest in Other Entities |

The adoption of the above new HKFRSs in the current period did not have any significant effect on the Unaudited Condensed Consolidated Interim Financial Information or result in any substantial changes in the Group's significant accounting policies.

The HKICPA has issued certain new standards, interpretation and amendments or improvements to existing standards which are not yet effective for the year ending 31 December 2017 and have not been early adopted by the Group. The Group will apply these standards, interpretation and amendments or improvements to existing standards as and when they become effective. The Group has already commenced an assessment of the related impact to the Group and it is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted, except for the below new standards:

HKFRS 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reasons:

— A fair value through other comprehensive income election is available for the equity instruments which are currently classified as available-for-sale.

— Debt instruments currently classified as held-to-maturity and measured at amortised cost appear to meet the conditions for classification at amortised cost under HKFRS 9.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

## 2 Basis of preparation and significant accounting policies (Continued)

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. This would impact on the Group's loss allowance for trade receivables.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 15 *Revenue from Contracts with Customers* is a new standard issued by the HKICPA for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

The Group does not expect the new guidance to have a significant impact to the current revenue recognition of the Group.

HKFRS 16 *Leases* was issued in May 2016. It will results in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of US$4,810,231,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

# 3 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 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.

## (c) Fair value of available-for-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 associates

The initial accounting on the acquisition of associates involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities or businesses. The fair values of identifiable net assets are determined by using financial models or by reference to the valuation performed by the 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.

# 3 Critical accounting estimates and judgements (Continued)

## (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 17).

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.

# 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, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk.

The Unaudited Condensed Consolidated Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2016 Annual Financial Statements of the Group.

Compared to 31 December 2016, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

There have been no changes in the risk management policies since year end.

## 4.2 Fair value estimation

The Group's financial instruments that are 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).

# 4 Financial risk management (Continued)

## 4.2 Fair value estimation (Continued)

The following table presents the Group's financial instruments that are measured at fair value at 30 June 2017 and 31 December 2016:

| | Level 1<br>US$'000 | Level 3<br>US$'000 | Total<br>US$'000 |
|---|---|---|---|
| **As at 30 June 2017** | | | |
| Available-for-sale financial assets | **329,424** | **29,794** | **359,218** |
| **As at 31 December 2016** | | | |
| Available-for-sale financial assets | 55,846 | 101,093 | 156,939 |

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.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no other changes in valuation techniques during the period.

For the six months ended 30 June 2017, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

The Group reclassified an available-for-sale investment gain of US$38,434,000 (2016: Nil) from other comprehensive income into unaudited condensed consolidated income statement.

# 4 Financial risk management (Continued)

## 4.3 Fair value measurement using significant unobservable inputs (level 3)

As at 30 June 2017, 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 assets are included in level 3.

The price/book multiples are estimated by making reference to the historical net asset value of companies with similar business nature and having their operating activities in the PRC. The higher the price/book multiples, the higher the fair value. Whereas the discount rate is a common illiquidity rate applied in valuation of unlisted security. The higher the discount rate, the lower the fair value.

The following table presents the changes in level 3 financial instruments for the Unaudited Condensed Consolidated Interim Financial Information:

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **US$'000** | US$'000 |
| At 1 January | **101,093** | 107,996 |
| Transferred to level 1 | **(71,997)** | — |
| Currency translation differences | **698** | (2,241) |
| At 30 June | **29,794** | 105,755 |

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. During the six months ended 30 June 2017, the Group transferred an available-for-sale financial asset from level 3 to level 1 as the available-for-sale financial asset turned from unlisted to listed, and quoted prices from active market were observable (2016: Nil).

# 4 Financial risk management (Continued)

## 4.4 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the long term borrowings is as follows:

| | **As at 30 June 2017 US$'000** | As at 31 December 2016 US$'000 |
|---|---|---|
| Bank loans, loans from CS Finance and COSCO Finance | **901,053** | 768,589 |
| Notes | **297,641** | 297,426 |
| | **1,198,694** | 1,066,015 |

The fair values of the following financial assets and liabilities approximate their carrying amounts:

- Trade and other receivables
- Cash and cash equivalents
- Restricted bank balances
- Trade and other payables
- Borrowings except for those disclosed above

# 5 Segment information

## 5.1 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. The operating segments were determined based on the reports reviewed by management. Terminals and related businesses were identified as the operating 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 Unaudited Condensed Consolidated Interim Financial Information.

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

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

### Segment assets

| | Terminals and related businesses US$'000 | Others US$'000 | Elimination US$'000 | Total US$'000 |
|---|---|---|---|---|
| **At 30 June 2017** | | | | |
| Segment assets | **7,102,628** | **949,655** | **(594,032)** | **7,458,251** |
| Segment assets include: | | | | |
| Joint ventures | **1,219,825** | **—** | **—** | **1,219,825** |
| Associates | **2,392,826** | **—** | **—** | **2,392,826** |
| Available-for-sale financial assets | **359,218** | **—** | **—** | **359,218** |
| At 31 December 2016 | | | | |
| Segment assets | 5,971,235 | 1,384,015 | (568,794) | 6,786,456 |
| Segment assets include: | | | | |
| Joint ventures | 1,409,044 | — | — | 1,409,044 |
| Associates | 1,405,835 | — | — | 1,405,835 |
| Available-for-sale financial assets | 156,939 | — | — | 156,939 |

# 5 Segment information (Continued)

## 5.1 Operating segments (Continued)

### Segment revenues, results and other information

| | Continuing operations | | | |
|---|---|---|---|---|
| | Terminals and related businesses US$'000 | Others US$'000 | Elimination US$'000 | Total US$'000 |
| **Six months ended 30 June 2017** | | | | |
| Revenues — total sales | 275,776 | — | — | 275,776 |
| Segment profit/(loss) attributable to equity holders of the Company | 399,961 | (15,249) | — | 384,712 |
| Segment profit/(loss) attributable to equity holders of the Company includes: | | | | |
| Finance income | 460 | 14,220 | (8,496) | 6,184 |
| Finance costs | (21,321) | (10,992) | 8,546 | (23,767) |
| Share of profits less losses of | | | | |
| — joint ventures | 40,095 | — | — | 40,095 |
| — associates | 57,450 | — | — | 57,450 |
| Gain on disposal of a joint venture | 283,961 | — | — | 283,961 |
| Gain on remeasurement of previously held interest of an available-for-sale financial asset at fair value upon further acquisition to become an associate | 38,434 | — | — | 38,434 |
| Income tax expenses | (61,747) | (614) | — | (62,361) |
| Depreciation and amortisation | (49,586) | (701) | — | (50,287) |
| Other non-cash expenses | (442) | (1) | — | (443) |
| Additions to non-current assets | (50,617) | (1,579) | — | (52,196) |

# 5 Segment information (Continued)

## 5.1 Operating segments (Continued)

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

| | 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 |
| Six months ended 30 June 2016 | | | | | |
| Revenues — total sales | 274,983 | — | — | 274,983 | 73,073 |
| Segment profit/(loss) attributable to equity holders of the Company | 132,455 | (26,601) | — | 105,854 | 66,094 |
| Segment profit/(loss) attributable to equity holders of the Company includes: | | | | | |
| Finance income | 432 | 17,193 | (10,191) | 7,434 | 76 |
| Finance costs | (23,919) | (12,322) | 10,191 | (26,050) | (4,820) |
| Share of profits less losses of | | | | | |
| — joint ventures | 55,848 | — | — | 55,848 | — |
| — associates | 42,247 | — | — | 42,247 | — |
| Gain on disposal of a subsidiary | — | — | — | — | 59,021 |
| Income tax expenses | (14,588) | (13,248) | — | (27,836) | (375) |
| Depreciation and amortisation | (46,535) | (465) | — | (47,000) | (34,810) |
| Other non-cash expenses | (273) | — | — | (273) | (141) |
| Additions to non-current assets | (77,675) | (170) | — | (77,845) | (319,992) |

# 5 Segment information (Continued)

## 5.2 Geographical information

### (a) 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.

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **US$'000** | US$'000 |
| **Continuing operations** | | |
| Terminals and related businesses | | |
| — Mainland China (excluding Hong Kong) | **190,669** | 184,696 |
| — Europe | **85,107** | 88,742 |
| — Others | **—** | 1,545 |
| | **275,776** | 274,983 |
| **Discontinued operation** | | |
| Container leasing , management , sale and related businesses | | |
| — unallocated | **—** | 73,073 |

### (b) Non-current assets

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

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

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

# 5 Segment information (Continued)

## 5.2 Geographical information (Continued)

### (b) Non-current assets (Continued)

| | As at 30 June 2017 US$'000 | As at 31 December 2016 US$'000 |
|---|---|---|
| Mainland China (excluding Hong Kong) | **4,826,692** | 4,004,652 |
| Europe | **615,862** | 546,603 |
| Others | **909,950** | 907,560 |
| | **6,352,504** | 5,458,815 |

# 6 Property, plant and equipment

During the six months ended 30 June 2017, the Group acquired property, plant and equipment of US$50,569,000 (2016: US$397,593,000). The Group also disposed of property, plant and equipment with net book value of US$358,000 (2016: US$11,188,000).

# 7 Other non-current assets

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

## 8 Trade and other receivables

| | As at 30 June 2017 US$'000 | As at 31 December 2016 US$'000 |
|---|---|---|
| Trade receivables (note a) | | |
| — third parties | 48,824 | 36,646 |
| — fellow subsidiaries (notes b) | 20,505 | 12,396 |
| — a joint venture (note b) | 5 | 3 |
| — non-controlling shareholders of subsidiaries (note b) | 4,708 | 4,486 |
| — related companies (note b) | 3,254 | 1,029 |
| | 77,296 | 54,560 |
| Bills receivables (note a) | 9,243 | 10,958 |
| | 86,539 | 65,518 |
| Less: provision for impairment | (575) | (449) |
| | 85,964 | 65,069 |
| Deposits and prepayments | 11,973 | 13,443 |
| Other receivables | 14,335 | 18,888 |
| Loans to joint ventures (note c) | 20,134 | 19,180 |
| Amounts due from | | |
| — fellow subsidiaries (note b) | 3,453 | 20,446 |
| — joint ventures (note d) | 10,879 | 243 |
| — associates (note d) | 41,361 | 9,923 |
| — non-controlling shareholders of subsidiaries (note b) | 1,369 | 823 |
| | 189,468 | 148,015 |

Note:

(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:

| | As at 30 June 2017 US$'000 | As at 31 December 2016 US$'000 |
|---|---|---|
| Within 30 days | 55,670 | 41,584 |
| 31–60 days | 17,820 | 11,014 |
| 61–90 days | 5,333 | 3,968 |
| Over 90 days | 7,141 | 8,503 |
| | 85,964 | 65,069 |

(b) The amounts due from fellow subsidiaries, a joint venture, non-controlling shareholders of subsidiaries and related companies 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 30 June 2017, balance of US$19,334,000 (31 December 2016: US$18,443,000) is unsecured, interest free, and wholly repayable within twelve months. Balance of US$800,000 (31 December 2016: US$737,000) is secured, bears interest at 5.5% per annum above 3 months Europe Interbank Offered Rate ("EURIBOR") and repayable within twelve months.

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

# 9 Cash and cash equivalents

| | As at 30 June 2017 US$'000 | As at 31 December 2016 US$'000 |
|---|---|---|
| Total time deposits, bank balances and cash (note i) | **332,896** | 837,100 |
| Restricted bank deposits included in current assets | **(96)** | (2,868) |
| | **332,800** | 834,232 |
| Representing: | | |
| Time deposits | **189,119** | 658,396 |
| Bank balances and cash | **67,361** | 83,474 |
| Balances placed with COSCO Finance (note ii) | **76,320** | 92,358 |
| Balance placed with CS Finance (note iii) | **—** | 4 |
| | **332,800** | 834,232 |

Notes:

(i) As at 30 June 2017, the balances of US$34,822,000 (31 December 2016: US$37,053,000) of the Group denominated in Renminbi and US dollar were held by certain subsidiaries of the Group with bank accounts operating in the PRC where exchange controls apply.

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

(iii) Balance placed with CS Finance, a fellow subsidiary of the Group, bears interest at prevailing market rates.

## 10 Share capital

| | As at 30 June 2017 US$'000 | As at 31 December 2016 US$'000 |
|---|---|---|
| Issued and fully paid: | | |
| 3,016,018,628 (31 December 2016: 3,016,018,628) ordinary shares of HK$0.10 each | **38,728** | 38,728 |

Note:

Share options

Movements of the share options, which have been granted under the share option schemes adopted by the Company on 23 May 2003, during the period are set out below:

| | | Number of share options | | | |
|---|---|---|---|---|---|
| **Category** | **Exercise price** HK$ | **Outstanding as at 1 January 2017** | **Transfer (to)/ from other categories during the period** | **Lapsed during the period** | **Outstanding as at 30 June 2017** |
| Directors | 19.30 | 500,000 | — | (500,000) | — |
| Continuous contract employees | 19.30 | 8,310,000 | — | (8,310,000) | — |
| Others | 19.30 | 1,130,000 | — | (1,130,000) | — |
| | | 9,940,000 | — | (9,940,000) | — |

## 11 Borrowings

| | As at 30 June 2017 US$'000 | As at 31 December 2016 US$'000 |
|---|---|---|
| Long term borrowings | | |
| Secured | | |
| — bank loans (note a) | **360,961** | 336,321 |
| — loan from CS Finance (note a) | **13,256** | 14,185 |
| | **374,217** | 350,506 |
| Unsecured | | |
| — bank loans | **605,949** | 655,556 |
| — loans from COSCO Finance | **17,418** | 24,074 |
| — notes (note c) | **298,103** | 297,879 |
| | **921,470** | 977,509 |
| | **1,295,687** | 1,328,015 |
| Amounts due within one year included under current liabilities | **(93,714)** | (256,609) |
| | **1,201,973** | 1,071,406 |
| Short term borrowings — unsecured | | |
| — bank loans | **44,284** | 64,870 |
| — loans from COSCO Finance | **79,536** | 110,106 |
| | **123,820** | 174,976 |

Notes:

(a) As at 30 June 2017, certain of the Group's non-current assets with an aggregate net book value of US$106,423,000 (31 December 2016: US$103,928,000) were pledged as securities against bank loans of US$360,961,000 (31 December 2016: US$336,321,000) and a loan from CS Finance of US$13,256,000 (31 December 2016: US$14,185,000).

Under the circumstances that the terms and conditions as included in the loan agreement were not met, bank balances of US$27,680,000 (31 December 2016: US$23,348,000) would be pledged as security.

## 11 Borrowings (Continued)

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

| | As at 30 June 2017 US$'000 | As at 31 December 2016 US$'000 |
|---|---|---|
| Bank loans | | |
| Within one year | **75,262** | 231,295 |
| Between one and two years | **27,177** | 36,089 |
| Between two and five years | **534,973** | 448,005 |
| Over five years | **329,498** | 276,488 |
| | **966,910** | 991,877 |
| Loans from COSCO Finance | | |
| Within one year | **17,418** | 24,074 |
| Loan from CS Finance | | |
| Within one year | **1,034** | 1,240 |
| Between one and two years | **1,594** | 1,476 |
| Between two and five years | **5,255** | 5,011 |
| Over five years | **5,373** | 6,458 |
| | **13,256** | 14,185 |
| Notes | | |
| Over five years | **298,103** | 297,879 |
| | **1,295,687** | 1,328,015 |

(c) 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.

## 12 Loans from a fellow subsidiary

As at 30 June 2017, balance of US$34,571,000 (31 December 2016: US$38,061,000) represented finance lease contracts the Group entered for leasing of terminal equipment from a fellow subsidiary. The average term of the finance lease contracts is 8 years (2016: 8 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$82,359,000 (31 December 2016: US$80,428,000) as at 30 June 2017. The carrying value of the loans is not materially different from its fair value.

## 13 Trade and other payables

| | **As at 30 June 2017 US$'000** | As at 31 December 2016 US$'000 |
|---|---|---|
| Trade payables (note a) | | |
| — third parties | **22,551** | 23,602 |
| — fellow subsidiaries (note b) | **464** | 5,142 |
| — a joint venture (note b) | **275** | — |
| — non-controlling shareholders of subsidiaries (note b) | **3,472** | 3,563 |
| — related companies (notes b) | **477** | 568 |
| | **27,239** | 32,875 |
| Accruals | **33,634** | 32,929 |
| Other payables | **97,320** | 97,139 |
| Dividend payable | **30,169** | 9 |
| Loans from a fellow subsidiary (note 12) | **9,987** | 9,256 |
| Loan from a joint venture (note c) | **41,111** | 40,147 |
| Loans from non-controlling shareholders of subsidiaries (note d) | **172,539** | 167,772 |
| Amounts due to (note b) | | |
| — fellow subsidiaries | **1,738** | 3,104 |
| — joint ventures | **42** | 240 |
| — an associate | **33** | — |
| — non-controlling shareholders of subsidiaries | **19,907** | 12,413 |
| — related companies | **342** | 71 |
| | **434,061** | 395,955 |

## 13 Trade and other payables (Continued)

Notes:

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

| | As at 30 June 2017 US$'000 | As at 31 December 2016 US$'000 |
|---|---|---|
| Within 30 days | **6,806** | 14,603 |
| 31–60 days | **1,523** | 1,619 |
| 61–90 days | **2,434** | 9,248 |
| Over 90 days | **16,476** | 7,405 |
| | **27,239** | 32,875 |

(b) The balances are unsecured and interest free. Trading balances have similar credit periods granted as those of other third party suppliers, the other balances have no fixed terms of repayment.

(c) Loan from a joint venture is unsecured, bears interest at 2.3% 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$6,242,000 (31 December 2016: US$8,534,000) bears interest at 0.6% above 1-year US dollar London Interbank Offered Rate ("LIBOR") per annum. Balance of US$49,681,000 (31 December 2016: US$49,681,000) is interest free. Balances of US$14,761,000 and US$53,141,000 (31 December 2016: US$57,661,000 and US$51,896,000) bears interest at 3.9% and 3.5% respectively (31 December 2016: 3.9% and 3.5% respectively) per annum. Balances of US$44,284,000 and US$4,430,000 (31 December 2016: Nil) bears interest at 3.8% and 4.4% (31 December 2016: Nil) respectively per annum.

## 14 Disposal of a joint venture and further acquisition on an available-for-sale financial asset to become an associate

On 20 January 2017, Shanghai China Shipping Terminal Development Co., Ltd. ("SCSTD", a wholly-owned subsidiary of the Company) and QPI entered into an agreement under which, SCSTD subscribed for 1,015,520,000 non-circulating domestic shares in QPI at a total consideration of RMB5,798,619,200 (equivalent to US$843,858,000, being RMB5.71 per share), of which RMB3,198,650,840 (equivalent to US$465,491,000) was settled by the transfer of a 20% equity interest in Qingdao Qianwan Terminal to QPI and the remaining RMB2,599,968,360 (equivalent to US$378,367,000) was settled in cash. The disposal was completed on 19 May 2017 and resulted in a gain of US$283,961,000 recognised in the unaudited condensed consolidated income statement for the six months ended 30 June 2017. The subscription was completed on 22 May 2017 and recognised a gain of US$38,434,000 as a result of remeasuring its 1.59% equity interest in QPI held and accounted for as an available-for-sale financial asset before the subscription in the unaudited condensed consolidated income statement for the six months ended 30 June 2017.

## 15 Operating profit

Operating profit is stated after crediting and charging the following:

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **US$'000** | US$'000 |
| **Crediting** | | |
| Dividends income from listed and unlisted available-for sale financial assets | **871** | 4,094 |
| Gain on disposal of property, plant and equipment | **14** | 16 |
| Rental income from investment properties | **217** | 355 |
| **Charging** | | |
| Depreciation and amortisation | **50,287** | 47,000 |
| Loss on disposal of property, plant and equipment | **34** | 121 |
| Rental expenses under operating leases of | | |
| — buildings leased from a fellow subsidiary | **911** | 864 |
| — buildings leased from a joint venture | **19** | 16 |
| — land use rights leased from non-controlling shareholders of subsidiaries | **1,073** | 1,056 |
| — Concession (note 7) | **21,737** | 22,470 |

## 16 Finance income and costs

| | Six months ended 30 June 2017 US$'000 | 2016 US$'000 |
|---|---|---|
| **Finance income** | | |
| Interest income on | | |
| — bank balances and deposits | **2,278** | 5,187 |
| — deposits with COSCO Finance | **391** | 179 |
| — deposits with CS Finance | **1** | 3 |
| — loans to joint ventures and associates | **3,514** | 2,065 |
| | **6,184** | 7,434 |
| **Finance costs** | | |
| Interest expenses on | | |
| — bank loans | **(12,441)** | (15,037) |
| — notes not wholly repayable within five years | **(6,564)** | (6,564) |
| — loans from COSCO Finance | **(1,580)** | (2,190) |
| — loans from CS Finance | **(269)** | (362) |
| — loans from and amount due to fellow subsidiaries (note 12, 13) | **(843)** | (1,820) |
| — loans from non-controlling shareholders of subsidiaries (note 13(d)) | **(2,221)** | (1,024) |
| — loan from a joint venture (note 13(c)) | **(462)** | (453) |
| Amortised amount of | | |
| — discount on issue of notes | **(107)** | (117) |
| — transaction costs on bank loans and notes | **(269)** | (129) |
| | **(24,756)** | (27,696) |
| Less: amount capitalised in construction in progress | **2,652** | 3,067 |
| | **(22,104)** | (24,629) |
| Other incidental borrowing costs and charges | **(1,663)** | (1,421) |
| | **(23,767)** | (26,050) |
| Net finance costs | **(17,583)** | (18,616) |

## 17 Income tax expenses

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **US$'000** | US$'000 |
| Current income tax | | |
| — Hong Kong profits tax | **50** | 5 |
| — Mainland China taxation | **51,515** | 12,990 |
| — Overseas taxation | **5,150** | 7,540 |
| — (Over)/under provision in prior years | **(83)** | 1,856 |
| | **56,632** | 22,391 |
| Deferred income tax charge | **5,729** | 5,445 |
| | **62,361** | 27,836 |

The Group's shares of income tax expenses of joint ventures and associates of US$11,270,000 (2016: US$16,744,000) and US$14,245,000 (2016: US$12,900,000) are included in the Group's shares of profits less losses of joint ventures and associates respectively.

Hong Kong profits tax was provided at a rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the period.

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

## 18 Discontinued operation

On 24 March 2016 ("Completion Date"), the Company completed the disposal of all the issued shares in Florens Container Holdings Limited (now known as Florens International Limited) ("FCHL") (representing the discontinued operation from container leasing, management and sale, and related businesses of the Group) to China Shipping Container Lines (Hong Kong) Co., Limited (now known as COSCO SHIPPING Development (Hong Kong) Co., Limited) ("CSCLHK") 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 CSCLHK 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 Unaudited Condensed Consolidated Interim Financial Information. The disposal resulted in a gain of US$59,021,000, while the profit after tax of FCHL for the three months ended 31 March 2016 was US$7,526,000.

## 18 Discontinued operation (Continued)

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 |

## 18 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 |
|---|---|
| Revenues | 73,073 |
| Expenses | (65,172) |
| Profit before income tax | 7,901 |
| Income tax expenses | (375) |
| Profit for the period | 7,526 |
| Gain on disposal of a subsidiary | 59,021 |
| | 66,547 |
| Profit from attributable to | |
| — Equity holders of the Company | 66,094 |
| — Non-controlling interests | 453 |
| | 66,547 |
| Net cash generated from operating activities | 52,903 |
| Net cash used in investing activities | (274,252) |
| Net cash generated from financing activities | 193,524 |
| Net decrease in cash and cash equivalents | (27,825) |
| Cash and cash equivalents at beginning of period | 129,835 |
| Exchange difference | 118 |
| Cash and cash equivalents at end of period | 102,128 |

## 19 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 period.

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| Profit from continuing operations attributable to equity holders of the Company | **US$384,712,000** | US$105,854,000 |
| Profit from discontinued operation attributable to equity holders of the Company | **–** | US$66,094,000 |
| | **US$384,712,000** | US$171,948,000 |
| Weighted average number of ordinary shares in issue | **3,016,018,628** | 2,966,559,439 |
| Basic earnings per share | | |
| — from continuing operations | **US12.76 cents** | US3.57 cents |
| — from discontinued operation | **–** | US2.23 cents |
| | **US12.76 cents** | US5.80 cents |

### (b) Diluted

The outstanding share options granted by the Company did not have any dilutive effect on the earnings per share for the six months ended 30 June 2017 and 2016, and the diluted earnings per share is equal to the basic earnings per share for the six months ended 30 June 2017 and 2016 respectively.

## 20 Distribution, interim and special dividend

### (a) Distribution

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **US$'000** | US$'000 |
| Consideration in connection with the purchase of China Shipping Ports Development Co., Limited ("CSPD") from fellow subsidiaries | **–** | 1,164,846 |

# 20 Distribution, interim and special dividend (Continued)

## (b) Interim and special cash dividend

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **US$'000** | US$'000 |
| 2016 conditional special cash dividend, paid of US10.317 cents per ordinary share | **–** | 306,059 |
| Interim dividend, declared of US1.316 cents (2016: US2.320 cents) per ordinary share | **39,888** | 68,894 |
| | **39,888** | 374,953 |

Notes:

(i) The distribution represented consideration paid by the Group for acquisition of equity interests in subsidiaries under the control of SASAC. The acquisition is regarded as a business combination under common control.

(ii) At a meeting held on 23 December 2015, the directors declared a conditional special cash dividend ("Conditional Special Cash Dividend") of HK80.0 cents (equivalent to US10.317 cents) per share. The payment of Conditional Special Cash Dividend was subject to the independent shareholders' approval of the transactions including the acquisition of all the issued shares of CSPD and the disposal of all the issued shares in FCHL. The transactions could be fulfilled only when it was completed in accordance with the terms of two sale and purchase agreements. On 18 March 2016, the Company completed its acquisition of all the issued shares in CSPD. On 24 March 2016, the Company completed the disposal of all the issued shares in FCHL. The Conditional Special Cash Dividend was paid on 4 May 2016.

(iii) 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 cent) per ordinary share with a scrip dividend alternative for the year ended 31 December 2016. The final dividend, which was approved at the annual general meeting of the Company held on 18 May 2017, was paid on 19 July 2017.

(iv) At a meeting held on 29 August 2017, the directors declared an interim dividend of HK10.3 cents (equivalent to US1.316 cents) per ordinary share. The dividend will be payable in cash and with a scrip dividend alternative. The interim dividend declared is not reflected as dividend payable in the Unaudited Condensed Consolidated Interim Financial Information, but will be reflected as an appropriation of retained profits for the year ending 31 December 2017.

## 21 Financial guarantee contracts

| | As at 30 June 2017 US$'000 | As at 31 December 2016 US$'000 |
|---|---|---|
| Bank guarantees to a joint venture | **11,733** | 9,110 |

The directors of the Company consider that it is not probable for a claim to be made against the Group under the above guarantee as at the balance sheet date.

The fair value of the guarantee contracts is not material and has not been recognised.

## 22 Capital commitments

The Group had the following significant capital commitments as at 30 June 2017:

| | As at 30 June 2017 US$'000 | As at 31 December 2016 US$'000 |
|---|---|---|
| Contracted but not provided for: | | |
| — Investments (note) | **529,716** | 671,956 |
| — Other property, plant and equipment | **639,842** | 591,399 |
| | **1,169,558** | 1,263,355 |

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

| | As at 30 June 2017 US$'000 | As at 31 December 2016 US$'000 |
|---|---|---|
| Contracted but not provided for | **17,544** | 60,121 |

## 22 Capital commitments (Continued)

Note:

The capital commitments in respect of investments of the Group as at 30 June 2017 are as follows:

| | **As at 30 June 2017 US$'000** | As at 31 December 2016 US$'000 |
|---|---|---|
| Contracted but not provided for | | |
| Investments in: | | |
| — Qingdao Qianwan Terminal | **—** | 64,997 |
| — Antwerp Gateway NV | **48,381** | 44,548 |
| — Dalian Port Container Terminal Co., Ltd. | **43,103** | 42,093 |
| — Tianjin Port Euroasia International Container Terminal Co., Ltd. | **103,625** | 101,196 |
| — Qingdao Port Dongjiakou Ore Terminal Co., Ltd. | **88,569** | 86,493 |
| — APMT Vado Holding B.V. | **24,317** | 55,880 |
| — Others | **157,930** | 214,453 |
| | **465,925** | 609,660 |
| Terminal projects in: | | |
| — Shanghai Yangshan Port Phase II | **59,046** | 57,662 |
| — Others | **4,745** | 4,634 |
| | **63,791** | 62,296 |
| | **529,716** | 671,956 |

## 23 Related party transactions

The Group is controlled by COSCO SHIPPING Holdings which owns 46.72% of the Company's shares as at 30 June 2017. The parent company of COSCO SHIPPING Holdings is COSCO, and the parent company of COSCO is COSCO SHIPPING.

COSCO SHIPPING is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. PRC government related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government, are also defined as related parties of the Group. On that basis, related parties include COSCO SHIPPING and its subsidiaries, other government related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO SHIPPING as well as their close family members.

For the purpose of the related party transaction disclosures, the Directors believe that it is meaningful to disclose the related party transactions with COSCO SHIPPING group companies for the interests of financial statements' users, although certain of those transactions which are individually or collectively not significant, and are exempted from disclosure upon adoption of HKAS 24 (Revised). The Directors believe that the information of related party transactions has been adequately disclosed in the Unaudited Condensed Consolidated Interim Financial Information.

In addition to those disclosed elsewhere in the Unaudited Condensed Consolidated Interim Financial Information, 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 period.

## 23 Related party transactions (Continued)

### (a) Continuing operations

#### Sales/purchases of goods, services and investments

| | Six months ended 30 June 2017 US$'000 | 2016 US$'000 |
|---|---|---|
| Handling, storage and transportation income from fellow subsidiaries (note i, xiii) | — | 635 |
| Management fee and service fee income from (note ii, xiii) | | |
| — joint ventures | **1,629** | 1,566 |
| — associates | **346** | 280 |
| Terminal handling and storage income from (note iii, xiii) | | |
| — fellow subsidiaries | **45,044** | 38,721 |
| — non-controlling shareholders of subsidiaries | **22,930** | 22,664 |
| Container handling and logistics services fee to non-controlling shareholders of subsidiaries (note iv, xiii) | **(5,561)** | (6,029) |
| Electricity and fuel expenses to (note v, xiii) | | |
| — fellow subsidiaries | **(412)** | (539) |
| — non-controlling shareholders of subsidiaries | **(3,149)** | (4,339) |
| Finance lease charges paid to a fellow subsidiary (note vi, xiii) | **(843)** | (796) |
| Handling, storage and maintenance expenses to (note vii, xiii) | | |
| — fellow subsidiaries | **(1,479)** | (1,009) |
| — a non-controlling shareholder of a subsidiary | **(505)** | — |
| High-frequency communication fee to a non-controlling shareholder of a subsidiary (note viii, xiii) | **(49)** | (45) |
| Rental expenses paid to (note ix, xiii) | | |
| — a fellow subsidiary | **(861)** | (886) |
| — non-controlling shareholders of subsidiaries | **(2,329)** | (2,274) |

# 23 Related party transactions (Continued)

## (b) Discontinued operation

### Sales/purchases of goods, services and investment

| | Six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **US$'000** | US$'000 |
| Container rental income from fellow subsidiaries (note x, xiii) | – | 38,358 |
| Compensation for loss of containers from a fellow subsidiary (note xi, xiii) | – | 2,370 |
| Handling, storage and maintenance expenses to fellow subsidiaries (note vii, xiii) | – | (240) |
| Container freight charges to subsidiaries of China International Marine Containers (Group) Co., Ltd. ("CIMC") (note xii) | – | (52) |

Notes:

(i) The handling, storage and transportation income received from fellow subsidiaries of the Group were conducted 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 ("COSCO-HIT Terminal"), a joint venture of the Group, during the period. Management fee was charged and agreed at HK$20,000,000 (equivalent to US$2,572,000) (2016: HK$20,000,000 (equivalent to US$2,576,000)) per annum.

Other management fee and service fee income charged to joint ventures and associates 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 conducted by the Group 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 Terminal were conducted by the Group with 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 mutually agreed.

# 23 Related party transactions (Continued)

## (b) Discontinued operation (Continued)

### Sales/purchases of goods, services and investment (Continued)

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

(viii) High-frequency communication fee paid to a non-controlling shareholder of a subsidiary was charged at rates as mutually agreed.

(ix) Rental expenses paid to a fellow subsidiary and non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(x) The Group has conducted container leasing business with COSCO SHIPPING Lines Co., Ltd. ("COSCO SHIPPING Lines"), other fellow subsidiaries of COSCO and other state-owned enterprises. The container rental income was charged based on terms agreed between the Group and the respective parties in concern.

(xi) For the six months ended 30 June 2016, the Group had compensation received and receivable of US$2,370,000 from COSCO SHIPPING Lines for the loss of containers under operating leases, resulting in a profit of US$6,000.

(xii) The container freight charges paid to subsidiaries of CIMC for container repositioning services rendered to the Group were charged at rates mutually agreed.

(xiii) The transactions represent continuing connected transactions which have 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").

## (c) Key management compensation

| | **Six months ended 30 June** | |
|---|---|---|
| | **2017** | 2016 |
| | **US$'000** | US$'000 |
| Salaries, bonuses and other allowances | **2,140** | 2,036 |
| Contributions to retirement benefit schemes | **5** | 5 |
| | **2,145** | 2,041 |

Key management includes directors of the Company and six (2016: five) senior management members of the Group.

## 24 Business combination under common control

The Group adopts merger accounting for common control combination in respect of the acquisition of CSPD (the "Acquired Subsidiary") in 2016. Statements of adjustments for business combinations under common control on the Group's results for the six months ended 30 June 2016 are summarised as follows:

| | The Group before the acquired subsidiary US$'000 | The Acquired Subsidiary US$'000 | Note | Adjustments US$'000 | Total US$'000 |
|---|---|---|---|---|---|
| **Six months ended 30 June 2016** | | | | | |
| **Continuing operations** | | | | | |
| Revenues | 247,109 | 27,874 | | — | 274,983 |
| Profit before income tax | 126,166 | 25,019 | (i) | (1,819) | 149,366 |
| Income tax | (23,812) | (3,733) | (i) | (291) | (27,836) |
| Profit for the period | 102,354 | 21,286 | | (2,110) | 121,530 |

Notes:

(i) Adjustments to adjust the profits and tax in relation to reclassification of certain investments after acquisition of the Acquired Subsidiary.

(ii) No other significant adjustment were made by the Company to the net profit of any entities or business as a result of the common control combination to achieve consistency of accounting policies.

## 25 Event after the balance sheet date

On 4 August 2017, COSCO Ports (Dalian) Limited ("CP Dalian"), CSPD and China Shipping Terminal Development Co., Ltd. ("CSTD"), all being wholly owned subsidiaries of the Company, entered into a merger agreement with Dalian Port Container Development Co., Ltd. ("DPCD"), Singapore Dalian Port Investment Pte Ltd. ("Singapore Dalian Port"), PSA China Pte Ltd. ("PSA China"), Nippon Yusen Kabushiki Kaisha ("Nippon Yusen"), Dalian Container Terminal Co., Ltd. ("DCT"), Dalian Port Container Terminal Co., Ltd. ("DPCT") and Dalian International Container Terminal Co., Ltd. ("DICT") in relation to the merger of DCT, DPCT and DICT (the "Merger"). Upon completion of the Merger, DCT as the surviving entity would assume all assets, businesses, credits and debts of DPCT and DICT, and DPCT and DICT would be deregistered. The Group would hold 19% equity interests in DCT as an associate after completion of the Merger.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**TO THE BOARD OF DIRECTORS OF COSCO SHIPPING PORTS LIMITED**
*(incorporated in Bermuda with limited liability)*

## Introduction

We have reviewed the interim financial information set out on pages 2 to 41, which comprises the condensed consolidated balance sheet of COSCO SHIPPING Ports Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2017 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on Interim Financial Information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of this Interim Financial Information in accordance with HKAS 34. Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 29 August 2017

# INTERIM DIVIDEND

The directors have declared an interim dividend of HK10.3 cents (1H2016: HK18.0 cents) per share with an option to receive new fully paid shares in lieu of cash ("Scrip Dividend Scheme").

The interim dividend will be payable on 27 October 2017 to shareholders whose names appear on the register of members of the Company at the close of business on 18 September 2017. The Scrip Dividend Scheme is conditional upon the granting of the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme by the Listing Committee of The Stock Exchange of Hong Kong Limited. Dividend warrants and share certificates for new shares to be issued under the Scrip Dividend Scheme will be despatched by ordinary mail on 27 October 2017.

Details of the Scrip Dividend Scheme and the election form will be sent to shareholders on or about 3 October 2017.

# CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13 September 2017 to 18 September 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong Registrar and Transfer Office, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 12 September 2017.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Review

Following its reorganisation last year, COSCO SHIPPING Ports has been focusing on the development of terminals business. For the first half of 2017, the Group saw steady development in its terminals business. The Group completed the subscription of non-circulating domestic shares in QPI at a total consideration of RMB5,798,619,200, of which RMB3,198,650,840 was settled by the transfer of a 20% equity interest in Qingdao Qianwan Terminal to QPI and the remaining RMB2,599,968,360 was settled in cash. Accordingly, (1) a gain after tax of US$244,596,000 from the disposal of Qingdao Qianwan Terminal; (2) reversal of dividend withholding income tax provision in the amount of US$11,970,000 made in prior years in respect of the profit retained by Qingdao Qianwan Terminal; and (3) a gain after tax of US$28,826,000 on remeasurement of previously held interests of QPI at fair value upon further acquisition of equity interests to become an associate (collectively the "Exceptional Items") were recorded during the period. For the first half of 2017, the Group recorded a total profit after tax from one-off Exceptional Items of US$285,392,000. During the period, profit attributable to equity holders of the Company amounted to US$384,712,000 (1H2016: US$171,948,000), representing an increase of 123.7% compared with the corresponding period last year. Excluding profit after tax from one-off Exceptional Items in 2017 and profit in relation to discontinued container leasing, management and sale businesses in 2016, the Company recorded profit attributable to equity holders in the amount of US$99,320,000 for the first half of 2017 (1H2016: US$105,854,000), a 6.2% decrease compared with the corresponding period last year.

During the period, the Group recorded a throughput of container terminals of 41,780,867 TEU (1H2016: 37,358,210 TEU) and a throughput of bulk cargo of 41,595,654 tons (1H2016: 41,423,079 tons), increasing 11.8% and 0.4%, respectively, when compared with the corresponding period last year. The equity throughput of containers was 14,133,596 TEU (1H2016: 13,022,747 TEU), increasing 8.5% compared with the corresponding period last year. The equity throughput of bulk cargo amounted to 14,408,553 tons (1H2016: 13,637,156 tons), increasing 5.7% compared with the corresponding period last year. Excluding Exceptional Items, the Group recorded a profit from the terminals business of US$126,539,000 during the first half of 2017 (1H2016: US$132,455,000), a 4.5% decrease compared with the corresponding period last year. Of this, profit from terminal companies in which the Group has controlling stakes was US$28,428,000 (1H2016: US$30,609,000), a 7.1% decrease compared with the corresponding period last year; profit from non-controlling terminals was US$98,111,000 (1H2016: US$101,846,000), a 3.7% decrease compared with the corresponding period last year.

Profit from terminal companies in which the Group has controlling stakes was mainly attributable to Piraeus Container Terminal S.A. ("Piraeus Terminal") in Greece and Guangzhou South China Oceangate Container Terminal Company Limited ("Guangzhou South China Oceangate Terminal"). Piraeus Terminal recorded a profit of US$10,845,000 in the first half of 2017 (1H2016: US$17,903,000), a 39.4% decrease compared with the corresponding period last year. The decrease in profit was mainly attributable to completion of construction of the eastern part of Pier 3 of Piraeus Terminal at the end of September 2016, as well as commencement of operation of the phase I of western part of Pier 3 of Piraeus Terminal in August last year, which led to higher depreciation and interest expenses over the corresponding period last year, moreover, the fee for the use of land and shoreline of the eastern part of Pier 3 was increased during the period. During the period, the throughput of Guangzhou South China Oceangate Terminal grew by 6.7% compared with the corresponding period last year. However, due to higher dredging costs and the impact of change in RMB exchange rate during the period, Guangzhou South China Oceangate Terminal recorded a profit of US$7,729,000 during the first half of 2017 (1H2016: US$8,065,000), a 4.2% decrease compared with the corresponding period last year. On the other hand, benefited from the routes called by the OCEAN Alliance, Xiamen Ocean Gate Container Terminal Co., Ltd. ("Xiamen Ocean Gate Terminal") recorded a profit of US$1,028,000 (1H2016: US$142,000) during the first half of 2017. Yangzhou Yuanyang International Ports Co., Ltd. ("Yangzhou Yuanyang Terminal") recorded a 5.6% growth in its container throughput in the first half of 2017 compared with the corresponding period last year, with throughput of bulk cargo also growing 21.3% compared with the corresponding period last year. Yangzhou Yuanyang Terminal reduced its loss to US$428,000 during the first half of 2017 (1H2016: a loss of US$3,417,000). Jinzhou New Age Container Terminal Co., Ltd. ("Jinzhou New Age Terminal") recorded a strong performance and achieved a turnaround from loss to profit, whose throughput in the first half of 2017 delivered a significant increase of 68.2% compared with the corresponding period last year, recording a profit of US$1,145,000 (1H2016: a loss of US$151,000).

In respect of non-controlling terminals, profit from non-controlling terminals for the first half of 2017 was US$98,111,000 (1H2016: US$101,846,000), a 3.7% decrease compared with the corresponding period last year. In May 2017, COSCO SHIPPING Ports completed the subscription of shares in QPI, and started to accounted for its share of profit of QPI using the equity method from the same month, which amounted to US$13,341,000 during the period. A profit of Qingdao Qianwan Terminal in the amount of US$25,412,000 was included into the corresponding period last year. Since Qingdao Qianwan Terminal had been classified as an asset held for sale in January 2017, no share of profit of Qingdao Qianwan Terminal was included into the first half of 2017. Excluding the share of profit of QPI during the period and the share of profit of Qingdao Qianwan Terminal for the corresponding period last year, profit from non-controlling terminals for the first half of 2017 was US$84,770,000 (1H2016: US$76,434,000), a 10.9% increase compared with the corresponding period last year.

## Financial Analysis

### Revenues

Excluding the discontinued container leasing, management and sale businesses for the corresponding period last year, revenues of the Group for the first half of 2017 amounted to US$275,776,000 (1H2016: US$274,983,000), a 0.3% increase compared with the corresponding period last year. During the period, while the throughput of Piraeus Terminal increased 3.8% to 1,753,692 TEU (1H2016: 1,688,892 TEU), its revenue, however, decreased by 4.1% to US$85,107,000 compared with the corresponding period last year (1H2016: US$88,742,000), due to a decrease in the handling volume of local import and export loaded containers with higher charges compared with the corresponding period last year. Guangzhou South China Oceangate Terminal recorded a throughput of 2,475,334 TEU for the first half of 2017 (1H2016: 2,318,848 TEU), increasing 6.7% compared with the corresponding period last year, however, under impact arising from the depreciation of RMB exchange rate, Guangzhou South China Oceangate Terminal recorded a revenue of US$75,298,000 (1H2016: US$76,966,000), decreasing 2.2% compared with the corresponding period last year. On the other hand, Xiamen Ocean Gate Terminal and Jinzhou New Age Terminal both recorded strong performance during the period. The OCEAN Alliance called at Xiamen Ocean Gate Terminal in April this year, which drove its container throughput to grow 20.6% compared with the corresponding period last year. At the same time, the bulk cargo throughput of Xiamen Ocean Gate Terminal increased by 54.6% compared with the corresponding period last year; with its revenue delivering an increase of 14.7% to US$25,887,000 (1H2016: US$22,565,000) compared with the corresponding period last year. Benefited from the allocation policy on national grain reserves, Jinzhou New Age Terminal also reported a significant growth of 68.2% in its container throughput, while its revenue increased to US$8,940,000 (1H2016: US$6,051,000), a 47.7% increase compared with the corresponding period 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 the first half of 2017 was US$177,248,000 (1H2016: US$167,626,000), a 5.7% increase compared with the corresponding period last year. The increase was mainly attributable to Piraeus Terminal and Xiamen Ocean Gate Terminal. Due to higher depreciation, amortisation and outsourced stevedoring expenses compared with the corresponding period last year, and the payment of fee for the use of land and shoreline of the eastern part of Pier 3 during the first half of 2017, the cost of sales of Piraeus Terminal increased to US$63,305,000 during the period (1H2016: US$58,022,000), a 9.1% increase compared with the corresponding period last year. Growths in container and bulk cargo throughputs also drove an increase of 19.7% in the cost of sales of Xiamen Ocean Gate Terminal compared with the corresponding period last year, which was US$18,098,000 (1H2016: US$15,122,000).

### Administrative expenses

Administrative expenses in the first half of 2017 were US$38,342,000 (1H2016: US$41,357,000), a 7.3% decrease compared with the corresponding period last year. The decrease was mainly attributable to declines in the professional services fee of projects and other provisions during the period as compared with the corresponding period last year.

## Other operating income/(expenses), net

Net other operating income during the period was US$2,981,000 (1H2016: US$3,887,000), which included dividend income of US$871,000 (1H2016: US$4,094,000), government subsidies of US$790,000 (1H2016: US$1,265,000), provision for goodwill impairment of US$304,000 (1H2016: nil) in respect of Xiamen Haitou Tongda Terminal Co., Ltd. arising from its disposal, and exchange loss of US$92,000 (1H2016: US$3,071,000).

## Finance costs

The Group's finance costs in the first half of 2017 were US$23,767,000 (1H2016: US$26,050,000), an 8.8% decrease compared with the corresponding period last year. The average balance of bank loans decreased to US$1,412,264,000 during the period (1H2016: US$1,494,025,000), a 5.5% decrease compared with the corresponding period 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 resulted from the reduced interest rate of loan from a non-controlling shareholder of a subsidiary. Taking into account capitalised interest, the average cost of bank borrowings in the first half of 2017, including the amortisation of transaction costs over bank loans and notes, was 3.24% (1H2016: 3.46%).

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

The Group's share of profits less losses of joint ventures and associates for the first half of 2017 amounted to US$97,545,000 (1H2016: US$98,095,000), a 0.6% decrease compared with the corresponding period last year. This included the share of profit of QPI for May and June 2017, which amounted to US$13,341,000 during the period, while the profit of Qingdao Qianwan Terminal for the period from January to June 2016, which amounted to US$25,412,000, was included into the corresponding period last year. Excluding the share of profit of QPI during the period and the profit of Qingdao Qianwan Terminal for the corresponding period last year, the Group's share of profits less losses of joint ventures and associates for the first half of 2017 amounted to US$84,204,000 (1H2016: US$72,683,000), a 15.9% increase compared with the corresponding period last year.

Profit of Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret A. Ș. ("Kumport Terminal") in Turkey for the first half of 2017 increased to US$4,285,000 (1H2016: US$547,000) from the corresponding period last year. During the year, THE Alliance and the OCEAN Alliance became new customers of Kumport Terminal and started to call since the second quarter of the year, which led to an increase in the throughput of Kumport Terminal. This, coupled with the decrease in operating costs resulted from depreciation of the Turkish Lira, drove the growth in profit. The throughput of COSCO-HIT Terminals (Hong Kong) Limited ("COSCO-HIT Terminal") and Asia Container Terminals Limited ("Asia Container Terminal") for the first half of 2017 increased to 1,694,130 TEU in total (1H2016: 1,186,343 TEU) subsequent to their co-management and operation, which took effect from 1 January 2017, a significant increase of 42.8% when compared with the corresponding period last year. Share of profit of COSCO-HIT Terminal and Asia Container Terminal increased to US$7,827,000 in total (1H2016: US$7,028,000), an 11.4% increase compared with the corresponding period last year. Profit of DPCT for the first half of 2017 amounted to US$1,466,000 (1H2016: US$377,000), a significant increase of US$1,089,000 compared with the corresponding period last year, it was mainly attributable to an increase in throughput of 21.4% to 1,486,425 TEU (1H2016: 1,224,560 TEU) when compared with the corresponding period last year, and the additional rental income of DPCT from #15 berth in the first half of 2017. DICT, another terminal located in Dalian, delivered satisfactory profit in the first half of 2017, recording a profit of US$1,569,000 during the period (1H2016: US$422,000), an increase of US$1,147,000 compared with the corresponding period last year.

During the period, the throughput of Shanghai Pudong International Container Terminals Limited ("Shanghai Pudong Terminal") delivered a growth of 10.0% when compared with the corresponding period last year, the Group's share of profit of Shanghai Pudong Terminal increased to US$11,265,000 (1H2016: US$10,245,000), a 10.0% increase compared with the corresponding period last year. However, as the 50% tax exemption for phase III and phase I of West Port of Yantian Terminal expired in 2016, income tax rate has been increased to 25% (1H2016: 12.5%) beginning from 2017. As a result, the Group's share of profit of Yantian Terminal decreased to US$20,995,000 (1H2016: US$22,173,000), a 5.3% decrease compared with the corresponding period last year.

### Income tax expenses

During the period, income tax expenses amounted to US$62,361,000 (1H2016: US$27,836,000), a 124.0% increase compared with the corresponding period last year. This included taxation related to Exceptional Items, including capital gain tax of US$39,365,000 in respect of the disposal of Qingdao Qianwan Terminal, deferred income tax of US$9,608,000 arising from the remeasurement gain of previously held interests of QPI at fair value upon further acquisition of equity interests to become an associate, as well as the reversal of dividend withholding income tax provision in the amount of US$11,970,000 made in prior years in respect of the profit retained by Qingdao Qianwan Terminal. Net taxation related to Exceptional Items totalled US$37,003,000. Excluding taxation related to Exceptional Items, income tax expenses for the first half of 2017 amounted to US$25,358,000 (1H2016: US$27,836,000), an 8.9% decrease compared with the corresponding period last year. The decrease was mainly attributable to the reduction in income tax resulted from the drop in profit recorded by Piraeus Terminal.

## Financial Position

### Cash flow

The Group's net cash generated from operating activities amounted to US$70,129,000 (1H2016: US$167,844,000) in the first half of 2017, of which included capital gain tax of US$39,365,000 in respect of the disposal of Qingdao Qianwan Terminal. In the first half of 2017, the Group borrowed bank loans of US$146,154,000 (1H2016: US$1,129,325,000) and repaid loans of US$276,705,000 (1H2016: US$938,937,000) during the period.

During the period, an amount of US$48,079,000 (1H2016: US$350,774,000) 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 in the corresponding period in 2016 was for the purchase of containers by the discontinued container leasing business, while no container was purchased in the first half of 2017. In addition, the subscription of 1,015,520,000 non-circulating domestic shares in QPI at a total consideration of RMB5,798,619,200 (equivalent to US$843,858,000, being RMB5.71 per share) was completed during the period, of which RMB3,198,650,840 (equivalent to US$465,491,000) was settled by the transfer of a 20% equity interest in Qingdao Qianwan Terminal to QPI, and the remaining RMB2,599,968,360 (equivalent to US$378,367,000) was settled in cash. Furthermore, the acquisition of 40% equity interest in APM Terminals Vado Holding B.V. ("Vado Holding") was completed in the first half of 2017, in connection with which an amount of US$7,465,000 was invested, and an additional shareholders' loan of US$26,191,000 was provided to Vado Holding.

The Company completed its acquisition of all the issued shares in CSPD and the consideration of US$1,161,963,000 was paid in the corresponding period last year. Meanwhile, the Company also completed the disposal of all the issued shares in FCHL in the first half of 2016, for which it received a disposal consideration of US$1,508,725,000 during the period, including the consideration for the assignment of the FCHL shareholder's loans in the aggregate sum of US$285,000,000.

## Financing and credit facilities

As at 30 June 2017, the Group's total outstanding borrowings amounted to US$1,419,507,000 (31 December 2016: US$1,502,991,000) and cash balance amounted to US$332,896,000 (31 December 2016: US$837,100,000). Banking facilities available but unused amounted to US$594,986,000 (31 December 2016: US$266,874,000).

## Assets and liabilities

As at 30 June 2017, the Group's total assets and total liabilities were US$7,458,251,000 (31 December 2016: US$6,786,456,000) and US$2,044,151,000 (31 December 2016: US$2,020,652,000) respectively. Net assets were US$5,414,100,000, representing a 13.6% increase as compared with that of US$4,765,804,000 as at 31 December 2016. Net current liabilities as at 30 June 2017 amounted to US$133,159,000 (31 December 2016: net current assets of US$159,565,000). As at 30 June 2017, the net asset value per share of the Company was US$1.80 (31 December 2016: US$1.58).

As at 30 June 2017, the net debt-to-total-equity ratio was 20.1% (31 December 2016: 14.0%). Excluding the discontinued operation for the corresponding period last year, the interest coverage as at 30 June 2017 was 20.6 times (1H2016: 6.7 times).

As at 30 June 2017, certain other property, plant and equipment of the Group with an aggregate net book value of US$106,423,000 (31 December 2016: US$103,928,000) and the Company's interest in a subsidiary were pledged as securities against bank loans and a loan from the CS Finance with an aggregate amount of US$374,217,000 (31 December 2016: US$350,506,000).

## Debt analysis

| | As at 30 June 2017 | | As at 31 December 2016 | |
|---|---|---|---|---|
| | US$ | (%) | US$ | (%) |
| **By repayment term** | | | | |
| Within the first year | **217,534,000** | **15.3** | 431,585,000 | 28.7 |
| Within the second year | **28,771,000** | **2.0** | 37,565,000 | 2.5 |
| Within the third year | **30,490,000** | **2.1** | 46,272,000 | 3.1 |
| Within the fourth year | **205,126,000** | **14.5** | 220,309,000 | 14.7 |
| Within the fifth year and after | **937,586,000** | **66.1** | 767,260,000 | 51.0 |
| | **1,419,507,000*** | **100.0** | 1,502,991,000* | 100.0 |
| **By category** | | | | |
| Secured borrowings | **374,217,000** | **26.4** | 350,506,000 | 23.3 |
| Unsecured borrowings | **1,045,290,000** | **73.6** | 1,152,485,000 | 76.7 |
| | **1,419,507,000*** | **100.0** | 1,502,991,000* | 100.0 |
| **By denominated currency** | | | | |
| US dollar borrowings | **562,536,000** | **39.6** | 633,479,000 | 42.1 |
| RMB borrowings | **372,344,000** | **26.3** | 422,359,000 | 28.1 |
| Euro borrowings | **484,627,000** | **34.1** | 447,153,000 | 29.8 |
| | **1,419,507,000*** | **100.0** | 1,502,991,000* | 100.0 |

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

## Financial guarantee contracts

As at 30 June 2017, CSTD, a wholly-owned subsidiary of the Company, provided guarantees on loan facilities granted to a joint venture of US$11,733,000 (31 December 2016: US$9,110,000).

## 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, revenues 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 30 June 2017, 27.4% (31 December 2016: 27.2%) 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 4 August 2017, CP Dalian, CSPD and CSTD, all being wholly-owned subsidiaries of the Company, entered into a merger agreement with DPCD, Singapore Dalian Port, PSA China, Nippon Yusen, DCT, DPCT and DICT in relation to the merger of DCT, DPCT and DICT. Upon completion of the Merger, DCT as the surviving entity would assume all assets, businesses, credits and debts of DPCT and DICT, and DPCT and DICT would be deregistered. The Group would hold 19% equity interests in DCT as an associate after completion of the Merger.

# Operations Review

The global economy remained stable in the first half of 2017 with a noticeable recovery in the shipping and port industry. According to the International Monetary Fund, global trade volume in 2017 is estimated to grow at 4.0%, an increase of 1.7 percentage points compared with 2016. Buoyed by increasing international trade, China's foreign trade also continued to improve in the first half of the year. According to China Customs, the country's total imports and exports (in RMB) in the first half of 2017 recorded a growth of 19.6% compared with last year, with imports and exports increasing 25.7% and 15.0% respectively. According to the statistics released by China Container Industry Association, as of June 2017, the throughput of container terminals in China increased 8.8% to approximately 115,000,000 TEU, which was 6.3 percentage points higher than the 2.5% recorded in the same period in 2016.

The rise in international trade, the official operation of the OCEAN Alliance and THE Alliance in April 2017, as well as the launch of mega-vessels, all increased calls at hub ports, and enabled the Group to achieve encouraging results in container terminals business.

Total throughput of the Group's container terminals increased by 11.8% to 41,780,867 TEU for the six months ended 30 June 2017 (1H2016: 37,358,210 TEU); of which about 19.3% (1H2016: 21.1%) or 8,046,468 TEU (1H2016: 7,880,362 TEU) were handled by the Group's subsidiaries; and the remaining 80.7% (1H2016: 78.9%) or 33,734,399 TEU (1H2016: 29,477,848 TEU) were handled by the Group's non-controlling terminals.

Total equity throughput rose by 8.5% to 14,133,596 TEU (1H2016: 13,022,747 TEU) in the first half of 2017; of which 36.2% (1H2016: 38.3%) or 5,122,437 TEU (1H2016: 4,986,632 TEU) were handled by the Group's subsidiaries, and the remaining 63.8% (1H2016: 61.7%) or 9,011,159 TEU (1H2016: 8,036,115 TEU) were handled by the Group's non-controlling terminals.

## Greater China

The throughput of the Greater China region accounted for 78.7% (1H2016: 83.0%) of the Group's total throughput in the first half of 2017, an increase of 6.1% to 32,899,925 TEU compared 31,006,607 TEU in the same period of last year. The throughput in Mainland China (excluding Hong Kong and Taiwan) increased by 4.8% to 30,379,599 TEU (1H2016: 28,986,121 TEU) and accounted for 72.7% of the Group's total throughput.

Aiming at enhancing its overall competitiveness, the Group has adopted three core strategies (1) developing a global terminal portfolio — Globalisation; (2) fully exploiting the synergies with the container fleet of parent company i.e. China COSCO Shipping Corporation Limited ("COSCO SHIPPING") and the OCEAN Alliance — Synergies; and (3) strengthening control and management of the ports and terminals business — Control. To further optimise the value of its terminal portfolio in the Greater China region and enhance its management and operational efficiencies, in May 2017, the Group completed the subscription of 1,015,520,000 non-circulating domestic shares in QPI and transferred 20% equity interests in Qingdao Qianwan Terminal; as such the Group's total throughput included that of QPI since then. Upon completion of the transaction, the Group holds 18.41% equity interests in QPI, and enjoys the development potential of the whole port.

Investing in the entire port area is a major strategic deployment of the Group in the Greater China region; it not only enables the Group to enhance operating efficiency by concentrating its resources in domestic ports but also conforms to the government's reform and restructure trend to promote healthy competitions among ports and enhance synergies, so as to unlock hidden values.

### *Bohai Rim*

The throughput of the Bohai Rim region, excluding QPI and Qingdao Qianwan Terminal, reached 7,629,840 TEU for the six months ended 30 June 2017 (1H2016: 7,431,916 TEU), an increase of 2.7% and accounted for 18.2% (1H2016: 19.9%) of the Group's total. The throughput of QPI in May and June 2017 totalled at 3,050,000 TEU. With the launch of "Samsung Route" and "Liaoning-Mongolia-Europe" cross-border trains in 2016, Dalian Port continued to achieve promising growth in throughput. The total throughput of DPCT, DICT and Dalian Dagang China Shipping Container Terminal Co., Ltd. increased by 8.8% to 3,149,059 TEU (1H2016: 2,893,642 TEU), which was mainly driven by the adding of shipping routes in DPCT and the increased frequency of ship calls during the first half. Impacted by the adjustment of shipping routes in the Port of Yingkou, total throughput of Yingkou Container Terminals Company Limited and Yingkou New Century Container Terminal Co., Ltd. dropped by 15.0% to 1,490,051 TEU (1H2016: 1,752,103 TEU).

### *Yangtze River Delta*

The throughput of the Yangtze River Delta region accounted for 23.3% (1H2016: 24.9%) of the Group's total and amounted to 9,759,389 TEU (1H2016: 9,306,485 TEU) for the first half of 2017, an increase of 4.9% from last year. Benefited from the adding of shipping routes and the increased frequency of ship calls during the first half, the throughput of Shanghai Pudong Terminal and Shanghai Mingdong Container Terminals Limited increased by 10.0% and 12.8% respectively from last year. The calls by the new alliance enabled Ningbo Yuan Dong Terminals Limited to lift its throughput by 21.1% to 1,514,177 TEU (1H2016: 1,249,861 TEU).

### *Southeast Coast*

The throughput of the Southeast Coast region increased by 10.1% to 2,328,929 TEU for the six months (1H2016: 2,114,601 TEU) and accounted for 5.6% (1H2016: 5.7%) of the Group's total. With the increased calls by the OCEAN Alliance, the throughput of Xiamen Ocean Gate Terminal grew by 20.6% to 635,396 TEU (1H2016: 526,717 TEU). Jinjiang Pacific Ports Development Co. Ltd. recorded a growth of 56.1% in throughput to 224,314 TEU for the period (1H2016: 143,732 TEU).

### *Pearl River Delta*

The throughput of the Pearl River Delta region was 12,570,422 TEU (1H2016: 11,622,980 TEU) and made up 30.1% (1H2016: 31.1%) of the Group's total, an increase of 8.2%. The recovery of international trade and the increase in calls by shipping alliances enabled Yantian Terminal to achieve a satisfactory performance for the six months. The co-management of COSCO-HIT Terminal and Asia Container Terminal which was effective from 1 January 2017 served as an additional growth momentum to the terminals leading to a surge in the throughput of the two terminals by 42.8% to 1,694,130 TEU for the period (1H2016: 1,186,343 TEU).

### *Southwest Coast*

The throughput of the Southwest Coast region increased by 15.2% to 611,345 TEU (1H2016: 530,625 TEU) and made up 1.5% (1H2016: 1.4%) of the Group's total for the six months. Benefitted from the continuous growth of local demand, throughput growth of Qinzhou International Container Terminal Co., Ltd. in local trades accelerated.

## Overseas

The overseas terminals increased total throughput by 39.8% to 8,880,942 TEU for the six months ended 30 June 2017 (1H2016: 6,351,603 TEU) and accounted for 21.3% (1H2016: 17.0%) of the Group's total. The growth was mainly attributed to the inclusion of the throughput of Euromax Terminal Rotterdam B.V. ("Euromax Terminal") in Rotterdam to the Group since 1 October 2016, which totalled at 1,349,893 TEU for the six months. Excluding the throughput of Reefer Terminal S.p.A. ("Vado Reefer Terminal") which the Group started to include since 1 April 2017 and Euromax Terminal, total throughput from the Group's overseas terminals grew by 18.4% to 7,517,289 TEU for the period.

Development of Piraeus Terminal in Greece remained stable in the first half of 2017 and achieved a 3.8% growth in throughput to 1,753,692 TEU (1H2016: 1,688,892 TEU). With the kick off of the OCEAN Alliance and THE Alliance in April 2017, a number of Asia-Mediterranean and Europe-Asian routes started to call at Piraeus Terminal since May, it is expected that the throughput of the terminal in the second half of 2017 would better reflect the benefits from the calls of alliances.

The phase I of western part of Pier 3 of Piraeus Terminal has commenced operations in August 2016, which added an annual handling capacity of 1,200,000 TEU and reaches 5,500,000 TEU per year, the operation scale and the competitiveness of the terminal were thus further enhanced. However, it also increased the depreciation and other operating costs of the terminal as a result. The Group will reinforce cost control policies at the terminal and augment the synergies with the container fleet of its parent company COSCO SHIPPING and the OCEAN Alliance, so as to strengthen the profitability of the Group.

The Group is progressing towards its five-year plan by following the three strategies adopted. The Group has signed a sale and purchase agreement in relation to the acquisition of 51% stake in Noatum Port Holdings, S.L.U. in Spain, which is expected to be completed in the second half of the year, adheres to the Group's three core strategies of "Globalisation", "Synergies" and "Control". The acquisition will help further extend the Group's overseas reach, broaden the Group's terminal network in the Mediterranean and Europe, enable the Group to establish a global strategic focal point and to build a better and well-rounded terminal network to serve shipping alliances with better and extended services, and hub ports with sufficient servicing capability for mega-vessels. Most importantly, it is a project in which the Group has a controlling stake after its investment in the Khalifa Port in Abu Dhabi in September 2016; the Group will bring the successful controlling experience at Piraeus Terminal in Greece to Noatum, and unleash the development potentials of the two projects. It is expected that the two projects are poised to have full supports from the container fleet of COSCO SHIPPING and the OCEAN Alliance, which conforms to the Group's strategies adopted.

Throughput of the Group for the six months ended 30 June 2017, was set out below:

## Throughput

| | **1H2017 (TEU)** | 1H2016 (TEU) | Change (%) |
|---|---|---|---|
| **Bohai Rim** Note 1 | **7,629,840** | 7,431,916 | +2.7 |
| Dalian Port Container Terminal Co., Ltd. | **1,486,425** | 1,224,560 | +21.4 |
| Dalian International Container Terminal Co., Ltd. | **1,651,222** | 1,660,940 | –0.6 |
| Dalian Dagang China Shipping Container Terminal Co., Ltd. | **11,412** | 8,142 | +40.2 |
| Tianjin Port Euroasia International Container Terminal Co., Ltd. | **1,200,277** | 1,126,353 | +6.6 |
| Tianjin Five Continents International Container Terminal Co., Ltd. | **1,242,989** | 1,259,996 | –1.3 |
| Yingkou Container Terminals Company Limited | **686,023** | 813,066 | –15.6 |
| Yingkou New Century Container Terminal Co., Ltd. | **804,028** | 939,037 | –14.4 |
| Jinzhou New Age Container Terminal Co., Ltd. | **272,322** | 161,893 | +68.2 |
| Qinhuangdao Port New Harbour Container Terminal Co., Ltd. | **275,142** | 237,929 | +15.6 |
| | | | |
| Qingdao Qianwan Container Terminal Co., Ltd. | **N/A** | 8,669,195 | N/A |
| Qingdao Port International Co., Ltd. Note 2 | **3,050,000** | N/A | N/A |
| | | | |
| **Yangtze River Delta** | **9,759,389** | 9,306,485 | +4.9 |
| Shanghai Pudong International Container Terminals Limited | **1,307,446** | 1,188,349 | +10.0 |
| Shanghai Mingdong Container Terminals Limited | **3,227,794** | 2,861,909 | +12.8 |
| Ningbo Yuan Dong Terminals Limited | **1,514,177** | 1,249,861 | +21.1 |
| Lianyungang New Oriental International Terminals Co., Ltd. | **1,450,990** | 1,871,864 | –22.5 |
| Zhangjiagang Win Hanverky Container Terminal Co., Ltd. | **350,309** | 330,082 | +6.1 |
| Yangzhou Yuanyang International Ports Co., Ltd. | **241,087** | 228,325 | +5.6 |
| Nanjing Port Longtan Container Co., Ltd. | **1,423,791** | 1,339,896 | +6.3 |
| Taicang International Container Terminal Co., Ltd. | **243,795** | 236,199 | +3.2 |
| | | | |
| **Southeast Coast and others** | **2,328,929** | 2,114,601 | +10.1 |
| Xiamen Ocean Gate Container Terminal Co., Ltd. | **635,396** | 526,717 | +20.6 |
| Quan Zhou Pacific Container Terminal Co., Ltd. | **643,023** | 610,009 | +5.4 |
| Jinjiang Pacific Ports Development Co., Ltd. | **224,314** | 143,732 | +56.1 |
| Kao Ming Container Terminal Corp. | **826,196** | 834,143 | –1.0 |

Note 1: Excluded throughput of Qingdao Qianwan Terminal and QPI.

Note 2: The throughput of QPI was included since 1 May 2017.

| | 1H2017 (TEU) | 1H2016 (TEU) | Change (%) |
|---|---|---|---|
| **Pearl River Delta** | **12,570,422** | 11,622,980 | +8.2 |
| Yantian International Container Terminals Co., Ltd. | **5,707,990** | 5,466,102 | +4.4 |
| Nansha Stevedoring Corporation Limited of Port of Guangzhou | **2,692,968** | 2,651,687 | +1.6 |
| Guangzhou South China Oceangate Container Terminal Company Limited | **2,475,334** | 2,318,848 | +6.7 |
| COSCO-HIT Terminals (Hong Kong) Limited | **932,599** | 673,000 | +38.6 |
| Asia Container Terminals Limited | **761,531** | 513,343 | +48.3 |
| **Southwest Coast** | **611,345** | 530,625 | +15.2 |
| Qinzhou International Container Terminal Co., Ltd. | **611,345** | 530,625 | +15.2 |
| **Overseas** | **8,880,942** | 6,351,603 | +39.8 |
| Piraeus Container Terminal S.A. | **1,753,692** | 1,688,892 | +3.8 |
| Suez Canal Container Terminal S.A.E. | **1,357,298** | 1,245,296 | +9.0 |
| Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret A. Ș. | **413,288** | 366,992 | +12.6 |
| Antwerp Gateway NV | **1,034,915** | 1,019,054 | +1.6 |
| APM Terminals Zeebrugge NV | **149,401** | 177,016 | –15.6 |
| COSCO-PSA Terminal Private Limited | **975,675** | 870,926 | +12.0 |
| Busan Port Terminal Co., Ltd. [Note 3] | **1,744,847** | 930,080 | +87.6 |
| SSA Terminals (Seattle), LLC | **88,173** | 53,347 | +65.3 |
| Euromax Terminal Rotterdam B.V. [Note 4] | **1,349,893** | N/A | N/A |
| Reefer Terminal S.p.A. [Note 5] | **13,760** | N/A | N/A |
| **Total** [Note 6] | **41,780,867** | 37,358,210 | +11.8 |

Note 3: Busan Port Terminal Co., Ltd. ("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% equity interest in Busan Terminal.

Note 4: The throughput of Euromax Terminal was included since 1 October 2016.

Note 5: The throughput of Vado Reefer Terminal was included since 1 April 2017.

Note 6: Total throughput for 1H2017 would be 44,830,867 TEU if the throughput of QPI in May and June 2017 were added and total throughput for 1H2016 would be 46,027,405 TEU if the throughput of Qingdao Qianwan Terminal were added.

Note 7: The total throughput of bulk cargo for the six months ended 30 June 2017 was 41,595,654 tons (1H2016: 41,423,079 tons), an increase of 0.4%. The throughput of Dalian Automobile Terminal Co., Ltd. was 310,615 vehicles (1H2016: 228,688 vehicles), an increase of 35.8%. The throughput of bulk cargo of QPI in May and June 2017 was 45,760,000 tons.

## 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 "Scheme") and the termination of the share option scheme adopted by the shareholders of the Company on 30 November 1994. The Scheme was expired on 22 May 2013. No further options shall thereafter be granted under the Scheme but in respects of the outstanding options granted, the provisions of the Scheme shall remain in full force and effect. All share options granted under the Scheme were lapsed during the period and there were no outstanding share options under the Scheme as at 30 June 2017.

Movements of the options, which were granted under the Scheme, during the period are set out below:

| | | Number of share options | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Category** | **Exercise price HK$** | **Outstanding at 1 January 2017** | **Granted during the period** | **Exercised during the period** | **Transfer (to)/from other categories during the period** | **Lapsed during the period** | **Outstanding at 30 June 2017** | **Exercisable period** | **Note** |
| **Director** | | | | | | | | | |
| Dr. WONG Tin Yau, Kelvin | 19.30 | 500,000 | – | – | – | (500,000) | – | 18.4.2007–17.4.2017 | (1), (2) |
| | | 500,000 | – | – | – | (500,000) | – | | |
| **Continuous contract employees** | 19.30 | 8,310,000 | – | – | – | (8,310,000) | – | (refer to note 1) | (1) |
| **Others** | 19.30 | 1,130,000 | – | – | – | (1,130,000) | – | (refer to note 1) | (1) |
| | | 9,440,000 | – | – | – | (9,440,000) | – | | |
| | | 9,940,000 | – | – | – | (9,940,000) | – | | |

Notes:

(1) The share options were granted during the period from 17 April 2007 to 19 April 2007 under the Scheme at an exercise price of HK$19.30. The options were 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 Scheme (the "Commencement Date"). The Commencement Date of the options was from 17 April 2007 to 19 April 2007.

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

(3) No share options were granted, exercised or cancelled under the Scheme during the period.

## DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, 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 of Hong Kong Limited (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 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 period are set out below:

| Name of associated corporation | Name of director | Capacity | Nature of interest | Exercise price HK$ | Number of units of share appreciation rights: Outstanding at 1 January 2017 | Granted during the period | Exercised during the period | Lapsed during the period | Outstanding at 30 June 2017 |
|---|---|---|---|---|---|---|---|---|---|
| COSCO SHIPPING Holdings Co., Ltd. | Mr. ZHANG Wei (張為) | Beneficial owner | Personal | 9.540 | 75,000 | – | – | (75,000) | – |
| | Mr. DENG Huangjun | Beneficial owner | Personal | 9.540 | 260,000 | – | – | (260,000) | – |
| | Mr. FENG Boming | Beneficial owner | Personal | 9.540 | 35,000 | – | – | (35,000) | – |
| | Mr. ZHANG Wei (張煒) | Beneficial owner | Personal | 9.540 | 50,000 | – | – | (50,000) | – |
| | Mr. WANG Haimin | Beneficial owner | Personal | 9.540 | 75,000 | – | – | (75,000) | – |

Note: The share appreciation rights were granted by COSCO SHIPPING Holdings Co., Ltd. ("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 4 June 2007 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$9.540 per unit at any time between 4 June 2009 and 3 June 2017. All share appreciation rights under the Plan were lapsed during the period.

Save as disclosed above, as at 30 June 2017, 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.

## 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 30 June 2017, 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 30 June 2017 | | | |
|---|---|---|---|---|---|---|
| **Name** | **Capacity** | **Nature of interests** | **Long positions** | **%** | **Short positions** | **%** |
| COSCO Investments Limited (Note) | Beneficial owner | Beneficial interest | 213,989,277 | 7.10 | – | – |
| China COSCO (Hong Kong) Limited (Note) | Beneficial owner and interest of controlled corporation | Beneficial interest and corporate interest | 1,366,459,469 | 46.06 | – | – |
| COSCO SHIPPING Holdings Co., Ltd. (Note) | Interest of controlled corporation | Corporate interest | 1,366,459,469 | 46.06 | – | – |
| China Ocean Shipping (Group) Company (Note) | Interest of controlled corporation | Corporate interest | 1,366,459,469 | 46.06 | – | – |
| China COSCO Shipping Corporation Limited (Note) | Interest of controlled corporation | Corporate interest | 1,366,459,469 | 46.06 | – | – |
| Silchester International Investors 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. China Ocean Shipping (Group) Company ("COSCO") held 45.47% equity interest in COSCO SHIPPING Holdings as at 30 June 2017, 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 China COSCO Shipping Corporation Limited ("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 30 June 2017 because of the allotment of 24,300,597 scrip shares and the acquisition of 18,301,543 shares of the Company.

Save as disclosed above, as at 30 June 2017, 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.

## CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in directors' biographical details since the date of the 2016 annual report of the Company and up to the date of this report, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

| Name of director | Details of changes |
|---|---|
| Mr. ZHANG Wei (張為) | • Resigned as a director of COSCO SHIPPING Lines Co., Ltd.<br>• Appointed as a non-executive director of Qingdao Port International Co., Ltd., a company listed on the Stock Exchange |
| Dr. FAN HSU Lai Tai, Rita | • Retired as an independent non-executive director of COSCO SHIPPING Holdings Co., Ltd., a company listed on the Stock Exchange and the Shanghai Stock Exchange and a controlling shareholder of the Company<br>• Retired as an independent non-executive director of China Shenhua Energy Company Limited, a company listed on the Stock Exchange and the Shanghai Stock Exchange |
| Mr. Adrian David LI Man Kiu | • Appointed as a board member of The Community Chest of Hong Kong |
| Mr. LAM Yiu Kin | • Resigned as an independent non-executive director of Mason Financial Holdings Limited (now known as Mason Group Holdings Limited), a company listed on the Stock Exchange<br>• Appointed as an independent non-executive director of CITIC Telecom International Holdings Limited, a company listed on the Stock Exchange |

Save as disclosed above, there is no other changes in the directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## 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 30 June 2017 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

| | **US$'000** |
|---|---|
| Non-current assets | 1,429,589 |
| Current assets | 340,215 |
| Current liabilities | (69,447) |
| Non-current liabilities | (1,117,481) |
| Net assets | 582,876 |
| Share capital | 108,990 |
| Reserves | 429,624 |
| Non-controlling interest | 44,262 |
| Capital and reserves | 582,876 |

As at 30 June 2017, the Group's attributable interests in these affiliated companies amounted to US$511,182,000.

## CORPORATE GOVERNANCE

The Company continues to maintain high standards of corporate governance so as to promote transparency and ensure better protection of shareholders' interest as a whole. The Company has fully complied with the code provisions of Corporate Governance Code set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2017.

## BOARD COMMITTEES

### Audit Committee

The Audit Committee of the Company comprises three independent non-executive directors. The Audit Committee has reviewed, in the presence of the internal and external auditors, the Group's principal accounting policies and the unaudited condensed consolidated interim financial information for the six months ended 30 June 2017.

### Remuneration Committee

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

### Nomination Committee

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

### Other Board Committees

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the Company's code of conduct and rules governing dealings by all directors in the securities of the Company. Having made specific enquiry of all directors of the Company, they all confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2017.

## PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares during the six months ended 30 June 2017.

## INVESTOR RELATIONS

The Company has always regarded investor relations as an important aspect of corporate governance and has been seeking to heighten the level of corporate information disclosure continuously to make available to the market the development strategies and the latest business conditions of the Company. During the period, the Company participated in investor conferences organised by investment banks and conducted roadshows. The Company met with a total of 96 investors, analysts and media representatives through press conferences, analyst seminars and one-on-one and group meetings.

In the first half of 2017, with its high level of corporate governance, the Company has won the "Outstanding China Enterprise Award" from Capital magazine for the sixth consecutive year and the "Best Investor Relations Company" from Corporate Governance Asia magazine for the sixth consecutive year. In the beginning of 2017, the Hong Kong Institute of Directors published in its report on the HKIoD Corporate Governance Score-card 2016, COSCO SHIPPING Ports, as a constituent of the Hang Seng China-Affiliated Corporations Index and with its outstanding level of corporate governance, was honored as one of the ten companies with the highest CGI scores, of which the Company was the only listed company in shipping and port sector.

# CORPORATE SUSTAINABLE DEVELOPMENT

## Environmental Protection

The Group supports measures and policies which protect and improve the environment. While carrying out its business activities, it does its best to minimise the impacts that business activities might bring on the environment.

With reference to its actual operational needs, COSCO SHIPPING Ports has been focusing on reducing nitrogen oxides emission in carbon dioxide, organising thematic activities to promote low-carbon transportation, as well as strictly complying with laws and regulations in relation to energy saving and environmental protection, the aim of which is to build green ports through enhanced efforts in energy saving and emission reduction. Striving to fulfil the social responsibilities, COSCO SHIPPING Ports has been continuously reducing its unit comprehensive energy consumption through a wide range of measures to save energy and reduce emission. These measures include, among others, substituting fuel-powered equipment with electricity-powered equipment, promoting the use of LED lighting to save energy and reduce consumption, promoting electrification of equipment at terminals and ports, studying the construction of intelligent automated container terminals, as well as introducing pilot intelligent lighting control system for gantry cranes and the new-type air hybrid power drop deck semi-trailer.

Further still, guided by the principle of safeguarding comprehensive benefits for the enterprise and the society, and with a focus on utilising the synergies among strategic partners, COSCO SHIPPING Ports proactively implements strategies to achieve sustainable development, with a view to establishing a world leading supply chain ecosystem that promotes sustainability. In connection of which, taking social factors into consideration, the Group is committed to extensively selecting qualified suppliers through a global perspective and upholding procurement policies that facilitate corporate and social development; taking environmental, health and safety factors into consideration, not only does the Group expect certain levels of environmental, health and safety commitments from its suppliers, it also actively promotes related procurement procedures to help save energy and reduce emission; and taking factors related to equality criteria into consideration, the Group adopts a procurement principle centred on equality, mutual benefit and collaboration when engaging suppliers that meet its procurement demands, setting out to form partnerships within the supply chain.

## Caring for the Community

As a responsible corporate citizen, COSCO SHIPPING Ports continuously organises charity events at the community level. In mid-2017, the Group joined the COSCO SHIPPING Charity Foundation to organise poverty-relief activities, with a view to contributing to a variety of local projects, including road construction, educational support and ecological environment protection. As the first large container terminal company wholly-owned by a Chinese enterprise in Europe, Piraeus Terminal, in Greece, actively shares joys and responsibilities with the local community. Piraeus Terminal continues to create stable and long-term employment opportunities in Greece, which demonstrates its commitment to sustainable development and making itself a green terminal.

## Employee-oriented Philosophy

As of 30 June 2017, the Group had a total of 3,314 employees.

The employee-oriented philosophy has long been an integral part of the Group's corporate values. Employees are regarded as the Group's most valuable asset and its vision is to build a team of dedicated staff who pursue excellence. The expansion of the Group's businesses has provided valuable and sustainable career development opportunities for its employees. The Group has arranged a wide range of training programmes to enhance the management skills and professionalism of its staff. The Group also focuses on improving its incentive mechanism, optimising the employee performance appraisal system and implementing an internal job rotation system, with the aim of strengthening talent nurture and further exerting the potential of employees.

The Group highly values the principle of "safe production and steady development" and spares no effort in fulfilling responsibilities, improving the management system and refining workflows. Meanwhile, by ensuring the effective use of funding for safe production, the orderly implementation of each safety training and emergency drill, and the effective execution of identification and control of potential safety hazards, the Group has carried out all safety tasks effectively and ensured safe production consistently, laying a solid foundation for the safe production and sustainable development of the Group.

As the Group accelerates the implementation of its global development strategies, so has it assiduously enhanced the development of a matching globalised corporate culture. Setting "The Ports For ALL" as its core philosophy, the Group promotes cultural integration and the creation of shared values, so as to develop an open, inclusive corporate culture that inspires the pursuit of excellence, with a view to achieving the integration of corporate culture and corporate development strategy, as well as enhancing the quality of development and increasing the value of its brand.

The Group makes great efforts to establish unified values, system, visual identity and code of conduct. Meanwhile, it also explores the feasibility of enhancing its brand awareness to match its globalised positioning and strategies through the application of a number of self-operated communication platforms, including website of the Company with a global vision, and WeChat Official Accounts. During the first half of the year, the Group promoted the "One Belt, One Road" initiative at ports along its routes in collaboration with the media. Furthermore, the Group also actively promoted the benchmarking against outstanding external enterprises and organised exchange activities, encouraging its subsidiaries at home and abroad to follow the Company's example in expanding their global perspectives. The Group encourages its subsidiaries at home and abroad to engage in charities actively, so as to demonstrate the image of a highly responsible corporate brand.

## PROSPECTS

The global financial market performed well in the first half of 2017, coupled with the momentum of recovery in the manufacturing and trading industries, the International Monetary Fund expected that the global economy would record a year-on-year growth of 3.5% in 2017, up 0.4 percentage points from 2016's 3.1%.

The OCEAN Alliance, of which the container fleet of COSCO SHIPPING is a member, officially commenced its operation this April and has been gradually introducing more shipping routes to the container terminals of the Group ever since. The OCEAN Alliance jointly operates 41 shipping routes spanning across the eastward and westward routes, the Middle East and the Red Sea, with the deployment of approximately 350 container vessels in total and an overall shipping capacity of 3,500,000 TEU. It is believed that as the OCEAN Alliance enters into its full operation, it will continue to drive the Group's business growth. COSCO SHIPPING Ports will fully leverage the advantages arising from its synergies with the container fleet of COSCO SHIPPING and the OCEAN Alliance, further complete the Group's global network of container hub ports, and enhance its capability to serve shipping alliances.

The Group is working towards building a platform with mutual complementarity to maximise values for various parties, and providing shipping alliances and clients with high quality and comprehensive services.

COSCO SHIPPING Ports will continue to implement the three strategies adopted to strengthen its leading position in the Greater China region, extend its global footprint and market share, optimise its terminal portfolio and operational efficiency, and enhance its overall profitability, progressing towards its five-year plan and creating long-term values for its shareholders.

## MEMBERS OF THE BOARD

As at the date of this report, the Board comprises 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

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

Hong Kong, 29 August 2017

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

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

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