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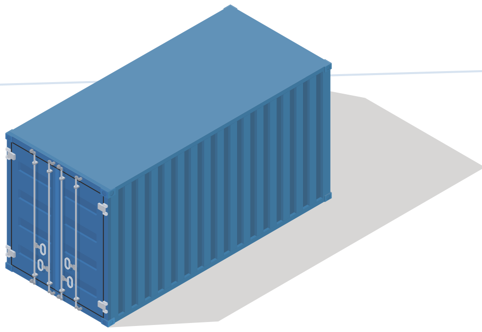
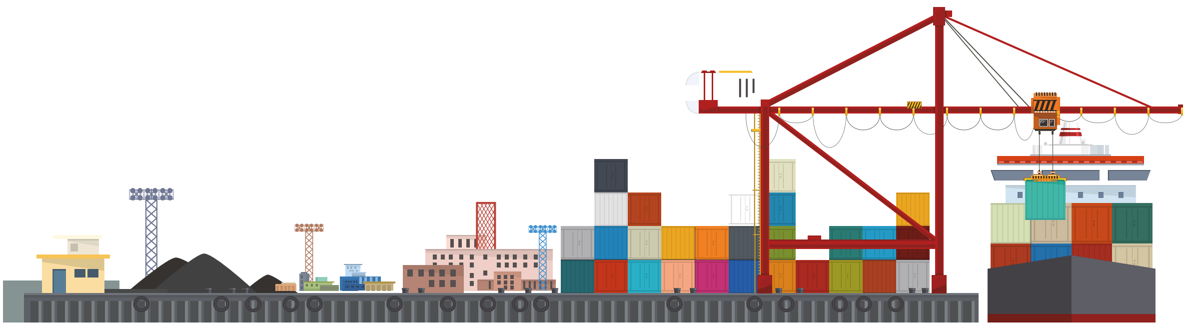
In 2017, COSCO SHIPPING Ports has been focusing on the development of terminals business. During the year, it completed the acquisition of a 51% equity interest in the NPH Group, the acquisition of additional equity interest in Zeebrugge Terminal in Belgium, which became a wholly-owned subsidiary of the Company, the acquisition of a 51% equity interest in Nantong Tonghai Terminal and a 70% equity interest in Wuhan Terminal and the integration project of Dalian Container Terminal, where Dalian Container Terminal completed the merger with Dalian Port Container Terminal Co., Ltd. ("DPCT") and Dalian International Container Terminal Co., Ltd. ("DICT") in October 2017, and COSCO SHIPPING Ports completed the strategic disposal of its equity interests in DPCT and DICT. Additionally, in 2017, the Group subscribed for the non-circulating domestic shares in QPI and disposed its shares in Qingdao Qianwan Terminal. 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 year. In 2017, the Group recorded profit after tax from one-off Exceptional Items totalling US$285,392,000. During the year, profit attributable to equity holders of the Company amounted to US$512,454,000 (2016: US$247,031,000), representing a considerable increase of 107.4% compared with 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$227,062,000 for 2017 (2016: US$180,937,000), a 25.5% increase compared with last year.



The Group has achieved a total throughput of 100,202,185 TEU in 2017, total equity throughput was 31,999,491 TEU. Excluded the throughput of QPI and Qingdao Qianwan Terminal, the Group recorded a throughput of container terminals of 87,932,185 TEU (2016: 77,572,219 TEU), a 13.4% increase compared with last year, and a throughput of bulk cargo of 80,810,524 tons (2016: 80,821,924 tons), similar to the 2016 level. The equity throughput of containers was 29,740,584 TEU (2016: 26,798,320 TEU), increased by 11.0% compared with last year. The equity throughput of bulk cargo amounted to 27,456,600 tons (2016: 27,049,465 tons), increased by 1.5% compared with last year. Excluding Exceptional Items, the Group recorded a profit from the terminals business of US$299,866,000 during 2017 (2016: US$242,898,000), a 23.4% increase compared with last year. Of this, profit from terminal companies in which the Group has controlling stakes was US$58,037,000 (2016: US$59,048,000), a 1.7% decrease compared with last year; profit from non-controlling terminals was US$241,829,000 (2016: US$183,850,000), a 31.5% increase compared with last year.

Profit from terminal companies in which the Group has controlling stakes was mainly attributable to Piraeus Terminal in Greece and Guangzhou South China Oceangate Terminal. In 2017, the throughput of Piraeus Terminal grew to 3,691,815 TEU (2016: 3,470,981 TEU), a 6.4% increase compared with last year. However, owing to the increased operational costs resulting from raised concession rates, completion of construction of the eastern part of Pier 3 of Piraeus Terminal, as well as the commencement of operation of the phase I of western part of Pier 3 of Piraeus Terminal in August 2016, which led to higher depreciation and interest expenses over last year. In 2017, profit of Piraeus Terminal amounted to US$20,000,000 (2016: US$31,357,000), a 36.2% decrease compared with last year. In 2017, the throughput of Guangzhou South China Oceangate Terminal grew to 5,056,257 TEU (2016: 4,781,665 TEU), a 5.7% increase compared with last year. During the year, with the decreased loss from currency exchange,



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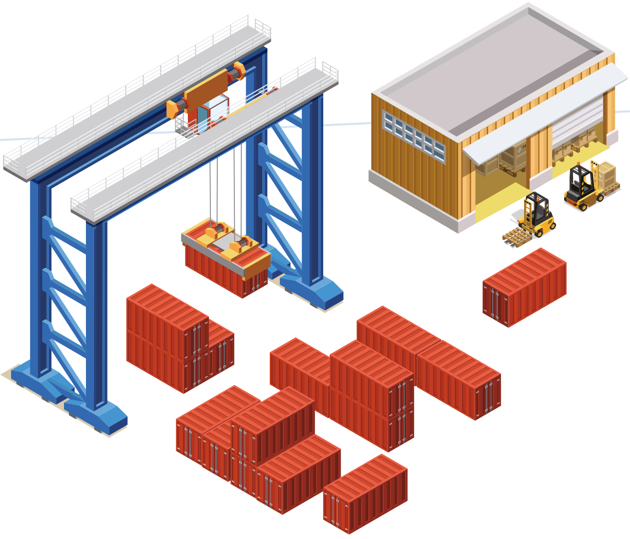

Guangzhou South China Oceangate Terminal recorded a profit of US$15,210,000 (2016: US$12,345,000), a 23.2% increase compared with last year. Xiamen Ocean Gate Terminal and Jinzhou New Age Terminal both recorded positive performance. After the OCEAN Alliance called at Xiamen Ocean Gate Terminal in April 2017, it newly added 9 shipping routes; its container throughput grew to 1,501,001 TEU (2016: 1,131,197 TEU); its bulk cargo throughput also grew to 2,417,850 tons (2016: 1,739,319 tons); it recorded a profit for 2017 of US$4,214,000 (2016: US$1,297,000), an increase of 224.9% compared with last year. In 2017, the throughput of Jinzhou New Age Terminal grew to 571,113 TEU (2016: 449,016 TEU), a 27.2% increase compared with last year; its profit also increased to US$2,547,000 (2016: US$574,000), a 343.7% increase compared with last year.

In respect of non-controlling terminals, profit from non-controlling terminals for 2017 was US$241,829,000 (2016: US$183,850,000), a 31.5% increase compared with last year. In May 2017, COSCO SHIPPING Ports completed the subscription of shares in QPI, and started to account for its share of profit of QPI using the equity method for May to December, which amounted to US$53,524,000 during the year. A profit of Qingdao Qianwan Terminal in the amount of US$48,089,000 was included into 2016. In addition, the allowances for impairment loss for Qinghuangdao Port Co., Ltd. ("Qinghuangdao Port") amounted to US$19,800,000 for 2016 (no such item in 2017). Excluding the share of profit of QPI for 2017 and the share of profit of Qingdao Qianwan Terminal and the allowances for impairment loss of Qinghuangdao Port for 2016, profit from non-controlling terminals for 2017 was US$188,305,000 (2016: US$155,561,000), a 21.0% increase compared with last year.

Financial Analysis

Revenues

Revenues of the Group for 2017 amounted to US$634,710,000 (2016: US$556,377,000), a 14.1% increase compared with last year. In 2017, the Group completed the acquisition of NPH Group and increased its equity interest in Zeebrugge Terminal, which were included in the Group's revenues since November and December 2017, respectively. In 2017, the NPH Group recorded revenue of US$44,596,000 in November and December, while the revenue for Zeebrugge Terminal in December amounted to US$1,283,000. During the year, while the throughput of Piraeus Terminal increased 6.4% to 3,691,815 TEU (2016: 3,470,981 TEU) compared with last year, the growth of its revenue, however, narrowed, due to a decrease in the handling volume of local import and export loaded containers with higher charges compared with last year. In 2017, Piraeus Terminal recorded revenue of US$183,219,000 (2016: US$176,226,000), a 4.0% increase compared with last year. Guangzhou South China Oceangate Terminal recorded a throughput of 5,056,257 TEU for 2017 (2016: 4,781,665 TEU), a 5.7% increase compared with last year, and recorded a revenue of US$151,758,000 (2016: US$151,629,000), similar to the 2016 level. Xiamen Ocean Gate Terminal and Jinzhou New Age Terminal both recorded strong performance in 2017. Compared with last year, the container and bulk cargo throughputs of Xiamen Ocean Gate Terminal grew 32.7% and 39.0% respectively, and its revenue increased 34.4% to US$63,490,000 (2016: US$47,228,000) compared with last year. Jinzhou New Age Terminal also reported a growth of 27.2% in its container throughput, while its revenue increased to US$20,644,000 (2016: US$14,886,000), a 38.7% increase compared with last year.

Cost of sales

Cost of sales mainly comprised operating expenses of the terminal companies in which the Group has controlling stakes. Cost of sales for 2017 was US$425,435,000 (2016: US$357,294,000), a 19.1% increase compared with last year. The increase was mainly attributable to the NPH Group and Zeebrugge Terminal newly added in 2017, of which cost of sales amounted to US$35,574,000 and US$1,235,000 respectively, as well as from Piraeus Terminal and Xiamen Ocean Gate Terminal. Due to higher depreciation, amortisation and outsourced stevedoring expenses compared with last year, the cost of sales of Piraeus Terminal increased to US$140,784,000 (2016: US$117,772,000), a 19.5% increase compared with last year. Growths in container and bulk cargo throughputs also drove the increase in the cost of sales of Xiamen Ocean Gate Terminal to US$43,357,000 (2016: US$32,324,000), a 34.1% increase compared with last year.

Administrative expenses

Administrative expenses in 2017 were US$114,290,000 (2016: US$84,871,000), a 34.7% increase compared with last year. The increase was mainly attributable to the increased number of projects and increases in the professional service fees and provisions in 2017 as compared with last year. In addition, the completion of the acquisition of NPH Group, the increase in equity interest in Zeebrugge Terminal, the establishment of Abu Dhabi Terminal, and the acquisition of equity interests in Nantong Tonghai Terminal and Wuhan Terminal contributed to the administrative expenses for 2017.

Other operating income/(expenses), net

Net other operating income in 2017 was US$35,218,000 (2016: net other operating expenses of US$19,572,000), which included the integrated profit before taxation of Dalian Container Terminal at US$7,301,000 and the profit before taxation of the increased equity interest in Zeebrugge Terminal at US$30,000. For 2016, it included the provision for impairment loss made for an available-for-sale financial asset (i.e. Qinhuangdao Port) of US$19,800,000 and no such provision was made in 2017. Moreover, an exchange gain of US$15,681,000 was recorded in 2017 (2016: exchange loss of US$9,097,000).

Finance costs

The Group's finance costs for 2017 was US$55,976,000 (2016: US$52,142,000) a 7.4% increase compared with last year. The average balance of bank loans increased to US$1,691,875,000 (2016: US$1,528,991,000), a 10.7% increase compared with last year. The increase in finance costs was mainly attributable to the bank loan interest of the terminals newly added by the Group in 2017. Taking into account the capitalised interest, the average cost of bank borrowings in 2017, including the amortisation of transaction costs over bank loans and notes, was 3.22% (2016: 3.37%).

Share of profits less losses of joint ventures and associates

The Group's share of profits less losses of joint ventures and associates for 2017 amounted to US$236,568,000 (2016: US$200,242,000), a 18.1% increase compared with last year. This included the share of profit of QPI for May to December 2017, which amounted to US$53,524,000, while the profit of Qingdao Qianwan Terminal for 2016, which amounted to US$48,089,000, was included in the profit for 2016. Excluding the share of profit of QPI in 2017 and the profit of Qingdao Qianwan Terminal for 2016, the Group's share of profits less losses of joint ventures and associates for 2017 amounted to US$183,044,000 (2016: US$152,153,000), a 20.3% increase compared with last year.

In 2017, the throughput of Kumport Terminal in Turkey increased to 1,063,335 TEU (2016: 665,398 TEU), a considerable increase of 59.8% compared with last year, which was mainly attributable to the increase in the throughput from the new customer, namely THE Alliance, since April 2017. This, coupled with the decrease in operating costs resulting from the depreciation of the Turkish Lira, drove the growth in profit. In 2017, the share of profit of Kumport Terminal saw a remarkable increase to US$12,673,000 (2016: US$2,432,000). In 2017, Euromax Terminal in the Netherlands achieved a turnaround from loss to profit, with its throughput increased to 2,693,337 TEU (2016: 653,808 TEU) and the share of its profit increased to US$2,752,000 (2016: a loss of US$266,000). COSCO-HIT Terminal, Asia Container Terminal and Hongkong International Terminal, a subsidiary of Hutchison Port Holdings Trust, commenced their co-management and operation on 1 January 2017. Subsequently, the combined throughput of COSCO-HIT Terminal and Asia Container Terminal for 2017 grew to 3,488,895 TEU (2016: 2,432,750 TEU), a 43.4% increase compared with last year. Share of profit of COSCO-HIT Terminal and Asia Container Terminal increased to US$15,133,000 in total (2016: US$13,161,000), a 15.0% increase compared with last

year. Profit of DPCT for 2017 amounted to US$2,595,000 (2016: US$1,321,000), a 96.4% increase compared with last year, which was mainly attributable to the additional rental income of DPCT from #15 berth in 2017, which drove growth in the overall profit of DPCT. DICT, another terminal located in Dalian, delivered satisfactory profit in 2017, recorded a profit of US$2,102,000 in the year (2016: US$1,239,000), a 69.7% increase compared with last year. In 2017, the throughput of Shanghai Pudong Terminal delivered a growth of 3.7% compared with last year, while the share of the profit of Shanghai Pudong Terminal increased to US$22,949,000 (2016: US$20,607,000), a 11.4% increase compared with last year. The throughput of Ningbo Yuan Dong Terminal for 2017 amounted to 2,980,839 TEU (2016: 2,536,182 TEU), a 17.5% increase compared with last year; the share of the profit of Ningbo Yuan Dong Terminal increased to US$9,001,000 (2016: US$7,459,000), a 20.7% increase compared with last year.

Income tax expenses

Income tax expenses amounted to US$94,709,000 (2016: US$48,170,000), a 96.6% increase compared with 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. In addition, the income tax expenses for 2017 also include the deferred income tax of US$2,757,000 generated by the integration of Dalian Container Terminal. Excluding taxation related to Exceptional Items and the deferred income tax generated by the integration of Dalian Container Terminal, income tax expenses for 2017 amounted to US$54,949,000 (2016: US$48,170,000), a 14.1% increase compared with the last year.

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Cash flow

In 2017, the Group continued to receive steady cash flow income. The Group's net cash generated from operating activities amounted to US$252,900,000 (2016: US$300,759,000). In 2017, the Group borrowed bank loans of US$704,024,000 (2016: US$1,401,356,000) and repaid loans of US$308,143,000 (2016: US$1,147,394,000).

In 2017, an amount of US$198,483,000 (2016: US$440,681,000) was paid in cash by the Group for the expansion of berths and the purchase of property, machines and equipment, of which US$277,447,000 in 2016 was for the purchase of containers, while no container was purchased in 2017 following the disposal of FCHL. 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 year, 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. Moreover, in 2017, the Group completed the acquisition of a 51% equity interest in the NPH Group for US$218,035,000, the increase of equity interest in Zeebrugge Terminal and provision of shareholder's loan totalled at US$40,212,000, and the acquisition of Wuhan Terminal for US$45,521,000. Furthermore, the acquisition of a 40% equity interest in Vado Reefer Terminal was completed in 2017, in connection with which an amount of US$7,465,000 was invested, and an additional shareholders' loan of US$37,061,000 was provided to Vado Terminal. Additionally, the Group increased its investment in Dongjiakou Ore Terminal for an amount of US$22,601,000 during the year.

In 2016, the Company completed its acquisition of all the issued shares in China Shipping Ports Development Co., Limited and paid the consideration of US$1,161,963,000. In addition, the Company also completed the disposal of all the issued shares in FCHL in 2016, for which it received a disposal consideration of US$1,508,725,000, 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 31 December 2017, the Group's total outstanding borrowings amounted to US$2,334,349,000 (31 December 2016: US$1,502,991,000) and cash balance amounted to US$566,400,000 (31 December 2016: US$837,100,000). Banking facilities available but unused amounted to US$976,365,000 (31 December 2016: US$266,874,000).

Assets and liabilities

As at 31 December 2017, the Group's total assets and total liabilities were US$8,954,080,000 (31 December 2016: US$6,786,456,000) and US$3,108,706,000 (31 December 2016: US$2,020,652,000) respectively. Net assets were US$5,845,374,000, a 22.7% increase as compared with that of US$4,765,804,000 as at 31 December 2016. Net current liabilities as at 31 December 2017 amounted to US$179,637,000 (31 December 2016: net current assets of US$159,565,000). As at 31 December 2017, the net asset value per share of the Company was US$1.92 (31 December 2016: US$1.58).

As at 31 December 2017, the net debt-to-total-equity ratio was 30.2% (31 December 2016: 14.0%) and the interest coverage was 12.5 times (2016: 5.9 times).

As at 31 December 2017, certain other property, plant and equipment of the Group with an aggregate net book value of US$157,298,000 (31 December 2016: US$103,928,000) and the Company's interest in subsidiaries were pledged as securities against bank loans and a loan from the CS Finance with an aggregate amount of US$816,026,000 (31 December 2016: US$350,506,000).

Debt analysis

	As at 31 December 2017		As at 31 December 2016	
By repayment term	US$	(%)	US$	(%)
Within the first year	510,579,000	21.9	431,585,000	28.7
Within the second year	76,324,000	3.3	37,565,000	2.5
Within the third year	215,863,000	9.2	46,272,000	3.1
Within the fourth year	231,351,000	9.9	220,309,000	14.7
Within the fifth year and after	1,300,232,000	55.7	767,260,000	51.0
	2,334,349,000*	100.0	1,502,991,000*	100.0
By category				
Secured borrowings	816,026,000	35.0	350,506,000	23.3
Unsecured borrowings	1,518,323,000	65.0	1,152,485,000	76.7
	2,334,349,000*	100.0	1,502,991,000*	100.0
By denominated currency				
US dollar borrowings	1,011,840,000	43.4	633,479,000	42.1
RMB borrowings	449,093,000	19.2	422,359,000	28.1
Euro borrowings	873,416,000	37.4	447,153,000	29.8
	2,334,349,000*	100.0	1,502,991,000*	100.0

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

Financial guarantee contracts

As at 31 December 2017, the Group provided guarantees on loan facilities granted to a joint venture of US$9,226,000 (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.

Interest rate swap contracts with financial institutions are used to achieve the optimum ratio between fixed and floating rates and to manage the related interest rate exposure. As at 31 December 2017, 29.2% (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.