Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

The intermediate holding company of the Company is COSCO SHIPPING Holdings Co., Ltd. ("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 ultimate holding company of COSCO SHIPPING Holdings are China Ocean Shipping Company Limited (formerly known as China Ocean Shipping (Group) Company) ("COSCO") and China COSCO Shipping Corporation Limited ("COSCO SHIPPING"), state-owned enterprises established in the PRC, respectively.

These consolidated financial statements have been approved for issue by the Board of Directors on 26 March 2018.

2 BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2017 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for the Common Control Combinations'' issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA''). These accounting policies have been consistently applied to all the years presented unless otherwise mentioned.

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

As at 31 December 2017, the Group had net current liabilities of US$179,637,000. Taking into account the available unutilised banking 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 consolidated financial statements.

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

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION (CONTINUED)

(a) Adoption of amendments and improvements to existing standards

In 2017, the Group has adopted the following amendments and improvements to existing standards issued by the HKICPA which are mandatory for the financial year ended 31 December 2017:

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

(b) New standards, interpretations, amendments and improvements to existing standards that are not yet effective for the year ended 31 December 2017 and have not been early adopted by the Group

The HKICPA has issued the following new standards, interpretations, amendments and improvements to existing standards which are not yet effective for the year ended 31 December 2017 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
New standards, interpretations and amendments		
HKAS 40 Amendment	Transfers of Investment Property	1 January 2018
HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 Amendment	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 9 Amendment	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 Amendment	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements 2014 – 2016		
HKAS 28 Amendment	Investments in Associates and Joint Ventures	1 January 2018
HKFRS 1 Amendment	First time adoption of HKFRS	1 January 2018

2 BASIS OF PREPARATION (CONTINUED)

(b) New standards, interpretations, amendments and improvements to existing standards that are not yet effective for the year ended 31 December 2017 and have not been early adopted by the Group (Continued)

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

Other than the new standards below, there are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

HKFRS 9 Financial Instruments

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 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 ("FVOCI") 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.

However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. During the 2017 financial year, US$38,434,000 of such gains were recognised in profit or loss in relation to the disposal of an available-for-sale financial asset upon step acquisition.

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.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of HKFRS 9.

2 BASIS OF PREPARATION (CONTINUED)

(b) New standards, interpretations, amendments and improvements to existing standards that are not yet effective for the year ended 31 December 2017 and have not been early adopted by the Group (Continued)

HKFRS 9 Financial Instruments (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 FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects the loss allowance for trade debtors will not significantly different from the amount recognised under their current credit loss provision practice.

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 9 must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

HKFRS 15 Revenue from Contracts with Customers

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 and related literature. 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 application of HKFRS 15 may further result in the identification of separate performance obligations which could affect the timing of the recognition of revenue going forward.

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

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt HKFRS 15 the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

2 BASIS OF PREPARATION (CONTINUED)

(b) New standards, interpretations, amendments and improvements to existing standards that are not yet effective for the year ended 31 December 2017 and have not been early adopted by the Group (Continued)

HKFRS 16 Leases

HKFRS 16 Leases was issued in May 2016. It will result 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$5,033,789,000. Payments for short-term and low value leases will be recognised on a straight-line basis as an expense in profit or loss.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

HKFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Group accounting

(a) Merger accounting for common control combinations

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

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

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

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

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

(b) Acquisition method for non-common control combination

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Group accounting (Continued)

(b) Acquisition method for non-common control combination (Continued)

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

Acquisition-related costs are expensed as incurred.

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

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

(c) Subsidiaries

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Group accounting (Continued)

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

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

(e) Disposal of subsidiaries

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

(f) Joint ventures/associates

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Group accounting (Continued)

(f) Joint ventures/associates (Continued)

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

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

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

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

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

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

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

The Group ceases to use the equity method from the date investments cease to be joint ventures/associates that is the date on which the Group ceases to have significant influence over the joint ventures/associates or on the date they are classified as held for sale.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Group accounting (Continued)

(g) Balances with subsidiaries, joint ventures and associates

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

3.2 Segment reporting

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

3.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Foreign currency translation (Continued)

(c) Group companies

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

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

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

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

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

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

3.4 Property, plant and equipment

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (Continued)

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

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

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

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

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

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

3.5 Land use rights

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

3.6 Investment properties

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Investment properties (Continued)

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

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

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

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

3.7 Intangible assets

(a) Goodwill

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

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

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

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Intangible assets (Continued)

(b) Computer software

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

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

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

(c) Concession rights

Concession rights primarily resulted from the entering of agreement for the right to construct, operate, manage and develop terminals. Concession rights are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line basis over the period of operation of approximately 23 to 32 years.

(d) Customer relationships

Customer relationships, which are acquired in a business combination, are recognised at fair value at the acquisition date. Customer relationships are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationships, ranging from approximately 12 to 20 years.

3.8 Impairment of non-financial assets

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Discontinued operations

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

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

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

3.10 Available-for-sale financial assets

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Offsetting financial instruments

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

3.12 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of the derivative financial instruments used for hedging purposes are disclosed in note 25. Movements in the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Inventories

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

3.15 Trade and other receivables

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

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

3.16 Cash and cash equivalents

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

3.17 Assets under leases

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

(a) Leases – where the Group is the lessee

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

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current liabilities. The finance charges are charged to profit or loss over the lease periods. Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(b) Leases – where the Group is the lessor

When the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 3.4 above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in notes 3.25(c) below.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Provisions

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

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

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

3.19 Trade and other payables

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

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

3.20 Financial guarantee contracts

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

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

3.21 Share capital

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Borrowings

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

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

3.23 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Outside basis differences

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

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

(c) Offsetting

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

3.24 Employee benefits

(a) Retirement benefit costs

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24 Employee benefits (Continued)

(b) Employee leave entitlements

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

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

(c) Bonus entitlements

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

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

(d) Share-based compensation

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

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

3.25 Recognition of revenues and income

The Group recognises revenues and income on the following bases:

(a) Revenues from terminal operations

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25 Recognition of revenues and income (Continued)

(b) Revenues from container handling, transportation and storage

Revenues from container handling and transportation are recognised when the services are rendered. Revenues from container storage are recognised on a straight-line basis over the period of storage.

(c) Operating lease rental income from investment properties

Operating lease rental income from investment properties is recognised on a straight-line basis over the period of each lease and is recognised in the consolidated income statement within other operating income.

(d) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established and is recognised in the consolidated income statement within other operating income.

(f) Income on sale of investments

Income on sale of investments is recognised when the risks and rewards associated with ownership of the related investment have been transferred to the purchaser.

3.26 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset, until such time as the asset is substantially ready for its intended use or sale.

All other borrowing costs are charged to the consolidated income statement in the period in which they are incurred.

3.27 Government subsidy

Government subsidy relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

3.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders/directors.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.29 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Contingent liabilities other than those acquired from business combination are not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under direction by the Boards of Directors. The directors and management identify, evaluate and hedge financial risks in close co-operation with the Group's operating units. The Group has principles for overall risk management, such as foreign exchange risk, interest rate risk, credit risk and use of derivative financial instruments.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Renminbi and Euro. Foreign exchange risk mainly arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The foreign exchange risk faced by the Group primarily arises from non-functional currency bank balances, receivable and payable balances and borrowings (collectively "Non-Functional Currency Items"). Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

With all other variables held constant, if the currencies of Non-Functional Currency Items had weakened/strengthened by 5% against the US dollar, the Group's profit after income tax for the year would have been increased/decreased by US$4,493,000 (2016: increased/decreased by US$3,429,000) as a result of the translation of those Non-Functional Currency Items.

(ii) Price risk

The Group is exposed to price risk for its available-for-sale investment. Management monitors the market conditions and securities price fluctuations and response so as to minimise adverse effects on the Group's financial performance.

(iii) Cash flow and fair value interest rate risk

Other than bank balances and loans to joint ventures and associates (collectively "Interest Bearing Assets"), the Group has no significant interest bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from loan from a joint venture, loans from non-controlling shareholders of subsidiaries, loans from a fellow subsidiary, long term and short term borrowings (collectively "Interest Bearing Liabilities"). Borrowings are primarily issued at variable rates which therefore expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Generally, the Group raises long term and short term borrowings at floating rates as well as fixed rates, based upon the capital market conditions and the Group's internal requirements. Interest rate swaps with financial institutions are used to achieve the optimum ratio between fixed and floating rates and to manage the related interest rate exposure.

With all other variables held constant, if the interest rate had increased/decreased by 50 basis-points, the corresponding increase/decrease in net finance costs (representing interest expenses on Interest Bearing Liabilities net of interest income on the Interest Bearing Assets) would have been approximately US$4,584,000 (2016: US$1,643,000).

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(b) Credit risk

The Group's maximum exposure to credit risk in relation to financial assets at the reporting date is the carrying amounts of bank balances and cash, trade and other receivables and loans to joint ventures and associates.

There is no concentration of credit risk with respect to trade receivables from third party customers as the Group has a large number of customers which are internationally dispersed. No individual third party customers accounted for greater than 10% of the Group's revenue. The Group limits its exposure to credit risk through performing credit reviews and monitoring the financial strength of its major customers and generally does not require collateral on trade receivables.

Customer lease out limit is assessed by the credit and risk management department with reference to their financial positions, historical credit references and other factors. This limit will be reviewed and adjusted, if circumstances required, to comply with the Group's credit and risk management policy.

No credit limits were exceeded during the year, and management does not expect any significant losses from non-performance by these relevant parties.

In addition, the Group monitors the exposure to credit risk in respect of the financial assistance provided to subsidiaries, joint ventures and associates through exercising control or influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

For bank balances and cash, the Group has limited its credit exposure by restricting their selection of financial institutions on those reputable local banks or state-owned banks with sound credit ratings. As at 31 December 2017, approximately 58% (31 December 2016: 48%) of the Group's bank balances were placed with state-owned and listed banks. Management considers theses balances are subject to low credit risk.

No other financial assets carry a significant exposure to credit risk.

(c) Liquidity risk

The Group's cash management policy is to regularly monitor its current and expected liquidity positions to ensure adequate funds are available for its short term and long term requirements.

The table below analyses the Group's non-derivative and derivative financial liabilities which will be settled into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
At 31 December 2017				
Bank and other borrowings	**567,530**	**125,088**	**950,131**	**945,998**
Loans from non-controlling shareholders of subsidiaries	**113,828**	**47,730**	**–**	**–**
Loans from a fellow subsidiary	**10,823**	**9,934**	**9,913**	**1,440**
Trade and other payables	**391,337**	**–**	**–**	**–**
Financial guarantee contracts	**2,449**	**–**	**–**	**6,777**
Derivative financial instrument	**2,836**	**2,747**	**3,779**	**–**
At 31 December 2016				
Bank and other borrowings	470,848	68,758	527,451	617,152
Loans from non-controlling shareholders of subsidiaries	169,932	–	–	–
Loans from a fellow subsidiary	9,719	7,340	17,150	5,755
Trade and other payables	228,513	–	–	–
Financial guarantee contracts	2,306	–	–	6,804

4.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the net debt (total bank borrowings less cash and cash equivalents and restricted bank deposits) to total equity ratio. The Group aims to maintain a manageable net debt to total equity ratio. As at 31 December 2017, the net debt-to-total equity ratio is 30.2% (2016: 14.0%).

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or capital or sell assets to reduce debt.

Notes to the Consolidated Financial Statements

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation

The Group's financial instrument that is measured at fair value is disclosed by levels of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial instrument that is measured at fair value at 31 December 2017 and 2016:

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
As at 31 December 2017				
Available-for-sale financial assets	**245,534**	**–**	**31,019**	**276,553**
Derivative financial instruments – interest rate swap	**–**	**9,362**	**–**	**9,362**
	245,534	**9,362**	**31,019**	**285,915**

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
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.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation (Continued)

As at 31 December 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 (note 13).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. For the year ended 31 December 2017, the Group transferred an available-for-sale financial asset amounting US$230,574,000 from level 3 to level 1 as the available-for-sale financial asset had become listed. Its fair value is based on quoted market price traded in active markets at the balance sheet date (2016: Nil).

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Description **Equity security:**	**Fair value at 31 December 2017 US$'000**	**Valuation techniques**	**Unobservable input**	**Range (weighted average)**
Port industry	31,019	Market comparable companies	price/book multiples (a)	1.21-1.87 (1.54)
			discount for lack of marketability (b)	20%

Description Equity security:	Fair value at 31 December 2016 US$'000	Valuation techniques	Unobservable input	Range (weighted average)
Port industry	101,093	Market comparable companies	price/book multiples (a)	1.21-1.56 (1.34)
			discount for lack of marketability (b)	20%

(a) Represents amounts used when the entity has determined that market participants would use such multiples when pricing the investment.

(b) Represents amounts used when the entity has determined that market participants would take into account the discount when pricing the investment.

The carrying amounts of receivables and payables are assumed to approximate their fair values. The fair values of financial liabilities for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of terminal assets, investments in joint ventures and associates

Management determines whether terminal assets, investments in joint ventures and associates have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, according to their recoverable amounts determined by the cash-generating units based on value-in-use calculations. The determination of impairment indication requires significant judgement, and the calculations require the use of estimates which are subject to change of economic environment in future.

(b) Acquisition of subsidiaries

The initial accounting on the acquisition of subsidiaries 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 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.

(c) 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. The fair values of identifiable net assets are determined by using financial models or by reference to the valuation performed by independent professional valuer. Any changes in the assumptions used and estimates made in determining the fair values will impact the carrying amount of these assets and liabilities.

(d) Assessment of goodwill impairment

The Group tests annually whether goodwill have suffered any impairment and when there is indication that they may be impaired, in accordance with the accounting policy stated in note 3. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations which require the use of assumptions. These calculations require the use of estimates. The key assumptions and sensitivity test was disclosed in note 10.

5 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 14).

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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.

(f) 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.

6 REVENUES AND SEGMENT INFORMATION

Revenues recognised during the year are as follows:

	2017	2016
	US$'000	US$'000
Continuing operations		
Terminal operations income	**634,710**	553,918
Container handling, transportation and storage income	–	2,459
Turnover	**634,710**	556,377
Discontinued operation		
Container leasing, management, sale and related businesses	–	73,073

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(a) Operating segments

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

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

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

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

Segment assets

	Terminals and related businesses US$'000	Others US$'000	Elimination US$'000	Total US$'000
At 31 December 2017				
Segment assets	**8,545,420**	**1,002,062**	**(593,402)**	**8,954,080**
Segment assets include:				
Joint ventures	**1,196,648**	–	–	**1,196,648**
Associates	**2,579,493**	–	–	**2,579,493**
Available-for-sale financial assets	**276,553**	–	–	**276,553**
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

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

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

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(a) 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
Year ended 31 December 2016					
Revenues – total sales	556,377	–	–	556,377	73,073
Segment profit/(loss) attributable to equity holders of the Company	242,898	(61,961)	–	180,937	66,094
Segment profit/(loss) attributable to equity holders of the Company includes:					
Finance income	974	33,039	(19,146)	14,867	76
Finance costs	(46,245)	(25,075)	19,178	(52,142)	(4,820)
Share of profits less losses of					
– joint ventures	112,081	–	–	112,081	–
– associates	88,161	–	–	88,161	–
Gain on disposal of a subsidiary	–	–	–	–	59,021
Income tax expenses	(25,846)	(22,324)	–	(48,170)	(375)
Depreciation and amortisation	(97,530)	(943)	–	(98,473)	(34,810)
Provision for impairment loss of an available-for-sale financial asset	(19,800)	–	–	(19,800)	–
Other non-cash expenses	(706)	(112)	–	(818)	(141)
Additions to non-current assets	(167,064)	(266)	–	(167,330)	(319,992)

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(b) Geographical information

(i) Revenues

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

In respect of the discontinued operation from container leasing, management, sale and related businesses, the movements of containers and generator sets of the Group are known through report from the lessees but the Group is not able to control the movements of containers and generator sets except to the degree that the movements are restricted by the terms of the leases or where safety of the containers and generator sets is concerned. It is therefore impracticable to present financial information by geographical areas and thus the revenues of which are presented as unallocated revenues.

	2017	2016
	US$'000	US$'000
Continuing operations		
Terminals and related businesses		
– Mainland China (excluding Hong Kong)	**405,611**	377,692
– Europe	**229,099**	176,226
– Others	**–**	2,459
	634,710	556,377
Discontinued operation		
Container leasing, management, sale and related businesses		
– unallocated	**–**	73,073

(ii) Non-current assets

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

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

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, Egypt, Greece, the Netherlands, Italy, Taiwan, Turkey, Spain, Abu Dhabi and Belgium.

Notes to the Consolidated Financial Statements

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(b) Geographical information (Continued)

(ii) Non-current assets (Continued)

	2017 US$'000	2016 US$'000
Mainland China (excluding Hong Kong)	**5,280,695**	4,004,652
Europe	**1,291,505**	546,603
Others	**984,697**	907,560
	7,556,897	5,458,815

7 PROPERTY, PLANT AND EQUIPMENT

	Containers US$'000	Buildings outside Hong Kong US$'000	Leasehold improvements US$'000	Other property, plant and equipment US$'000	Construction in progress US$'000	Total US$'000
Cost						
At 1 January 2017	60	1,563,994	5,568	998,910	338,472	2,907,004
Exchange differences	–	121,767	392	102,514	24,656	249,329
Additions	–	7,508	125	19,558	166,040	193,231
Acquisition of subsidiaries (note 41)	–	56,122	95	192,876	71,216	320,309
Disposals	–	(192)	–	(7,805)	–	(7,997)
Deemed disposal of a subsidiary	(60)	(11)	–	(357)	–	(428)
Transfers	–	166,753	51	9,569	(176,373)	–
At 31 December 2017	–	1,915,941	6,231	1,315,265	424,011	3,661,448
Accumulated depreciation						
At 1 January 2017	57	230,341	3,131	305,873	–	539,402
Exchange differences	–	18,538	250	33,679	–	52,467
Depreciation charge for the year	–	45,230	431	49,869	–	95,530
Disposals	–	(3)	–	(6,081)	–	(6,084)
Deemed disposal of a subsidiary	(57)	(11)	–	(297)	–	(365)
Transfer	–	262	–	(262)	–	–
At 31 December 2017	–	294,357	3,812	382,781	–	680,950
Net book value						
At 31 December 2017	–	1,621,584	2,419	932,484	424,011	2,980,498

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Containers	Generator sets	Leasehold land and buildings in Hong Kong	Buildings outside Hong Kong	Leasehold improvements	Other property, plant and equipment	Construction in progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost								
At 1 January 2016	2,371,530	8,499	23,056	1,506,153	6,058	960,421	439,756	5,315,473
Exchange differences	107	–	–	(99,446)	(335)	(60,209)	(23,770)	(183,653)
Additions	319,972	–	–	2,845	387	83,529	79,367	486,100
Disposals	(15,710)	(75)	–	(45)	(76)	(5,315)	–	(21,221)
Disposal of a subsidiary	(2,675,839)	(8,424)	(19,973)	(123)	(514)	(1,915)	–	(2,706,788)
Transfer (to) and from investment properties (note 8)	–	–	(3,083)	20,176	–	–	–	17,093
Transfers	–	–	–	134,434	48	22,399	(156,881)	–
At 31 December 2016	60	–	–	1,563,994	5,568	998,910	338,472	2,907,004
Accumulated depreciation								
At 1 January 2016	596,312	5,537	5,848	200,389	3,439	284,686	–	1,096,211
Exchange differences	28	–	–	(14,267)	(172)	(18,942)	–	(33,353)
Depreciation charge for the year	34,342	157	35	44,344	370	46,098	–	125,346
Disposals	(4,723)	(47)	–	(31)	(5)	(4,354)	–	(9,160)
Disposal of a subsidiary	(625,902)	(5,647)	(5,676)	(94)	(501)	(1,615)	–	(639,435)
Transfer to investment properties (note 8)	–	–	(207)	–	–	–	–	(207)
At 31 December 2016	57	–	–	230,341	3,131	305,873	–	539,402
Net book value								
At 31 December 2016	3	–	–	1,333,653	2,437	693,037	338,472	2,367,602

Notes:

(a) As at 31 December 2017, certain other property, plant and equipment with an aggregate net book value of US$157,298,000 (2016: US$103,928,000) were pledged as security for banking facilities granted to the Group (note 21(g)).

(b) During 2016, the Group transferred buildings within Hong Kong with an aggregate net book value of US$2,876,000 to investment properties at the time of commencement of leases. On the other hand, the Group transferred buildings outside Hong Kong with an aggregate net book value of US$20,176,000 from investment properties at the time of termination of leases. There is no transfer to/from investment properties during 2017.

(c) During the year, interest expenses of US$5,670,000 (2016: US$6,038,000) was capitalised in construction in progress (note 29).

(d) Terminal buildings and equipment under finance leases with costs of approximately US$54,879,000 (2016: US$80,428,000) as at 31 December 2017 are accounted for as property, plant and equipment. As at 31 December 2017, the balance of approximately US$30,608,000 (2016: US$38,061,000) in respect of such finance lease arrangements was included in loans from a fellow subsidiary (note 22 (b)).

8 INVESTMENT PROPERTIES

	2017 **US$'000**	2016 US$'000
At 1 January	**8,135**	28,860
Exchange differences	**275**	(525)
Disposal of a subsidiary	**–**	(3,693)
Transfer from/(to) property, plant and equipment, net (note 7)	**–**	(17,300)
Revaluation surplus (note a)	**–**	793
At 31 December	**8,410**	8,135

Notes:

(a) The investment properties as at 31 December 2017 and 2016 were revalued on an open market value basis by DTZ Cushman & Wakefield Limited and China Tong Cheng Assets Appraisals Company Limited, independent professional property valuers who hold recognised relevant professional qualifications and have recent experiences in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

(b) The Group's interests in investment properties are office units situated in PRC on leases of 50 years and a residential property in Hong Kong on leases of over 50 years respectively.

(c) The valuations are derived using income capitalisation method.

Valuations are derived by income capitalisation method. Income capitalisation method is based on the capitalisation of the net rental income derived from the existing leases and/or achievable in existing market with reversionary income potential by adopting appropriate capitalisation rates. Capitalisation is estimated by valuer based on the risk profile of the properties being valued. The higher the rates, the lower the fair value. Prevailing market rents are estimated based on recent lettings within the subject properties and other comparable properties. The lower the rents, the lower the fair value. As at 31 December 2017, capitalisation rate of 7.5% and 2% is used in the income capitalisation method for the PRC office units and Hong Kong residential property respectively.

(d) There were no changes to the valuation techniques during the year.

9 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2017 US$'000	2016 US$'000
At 1 January	**201,804**	220,819
Exchange differences	**14,071**	(13,894)
Additions	**5,567**	–
Acquisition of subsidiaries (note 41)	**62,464**	–
Amortisation	**(5,200)**	(5,021)
Disposal of a subsidiary	**–**	(100)
At 31 December	**278,706**	201,804

10 INTANGIBLE ASSETS

	Computer software		Computer systems under development		Concession rights		Customer relationships		Goodwill		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Cost												
At 1 January	**10,309**	25,833	**867**	1,019	**–**	–	**–**	–	**301**	322	**11,477**	27,174
Exchange differences	**2,172**	(459)	**197**	(26)	**18,390**	–	**–**	–	**8**	(21)	**20,767**	(506)
Additions	**4,488**	986	**1,041**	236	**222**	–	**–**	–	**–**	–	**5,751**	1,222
Acquisition of subsidiaries (note 41)	**325**	–	**2,225**	–	**246,818**	–	**47,367**	–	**136,446**	–	**433,181**	–
Write-off	**(22)**	(13)	**–**	–	**–**	–	**–**	–	**–**	–	**(22)**	(13)
Deregistration/disposal of a subsidiary	**–**	(16,400)	**–**	–	**–**	–	**–**	–	**(309)**	–	**(309)**	(16,400)
Transfer	**1,889**	362	**(1,889)**	(362)	**–**	–	**–**	–	**–**	–	**–**	–
At 31 December	**19,161**	10,309	**2,441**	867	**265,430**	–	**47,367**	–	**136,446**	301	**470,845**	11,477
Accumulated amortisation												
At 1 January	**6,042**	19,929	**–**	–	**–**	–	**–**	–	**–**	–	**6,042**	19,929
Exchange differences	**1,480**	(281)	**–**	–	**6,979**	–	**–**	–	**–**	–	**8,459**	(281)
Amortisation for the year	**1,375**	1,343	**–**	–	**2,495**	–	**629**	–	**–**	–	**4,499**	1,343
Write-off	**(14)**	(11)	**–**	–	**–**	–	**–**	–	**–**	–	**(14)**	(11)
Disposal of a subsidiary	**–**	(14,938)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(14,938)
At 31 December	**8,883**	6,042	**–**	–	**9,474**	–	**629**	–	**–**	–	**18,986**	6,042
Net book value												
At 31 December	**10,278**	4,267	**2,441**	867	**255,956**	–	**46,738**	–	**136,446**	301	**451,859**	5,435

Notes to the Consolidated Financial Statements

10 INTANGIBLE ASSETS (CONTINUED)

Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) that are expected to benefit from business combination and impairment testing is performed annually on goodwill allocated to their operating segments and CGUs.

For the year ended 31 December 2017, the recoverable amount of the Group is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the financial budget and future forecast respectively.

Forecast profitability is based on past performance and expected future changes in costs and revenue. Major cash flow projections are based on long-range financial forecasts using estimated average 5-year revenue growth rate ranged from 6.5% to 9.0%. Future cash flows are discounted at a pre-tax rate ranged from 8.0% to 8.5%.

11 JOINT VENTURES

	2017 **US$'000**	2016 US$'000
Investments in joint ventures (including goodwill on acquisitions) (note a)	**1,054,903**	1,266,169
Equity loan to a joint venture (note c)	**141,745**	142,875
	1,196,648	1,409,044
Loans to joint ventures (note d)	**1,672**	60,239

Notes:

(a) The carrying amount of goodwill on acquisitions of joint ventures amounted to US$66,214,000 (2016: US$71,851,000), mainly represented the goodwill on acquisitions of equity interests in Shanghai Pudong International Container Terminals Limited, Asia Container Terminals Holding Limited and Qingdao Qianwan Container Terminal Co., Ltd. ("QQCT") of US$31,435,000 (2016: US$31,435,000), US$34,665,000 (2016: US$34,942,000) and US$Nil (2016: US$5,361,000) respectively.

(b) During the year, 20% equity interests in QQCT was disposed to Qingdao Port International Co., Ltd. ("QPI") as part of a consideration for the further acquisition of equity interest in QPI and details of the disposal are set out in note 26. The net assets of QQCT as at 31 December 2016 was US$952,000. The profits and the other comprehensive income for the year ended 31 December 2016 were US$242,000. During the year, 40% equity interests in Dalian International Container Terminal Co., Ltd. ("DICT") was disposed of during the combination into Dalian Container Terminal Co., Ltd. ("DCT") with more details set out in note 12(c).

(c) The balance is equity in nature, unsecured, interest free and has no fixed terms of repayment.

11 JOINT VENTURES (CONTINUED)

(d) Balances of US$1,672,000 (2016: US$2,212,000) is secured, which bears interest at 5% per annum above the 3 months Euro Interbank Offered Rate ("EURIBOR") and wholly repayable on or before December 2020. The remaining balance as at 31 December 2016 was unsecured and interest bearing at the rate of 5% above Hong Kong Interbank Offered Rate ("HIBOR") per annum quoted in respect of a one month's period, and wholly repayable on or before March 2018.

(e) There is no joint venture that is individually material to the Group as at 31 December 2017. The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective joint ventures:

	Net assets US$'000	**Profits less losses for the year** US$'000	**Other comprehensive income** US$'000	**Total comprehensive income** US$'000
2017	**1,196,648**	**86,531**	**172**	**86,703**
2016	1,219,343	63,992	283	64,275

(f) There are no significant contingent liabilities relating to the Group's interest in joint ventures.

(g) Details of the principal joint ventures as at 31 December 2017 are set out in note 45 to the consolidated financial statements.

12 ASSOCIATES

	2017 **US$'000**	2016 US$'000
Investment in associates (including goodwill on acquisitions) (note b)	**2,534,493**	1,360,835
Equity loan to an associate (note e)	**45,000**	45,000
	2,579,493	1,405,835
Loans to associates (note d)	**158,539**	114,944

Notes:

(a) QPI and Sigma Enterprises Limited ("Sigma") and Wattrus Limited ("Wattrus") and their subsidiary companies (collectively "Sigma and Wattrus Group") are associates (note 46) that are material to the Group. Both QPI and Sigma and Wattrus Group are engaged in the operation, management and development of terminal related business. There are no quoted market prices for their shares.

Notes to the Consolidated Financial Statements

12 ASSOCIATES (CONTINUED)

(a) Set out below are the summarised consolidated financial information for QPI from the date the Group had significant influence to 31 December 2017, after fair-value adjustments upon acquisition, which is accounted for using the equity method:

Summarised consolidated balance sheet

	QPI 2017 US$'000
Non-current assets	4,720,917
Current assets	2,633,258
Non-current liabilities	(1,507,558)
Current liabilities	(2,011,005)

Summarised consolidated statement of comprehensive income

	QPI 2017 US$'000
Revenues	1,043,464
Profit attributable to equity holders for the period	290,733
Group's share of profits of the associate	53,524

12 ASSOCIATES (CONTINUED)

(a) Reconciliation of summarised consolidated financial information

Reconciliation of summarised consolidated financial information presented to the carrying amount of the Group's interest in these associates.

Summarised consolidated financial information

	QPI 2017 US$'000
Attributable to equity holders	
Opening net assets	2,207,336
Profit for the period	303,603
Other comprehensive income	51,336
Dividends	(116,549)
Exchange differences	130,238
Closing net assets	2,575,964
Interest in the associate at 18.41%	474,235
Fair value adjustment	300,973
Goodwill	239,203
Carrying amount	1,014,411

Set out below are the summarised consolidated financial information for Sigma and Wattrus Group, after fair-value adjustments upon acquisition, which is accounted for using the equity method:

Summarised balance sheet

	Sigma and Wattrus Group	
	2017 **US$'000**	2016 US$'000
Non-current assets	**3,939,847**	4,018,343
Current assets	**945,766**	796,494
Non-current liabilities	**(490,653)**	(528,014)
Current liabilities	**(574,068)**	(629,541)

Summarised statement of comprehensive income

	Sigma and Wattrus Group	
	2017 **US$'000**	2016 US$'000
Revenues	**941,409**	907,385
Profit attributable to equity holders for the year	**249,708**	248,915
Group's share of profits of associates	**51,315**	51,152

Notes to the Consolidated Financial Statements

12 ASSOCIATES (CONTINUED)

(a) Reconciliation of summarised consolidated financial information (Continued)

Reconciliation of summarised consolidated financial information presented to the carrying amount of the Group's interest in these associates.

Summarised financial information

	Sigma and Wattrus Group	
	2017	2016
	US$'000	US$'000
Capital and reserves attributable to equity holders	**2,897,007**	2,822,141
Group's effective interest	**20.55%**	20.55%
Group's share of capital and reserves attributable to equity holders	**595,335**	579,950
Adjustment to cost of investment	**46,860**	46,860
Carrying amount	**642,195**	626,810

(b) The carrying amount of goodwill on acquisitions of associates amounted to US$311,695,000 (2016: US$70,217,000), mainly represented the goodwill on acquisitions of equity interests in QPI, Sigma, Suez Canal Container Terminal S.A.E., Euromax Terminal Rotterdam B.V. ("Euromax Terminal"), Wattrus and Nanjing Port Longtan Containers Co., Ltd. of US$239,203,000 (2016: Nil), US$20,669,000 (2016: US$20,669,000), US$16,624,000 (2016: US$16,624,000), US$16,889,000 (2016: US$14,898,000), US$7,523,000 (2016:US$7,523,000) and US$4,533,000 (2016: US$4,533,000) respectively.

(c) On 30 September 2016, the Group acquired 35% equity interests in Euromax Terminal in Rotterdam at a consideration of Euro125,430,000 (equivalent to approximately US$139,853,000).

In March 2017, the Group acquired 40% effective interest of APM Terminals Vado Holding B.V. ("Vado") at a cash consideration of Euro 7,052,000 (equivalent to approximately US$7,465,000).

In May 2017, the Group acquired 16.82% effective interest of QPI at a consideration of RMB5,798,619,200 (equivalent to US$843,858,000, being RMB5.71 per share), and together with the previously held 1.59% equity interests, the Group holds 18.41% effective interest of QPI in total, and is accounted for as an associate. The consideration was satisfied by the transfer of 20% QQCT and the payment of cash of RMB2,599,968,360 (equivalent to US$378,367,000).

In October 2017, 20% equity interests in Dalian Port Container Terminal Co., Ltd. ("DPCT") and 40% equity interests in DICT (note 11(b)) was disposed of during its combination into DCT, and 19% equity interests in DCT were acquired in return. Goodwill arising from the acquisition has been provisionally determined by management's assessment and is subjected to changes.

The total cash paid for the acquisition of associates during the year was US$385,832,000, comprised of the QPI (note 26) and Vado.

12 ASSOCIATES (CONTINUED)

(d) A balance of US$100,302,000 (2016: US$88,478,000) is unsecured, which bears interest at the aggregate of 2.3% per annum and EURIBOR with reference to Reuters or other rate mutually agreed. A balance of US$17,782,000 (2016:US$26,466,000) is unsecured, bears interest at 2.5% per annum above 10-year EURIBOR ICE swap rate (2016: 2.5% per annum above 10-year EURIBOR ICE swap rate) and has no fixed terms of repayment. A balance of US$40,455,000 (2016: US$Nil) is unsecured, bears interest at the aggregate of 3.75% per annum and EURIBOR, and is repayable in 2021.

(e) The balance is equity in nature, unsecured, interest free and has no fixed terms of repayment.

(f) The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in respective associates other than QPI and Sigma and Wattrus Group disclosed above:

	Net assets	Profits less losses for the year	Other comprehensive income	Total comprehensive income
	US$'000	US$'000	US$'000	US$'000
2017	**922,887**	**45,198**	**2,739**	**47,937**
2016	779,025	37,009	1,529	38,538

(g) There are no significant contingent liabilities relating to the Group's interest in associates.

(h) Details of the Group's associates as at 31 December 2017 are set out in note 46 to the consolidated financial statements.

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets represent the following:

	2017	2016
	US$'000	US$'000
Listed shares (note a)	**245,534**	55,846
Unlisted investments (note b)	**31,019**	101,093
	276,553	156,939

Notes:

(a) Listed investments represent equity interests in entities which are principally engaged in the provision of port and port related services.

(b) Unlisted investments mainly comprise equity interests in terminal operating companies, and port information system engineering companies.

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

(c) Available-for-sale financial assets are denominated in the following currencies:

	2017 US$'000	2016 US$'000
Hong Kong dollar	**14,960**	55,846
Renminbi	**261,463**	101,093
Euro	**130**	–
	276,553	156,939

(d) Movement of the available-for-sale financial assets during the year is as follows:

	2017 US$'000	2016 US$'000
At 1 January	**156,939**	171,787
Acquisition of a subsidiary	**123**	–
Step acquisition from an available-for-sale financial asset to investment in an associate	**(80,672)**	–
Fair value gain/(loss) recognised in equity	**188,367**	(4,920)
Exchange differences	**11,796**	(9,928)
At 31 December	**276,553**	156,939

(e) As at 31 December 2016, an impairment loss of US$19,800,000 were impaired for an available-for-sale financial asset of carrying amount of US$10,167,000 and the debit reserves of US$19,800,000 were recycled to profit or loss. There is no impairment recognized in 2017.

14 DEFERRED INCOME TAX

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

The movements on the net deferred income tax liabilities during the year are as follows:

	2017	2016
	US$'000	US$'000
At 1 January	**52,903**	44,786
Exchange differences	**(4,152)**	12
Charged to consolidated income statement	**15,488**	9,890
Disposal of a subsidiary	**–**	618
Charged/(credited) to reserves	**37,545**	(2,403)
Acquisition of subsidiaries (note 41)	**(76,622)**	–
At 31 December	**25,162**	52,903

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2017, the Group has unrecognised tax losses of US$69,199,000 (31 December 2016: US$85,239,000) to carry forward. Except for the tax losses of US$29,850,000 (31 December 2016: US$26,908,000) of the Group which will be expired between 2018 and 2022 (31 December 2016: between 2017 and 2020), all other tax losses have no expiry dates.

Notes to the Consolidated Financial Statements

14 DEFERRED INCOME TAX (CONTINUED)

The movements in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year, are as follows:

Deferred income tax liabilities

	Accelerated tax depreciation		Undistributed profits		Fair value gains		Others		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1 January	**1,543**	2,866	**52,766**	44,186	**10**	2,546	**–**	–	**54,319**	49,598
Exchange differences	**1,415**	(57)	**50**	14	**1,688**	17	**463**	–	**3,616**	(26)
(Credited)/charged to consolidated income statement	**(1,383)**	(132)	**5,377**	8,566	**12,366**	(150)	**(76)**	–	**16,284**	8,284
Disposal of a subsidiary	**–**	(1,134)	**–**	–	**–**	–	**–**	–	**–**	(1,134)
Acquisition of subsidiaries (note 41)	**45,810**	–	**–**	–	**–**	–	**8,000**	–	**53,810**	–
Charged/(credited) to reserve	**–**	–	**–**	–	**37,312**	(2,403)	**–**	–	**37,312**	(2,403)
At 31 December	**47,385**	1,543	**58,193**	52,766	**51,376**	10	**8,387**	–	**165,341**	54,319

Deferred income tax assets

	Tax losses		Others		Total	
	2017	2016	**2017**	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1 January	**6**	294	**1,410**	4,518	**1,416**	4,812
Exchange differences	**4,021**	(4)	**3,747**	(34)	**7,768**	(38)
(Charged)/credited to consolidated income statement	**(183)**	(284)	**979**	(1,322)	**796**	(1,606)
Disposal of a subsidiary	**–**	–	**–**	(1,752)	**–**	(1,752)
Acquisition of subsidiaries (note 41)	**70,956**	–	**59,476**	–	**130,432**	–
Charged to reserve	**–**	–	**(233)**	–	**(233)**	–
At 31 December	**74,800**	6	**65,379**	1,410	**140,179**	1,416

14 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes related to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2017 **US$'000**	2016 US$'000
Deferred income tax assets	**108,277**	11
Deferred income tax liabilities	**133,439**	52,914

The amounts shown in the consolidated balance sheet include the following:

	2017 **US$'000**	2016 US$'000
Deferred income tax assets to be recovered after more than 12 months	**82,430**	1,465
Deferred income tax liabilities to be settled after more than 12 months	**61,593**	1,617

15 OTHER NON-CURRENT ASSETS

Other non-current assets of the Group mainly represent prepaid operating lease payments, which included the unamortised upfront concession fee incurred in respect of the concession agreement with Piraeus Port Authority S.A. for the concession of Piers 2 and 3 of the Piraeus Port in Greece for a term of 35 years (the "Concession"). The Concession commenced on 1 October 2009. Apart from the aforesaid upfront concession fee, the Group had operating lease commitment in relations to the Concession (note 37(b)).

16 INVENTORIES

Inventories of the Group mainly include consumable parts for terminal operations at their carrying amounts.

17 TRADE AND OTHER RECEIVABLES

	2017 US$'000	2016 US$'000
Trade receivables (note a)		
– third parties	**72,503**	36,646
– fellow subsidiaries (note b)	**14,729**	12,396
– non-controlling shareholders of subsidiaries (note b)	**4,905**	4,486
– a joint venture (note b)	**21**	3
– related companies (note b)	**9,895**	1,029
	102,053	54,560
Bills receivables (note a)	**9,708**	10,958
	111,761	65,518
Less: provision for impairment	**(3,161)**	(449)
	108,600	65,069
Deposits and prepayments	**13,292**	13,443
Other receivables	**47,903**	18,888
Loans to joint ventures (note c)	**78,324**	19,180
Amounts due from		
– fellow subsidiaries (note b)	**3,361**	20,446
– non-controlling shareholders of subsidiaries (note b)	**2,597**	823
– joint ventures (note d)	**244**	243
– associates (note d)	**16,732**	9,923
– related companies (note b)	**377**	–
	271,430	148,015

Notes:

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

	2017 US$'000	2016 US$'000
Within 30 days	**63,635**	41,584
31-60 days	**26,184**	11,014
61-90 days	**10,646**	3,968
Over 90 days	**8,135**	8,503
	108,600	65,069

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) As at 31 December 2017, trade receivables and bills receivables of US$96,593,000 (2016: US$57,146,000) were fully performing.

As at 31 December 2017, trade receivables of US$12,007,000 (2016: US$7,923,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables which were past due but not impaired is as follows:

	2017 US$'000	2016 US$'000
Within 30 days	**6,398**	3,111
31-60 days	**2,530**	1,016
61-90 days	**1,570**	1,380
Over 90 days	**1,509**	2,416
	12,007	7,923

As at 31 December 2017, trade receivables of US$3,161,000 (2016: US$449,000) were impaired. The amount of the provision was US$3,161,000 (2016: US$449,000) as at 31 December 2017. The ageing of these receivables is as follows:

	2017 US$'000	2016 US$'000
Within 30 days	**97**	102
31-60 days	**24**	37
61-90 days	**5**	7
Over 90 days	**3,035**	303
	3,161	449

Movements on the provision for impairment of trade receivables are as follows:

	2017 US$'000	2016 US$'000
At 1 January	**(449)**	(4,090)
Exchange differences	**(180)**	21
Reversal of/(provision) for impairment of trade receivables	**134**	(413)
Write back of provision for impairment of trade receivables	**10**	1,247
Receivables written off during the year as uncollectible	**7**	73
Acquisition of subsidiaries	**(2,683)**	–
Disposal of a subsidiary	**–**	2,713
At 31 December	**(3,161)**	(449)

17 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) The balances are unsecured and interest free. Trading balances have credit periods ranging from 30 to 90 days while other balances have no fixed terms of repayment.

(c) As at 31 December 2017, balance of US$19,920,000 (2016: US$18,443,000) is unsecured, interest free, and wholly repayable within twelve months. Balance of US$836,000 (2016: US$737,000) is secured, bears interest at 5.5% per annum above 3 months EURIBOR and repayable within twelve months. The remaining balance of US$57,568,000 (2016: US$Nil) is unsecured and interest bearing at the rate of 5% above HIBOR per annual quoted in respect of a one-month, and wholly repayable on or before March 2018.

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

(e) The carrying amounts of trade and other receivables are denominated in the following currencies:

	2017 **US$'000**	2016 US$'000
US dollar	**3,184**	20,015
Renminbi	**92,218**	80,210
Hong Kong dollar	**60,198**	3,115
Euro	**95,641**	26,229
Other currencies	**20,189**	18,446
	271,430	148,015

(f) The carrying amounts of trade and other receivables approximate their fair values.

18 FINANCIAL INSTRUMENTS BY CATEGORY

	2017 **US$'000**	2016 US$'000
Assets as per balance sheet		
Available-for-sale financial assets	**276,553**	156,939
Loans and receivables		
Loans to joint ventures	**79,996**	79,419
Loans to associates	**158,539**	114,944
Trade and other receivables excluding prepayments	**179,814**	115,392
Cash and cash equivalents	**560,067**	834,232
Restricted bank deposits	**6,333**	2,868
Total	**1,261,302**	1,303,794

18 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	2017 US$'000	2016 US$'000
Liabilities as per balance sheet		
Financial liabilities at amortised cost		
Borrowings	**2,334,349**	1,502,991
Loans from non-controlling shareholders of subsidiaries	**164,115**	167,772
Loans from a fellow subsidiary	**30,608**	38,061
Loan from a joint venture	**42,622**	40,147
Loan from an associate	**15,304**	–
Trade and other payables excluding receipt in advance	**317,818**	174,600
Financial liabilities at fair value through profit and loss		
Derivative financial instruments	**9,362**	–
Total	**2,914,178**	1,923,571

19 SHARE CAPITAL

	2017 US$'000	2016 US$'000
Issued and fully paid:		
3,057,112,720 (2016: 3,016,018,628) ordinary shares of HK$0.10 each	**39,254**	38,728

The movements of the issued share capital of the Company are summarised as follows:

	Number of ordinary shares	Nominal Value US$'000
At 1 January 2017	**3,016,018,628**	**38,728**
Issue of scrip dividend for 2016 final (note a)	**14,954,193**	**191**
Issue of scrip dividend for 2017 interim (note b)	**26,139,899**	**335**
At 31 December 2017	**3,057,112,720**	**39,254**
At 1 January 2016	2,966,559,439	38,090
Issue of scrip dividend for 2015 final (note a)	3,015,196	39
Issue of scrip dividend for 2016 interim (note b)	46,443,993	599
At 31 December 2016	3,016,018,628	38,728

Notes:

(a) During the year ended 31 December 2017, 14,954,193 (2016: 3,015,196) new shares were issued by the Company at HK$8.890 (2016: HK$7.824) per share for the settlement of 2016 final (2016: 2015 final) scrip dividends.

(b) During the year ended 31 December 2017, 26,139,899 (2016: 46,443,993) new shares were issued by the Company at HK$8.598 (2016: HK$8.140) per share for the settlement of 2017 interim (2016: 2016 interim) scrip dividends.

20 SHARE-BASED PAYMENT

On 23 May 2003, the shareholders of the Company approved the adoption of an option scheme (the "2003 Share Option Scheme") and the termination of the share option scheme adopted by the shareholders of the Company on 30 November 1994.

On 5 December 2005, amendments to certain terms of the 2003 Share Option Scheme were approved by the shareholders of the Company (the "Amended 2003 Share Option Scheme"). Under the Amended 2003 Share Option Scheme, the directors of the Company may, at their discretion, invite any participants, as defined under the Amended 2003 Share Option Scheme, to take up share options for subscribing the Company's shares, subject to the terms and conditions stipulated therein.

The consideration on acceptance of an offer of the grant of options is HK$1.00.

The 2003 Share Option Scheme was expired on 22 May 2013. No further options shall thereafter be granted under the 2003 Share Option Scheme. As at 31 December 2017, there was no outstanding share option.

Movements of the share options are set out below:

			For the year ended 31 December 2017 Number of share options				
Category	**Note**	**Exercise price HK$**	**Outstanding at 1 January 2017**	**Exercised during the year**	**Transfer (to)/ from other categories during the year**	**Lapsed during the year**	**Outstanding at 31 December 2017**
Directors	(i) (ii)	**19.30**	**500,000**	**–**	**–**	**(500,000)**	**–**
Continuous contract employees	(i) (ii)	**19.30**	**8,310,000**	**–**	**–**	**(8,310,000)**	**–**
Others	(i) (ii)	**19.30**	**1,130,000**	**–**	**–**	**(1,130,000)**	**–**
			9,940,000	**–**	**–**	**(9,940,000)**	**–**

			For the year ended 31 December 2016 Number of share options				
Category	Note	Exercise price HK$	Outstanding at 1 January 2016	Exercised during the year	Transfer (to)/ from other categories during the year	Lapsed during the year	Outstanding at 31 December 2016
Directors	(i) (ii)	19.30	500,000	–	–	–	500,000
Continuous contract employees	(i) (ii)	19.30	11,050,000	–	–	(2,740,000)	8,310,000
Others	(i) (ii)	19.30	1,430,000	–	–	(300,000)	1,130,000
			12,980,000	–	–	(3,040,000)	9,940,000

20 SHARE-BASED PAYMENT (CONTINUED)

Notes:

(i) All options were lapsed during 2017. All the outstanding options were vested and exercisable as at 31 December 2016. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

(iii) No share options were granted, exercised or cancelled under the 2003 share option scheme during the year ended 31 December 2017.

(iv) All options were lapsed during 2017. Share options outstanding at 31 December 2016 had the following expiry dates and exercise prices:

Expiry date	Exercise price HK$	Number of share options 2017	2016
17 April 2017 to 19 April 2017	19.30	–	9,940,000

(v) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2017 **Average exercise price per share** **HK$**	**Number of share options**	2016 Average exercise price per share HK$	Number of share options
At 1 January	**19.30**	**9,940,000**	19.30	12,980,000
Lapsed	**19.30**	**(9,940,000)**	19.30	(3,040,000)
At 31 December	–	–	19.30	9,940,000

Notes to the Consolidated Financial Statements

21 BORROWINGS

	2017 US$'000	2016 US$'000
Long term borrowings		
Secured		
– bank loans	**799,037**	336,321
– loans from China Shipping Finance Co., Ltd. ("CS Finance")	**11,019**	14,185
	810,056	350,506
Unsecured		
– bank loans	**710,065**	655,556
– loans from COSCO Finance Co., Ltd. ("COSCO Finance")	**38,184**	24,074
– notes	**298,324**	297,879
	1,046,573	977,509
Finance lease obligations	**999**	–
	1,857,628	1,328,015
Amounts due within one year included under current liabilities	**(33,858)**	(256,609)
	1,823,770	1,071,406
Short term borrowings		
Secured		
– bank loan	**5,970**	–
Unsecured		
– bank loans	**447,795**	64,870
– loans from COSCO Finance	**22,956**	110,106
	470,751	174,976
	476,721	174,976

21 BORROWINGS (CONTINUED)

Notes:

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

	2017 US$'000	2016 US$'000
Bank loans		
Within one year	33,610	231,295
Between one and two years	37,350	36,089
Between two and five years	831,962	448,005
Over five years	606,180	276,488
	1,509,102	991,877
Loans from COSCO Finance		
Within one year	–	24,074
Between one and two years	38,184	–
	38,184	24,074
Loans from CS Finance		
Within one year	–	1,240
Between one and two years	533	1,476
Between two and five years	5,467	5,011
Over five years	5,019	6,458
	11,019	14,185
Finance lease obligations		
Within one year	248	–
Between one and two years	257	–
Between two and five years	494	–
	999	–
Notes (note b)		
Over five years	298,324	297,879
	1,857,628	1,328,015

(b) Details of the notes as at 31 December 2017 are as follows:

	2017 US$'000	2016 US$'000
Principal amount	300,000	300,000
Discount on issue	(2,040)	(2,040)
Notes issuance cost	(2,250)	(2,250)
Net proceeds received	295,710	295,710
Accumulated amortised amounts of		
– discount on issue	1,243	1,032
– notes issuance cost	1,371	1,137
	298,324	297,879

Notes to the Consolidated Financial Statements

21 BORROWINGS (CONTINUED)

(b) 10-year notes with principal amount of US$300,000,000 were issued by a subsidiary of the Company to investors on 31 January 2013. The notes carried a fixed interest yield of 4.46% per annum and were issued at a price of 99.320 per cent of their principal amount with a fixed coupon rate of 4.375% per annum, resulting in a discount on issue of US$2,040,000. The notes bear interest from 31 January 2013, payable semi-annually in arrear on 31 January and 31 July of each year, commencing on 31 July 2013. The notes are guaranteed unconditionally and irrevocably by the Company and listed on the Stock Exchange. Unless previously redeemed or repurchased by the Company, the notes will mature on 31 January 2023 at their principal amount. The notes are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of the Company at any time in the event of certain changes affecting the taxes of certain jurisdictions.

(c) The exposure of long term borrowings to interest rate changes and the contractual repricing dates are as follows:

	Less than one year US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
At 31 December 2017				
Total borrowings	**33,858**	**914,247**	**909,523**	**1,857,628**
At 31 December 2016				
Total borrowings	256,609	490,581	580,825	1,328,015

(d) The carrying amounts of the long term borrowings and short term borrowings are denominated in the following currencies:

	2017 **US$'000**	2016 US$'000
US dollar	**1,011,840**	633,479
Renminbi	**449,093**	422,359
Euro	**873,416**	447,153
	2,334,349	1,502,991

The effective interest rates per annum at the balance sheet date were as follows:

	2017			2016		
	US$	**RMB**	**Euro**	US$	RMB	Euro
Bank loans, loans from CS Finance and COSCO Finance	**2.4%**	**4.2%**	**1.4%**	2.8%	4.1%	1.3%
Finance lease obligations	**N/A**	**N/A**	**3.42%**	N/A	N/A	N/A
Notes	**4.4%**	**N/A**	**N/A**	4.4%	N/A	N/A

21 BORROWINGS (CONTINUED)

(e) The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Bank loans, loans from CS Finance and COSCO Finance	**1,524,695**	773,527	**1,568,044**	768,589
Finance lease obligations	**751**	–	**679**	–
Notes	**298,324**	297,879	**297,855**	297,426
	1,823,770	1,071,406	**1,866,578**	1,066,015

The fair values of the Group's non-current borrowings are determined based on cash flows discounted using a weighted average borrowing rate of 2.1% (2016: 1.9%) per annum.

(f) The carrying amounts of short term bank loans approximate their fair values.

(g) As at 31 December 2017, bank loans and a loan from CS Finance of US$816,026,000 (2016: US$350,506,000) granted to subsidiaries of the Company were secured by certain other property, plant and equipment of the Group note 7(a) and the Company's interests in subsidiaries.

(h) As at 31 December 2017, the committed and undrawn borrowing facilities of the Group amounted to US$976,365,000 (2016: US$266,874,000).

22 LOANS FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES AND LOANS FROM A FELLOW SUBSIDIARY

(a) Loans from non-controlling shareholders of subsidiaries

As at 31 December 2017, balance of US$7,100,000 (2016: US$Nil) was unsecured, interest free and not repayable within next twelve months. The remaining balance was unsecured, beared interest at 4.75% per annum and was repayable in 2019. The carrying values of the loans were not materially different from their fair values.

(b) Loans from a fellow subsidiary

As at 31 December 2017, balance of US$30,608,000 (2016: US$38,061,000) represented finance lease contracts the Group entered for leasing of terminal equipment with a fellow subsidiary. The average term of the finance lease contracts is 8 years (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$54,879,000 (2016: US$80,428,000) as at 31 December 2017 (note 7(d)). The carrying values of the loan were not materially different from their fair values.

Notes to the Consolidated Financial Statements

23 OTHER LONG TERM LIABILITIES

	2017 US$'000	2016 US$'000
Deferred income	**32,716**	30,675
Others	**7,170**	909
	39,886	31,584

24 TRADE AND OTHER PAYABLES

	2017 US$'000	2016 US$'000
Trade payables (note a)		
– third parties	**104,173**	23,602
– fellow subsidiaries (note b)	**1,322**	5,142
– non-controlling shareholders of subsidiaries (note b)	**1,355**	3,563
– joint ventures (note b)	**318**	–
– related companies (note b)	**2,210**	568
	109,378	32,875
Accruals	**54,079**	32,929
Other payables	**131,742**	97,139
Dividend payable	**10**	9
Loans from a fellow subsidiary (note 22(b))	**10,315**	9,256
Loan from a joint venture (note c)	**42,622**	40,147
Loan from an associate (note e)	**15,304**	–
Loans from non-controlling shareholders of subsidiaries (note d)	**111,103**	167,772
Amounts due to (note b)		
– fellow subsidiaries	**3,897**	3,104
– non-controlling shareholders of subsidiaries	**23,558**	12,413
– joint ventures	**421**	240
– an associate	**11**	–
– related companies	**–**	71
	502,440	395,955

24 TRADE AND OTHER PAYABLES (CONTINUED)

Notes:

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

	2017 US$'000	2016 US$'000
Within 30 days	79,169	14,603
31-60 days	7,283	1,619
61-90 days	11,751	9,248
Over 90 days	11,175	7,405
	109,378	32,875

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

(c) Loans from a joint venture of US$42,622,000 (2016: US$40,147,000) are unsecured, bear interest at 2.3% (2016: 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$6,328,000 (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 (2016: US$49,681,000) is interest free. Balances of US$45,912,000 and US$9,182,000 (2016: US$57,661,000 and US$51,896,000) bear interest at 3.8% and 4.4% per annum respectively (2016: 3.9% and 3.5% respectively).

(e) Loan from an associate of US$15,304,000 (2016: US$Nil) is unsecured, bears interest at 2.3% per annum and repayable within twelve months.

(f) The carrying amounts of trade and other payables are denominated in the following currencies:

	2017 US$'000	2016 US$'000
US dollar	24,237	89,835
Renminbi	321,038	263,855
Euro	84,966	32,982
Hong Kong dollar	72,011	9,262
Other currencies	188	21
	502,440	395,955

(g) The carrying amounts of trade and other payables approximate their fair values.

25 DERIVATIVE FINANCIAL INSTRUMENTS

	2017 US$'000	2016 US$'000
Interest rate swaps	9,362	–
Less: non-current portion	(6,527)	–
Current portion	2,835	–

Notes to the Consolidated Financial Statements

25 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

At 31 December 2017, the Group had interest rate swap agreements in place with a total notional amount of US$291,220,000 (2016: Nil). The swaps are used to hedge the exposure to changes in the cash flow of its bank loans with variable rates referred to the EURIBOR in an average band of between 0.61% and 1.22%. The hedge of the interest rate swaps was assessed to be effective.

26 DISPOSAL OF A JOINT VENTURE AND FURTHER ACQUSITION ON AN AVAILABLE-FOR-SALE FINANCIAL ASSET TO BECOME AN ASSOCIATE

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

27 OTHER OPERATING INCOME

	2017 US$'000	2016 US$'000
Management fee and other service income	**5,346**	4,479
Dividends income from listed and unlisted available-for-sale financial assets	**1,370**	4,245
Reversal of provision for impairment of trade receivables	**134**	–
Rental income from		
– investment properties	**434**	600
– buildings, leasehold land and land use rights	**685**	645
Gain on disposal of property, plant and equipment	**677**	125
Gain on remeasurement of equity investments	**7,301**	–
Net gain on bargain purchase	**30**	–
Government subsidies	**5,459**	5,237
Exchange gain, net	**15,681**	–
Others	**3,157**	1,373
	40,274	16,704

28 OPERATING PROFIT

Operating profit is stated after charging the following:

	2017 US$'000	2016 US$'000
Charging:		
Amortisation of		
– land use rights	**5,200**	5,020
– intangible assets (note a)	**4,499**	1,097
– other non-current assets (note 15)	**1,611**	1,573
Depreciation	**95,530**	90,783
Exchange loss, net	**–**	9,097
Loss on disposal of property, plant and equipment and intangible assets	**1,053**	452
Auditors' remuneration		
– current year	**1,050**	800
– (over)/under provision in prior year	**(59)**	30
Provision for impairment of trade receivables	**–**	304
Provision for impairment loss of an available-for-sale financial asset	**–**	19,800
Rental expenses under operating leases of		
– land and buildings leased from third parties	**378**	2,244
– buildings leased from a fellow subsidiary	**1,832**	1,724
– buildings leased from a joint venture	**28**	34
– land use rights leased from non-controlling shareholders of subsidiaries	**3,073**	2,673
– plant and machinery leased from third parties	**279**	53
– Concession from a fellow subsidiary (note 15)	**48,051**	38,840
– concession from third parties	**1,633**	–
Total staff costs (including directors' emoluments and retirement benefit costs) (note b)	**214,759**	190,117

Notes:

(a) Amortisation of intangible assets is included in administrative expenses in the consolidated income statement.

(b) Total staff costs do not include the amounts of benefits in kind provided to the Company's directors and the Group's employees in respect of the Company's share options granted prior to 2005 and staff quarters. Details of the Company's share options are set out in note 20 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

29 FINANCE INCOME AND COSTS

	2017 US$'000	2016 US$'000
Finance income		
Interest income on		
– bank balances and deposits	4,343	9,494
– deposits with COSCO Finance	873	540
– deposits with CS Finance	1	4
– loans to joint ventures and associates	7,451	4,829
	12,668	14,867
Finance costs		
Interest expenses on		
– bank loans	(31,013)	(29,702)
– notes not wholly repayable within five years	(13,125)	(13,128)
– loans from COSCO Finance	(3,373)	(4,456)
– loans from CS Finance	(530)	(646)
– loans from and amount due to fellow subsidiaries	(1,607)	(3,040)
– loans from non-controlling shareholders of subsidiaries (note 22(a) and note 24(d))	(4,586)	(2,792)
– loans from a joint venture (note 24(c))	(954)	(872)
– loan from an associate (note 24(e))	(18)	–
– finance lease obligations	(6)	–
Amortised amount of		
– discount on issue of notes	(212)	(231)
– transaction costs on bank loans and notes	(1,042)	(313)
	(56,466)	(55,180)
Less: amount capitalised in construction in progress (note 7(c))	5,670	6,038
	(50,796)	(49,142)
Other incidental borrowing costs and charges	(5,180)	(3,000)
	(55,976)	(52,142)
Net finance costs	(43,308)	(37,275)

30 INCOME TAX EXPENSES

	2017 **US$'000**	2016 US$'000
Current income tax		
– Hong Kong profits tax	**–**	(903)
– Mainland China taxation	**(68,878)**	(22,877)
– Overseas taxation	**(10,712)**	(11,879)
– Over/(under) provision in prior years	**369**	(2,567)
	(79,221)	(38,226)
Deferred income tax charge (note 14)	**(15,488)**	(9,944)
	(94,709)	(48,170)

The Group's shares of income tax expenses of joint ventures and associates of US$24,428,000 (2016: US$34,209,000) and US$28,820,000 (2016: US$24,644,000) are included in the Group's shares of profits less losses of joint ventures and associates respectively. The deferred income tax charge mainly represents the withholding income tax in respect of the undistributed profits for the year of the Group's subsidiaries, joint ventures and associates.

Hong Kong profits tax was provided at a rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

Below is a numerical reconciliation between income tax expenses in the consolidated income statement and aggregate tax expense at the domestic rates applicable to profits in respective territories concerned:

	2017 **US$'000**	2016 US$'000
Profit before income tax from continuing operations	**645,858**	257,607
Less: Share of profits less losses of joint ventures and associates from continuing operations	**(236,568)**	(200,242)
	409,290	57,365
Aggregate tax at domestic rates applicable to profits in respective territories concerned	**94,491**	27,466
Income not subject to income tax	**(73,219)**	(8,903)
Expenses not deductible for income tax purposes	**11,296**	4,984
(Over)/under provision in prior years	**(369)**	2,567
Utilisation of previously unrecognised tax losses	**(4,084)**	(778)
Tax losses not recognised	**1,139**	3,342
Withholding income tax on undistributed profits and payment of interest	**65,100**	19,549
Others	**355**	(57)
Income tax expenses	**94,709**	48,170

Notes to the Consolidated Financial Statements

30 INCOME TAX EXPENSES (CONTINUED)

Except for the income tax US$37,312,000 (2016: Nil) relating to the deferred tax provided on the fair value gain on available-for-sale financial assets, US$214,000 (2016: Nil) deferred tax liability to the cash flow hedges in 2017, and US$2,403,000 relating to the reversal of deferred tax upon transfer from investment properties to property, plant and equipment in 2016, there was no income tax relating to components of other comprehensive income for the year ended 31 December 2017 and 2016.

31 EARNINGS PER SHARE

(a) Basic

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

	2017	2016
Profit from continuing operations attributable to equity holders of the Company	**US$512,454,000**	US$180,937,000
Profit from discontinued operation attributable to equity holders of the Company	–	US$66,094,000
	US$512,454,000	US$247,031,000
Weighted average number of ordinary shares in issue	**3,027,433,793**	2,976,420,791
Basic earnings per share		
– from continuing operations	**US16.93 cents**	US6.08 cents
– from discontinued operation	–	US2.22 cents
	US16.93 cents	US8.30 cents

(b) Diluted

The outstanding share options granted by the Company did not have any dilutive effect on the earnings per share for the year ended 31 December 2017 and 2016, and the diluted earnings per share is equal to the basic earnings per share for the year ended 31 December 2017 and 2016 respectively.

32 DISTRIBUTION, DIVIDENDS AND SPECIAL CASH DIVIDEND

(a) Distribution

	2017 US$'000	2016 US$'000
Consideration in connection with the purchase of China Shipping Ports Development Co., Limited from fellow subsidiaries	–	1,164,077

(b) Dividends and special cash dividend

	2017 US$'000	2016 US$'000
2016 conditional special cash dividend, paid of US10.317 cents per ordinary share	–	306,059
Interim dividend paid of US1.316 cents (2016: US2.320 cents) per ordinary share	**39,888**	68,894
Final dividend proposed of US1.684 cents (2016: US1.000 cents) per ordinary share	**51,482**	30,160
	91,370	405,113

Note:

At a meeting held on 26 March 2018, the directors recommended the payment of a final dividend of HK13.1 cents (equivalent to US 1.684 cents) per ordinary share. The proposed dividend will be payable in cash and with a scrip dividend alternative. This proposed final dividend is not reflected as dividend payable in these consolidated financial statements until it has been approved at the annual general meeting, but will be reflected as an appropriation of retained profits for the year ending 31 December 2018.

33 RETIREMENT BENEFIT COSTS

The retirement benefit costs charged to the consolidated income statement represent contributions payable by the Group to the retirement benefit schemes and amounted to US$12,190,000 (2016: US$10,668,000). Contributions totaling US$2,869,000 (2016: US$1,809,000) were payable to the retirement benefit schemes as at 31 December 2017 and were included in trade and other payables. No forfeited contributions were available as at 31 December 2017 and 31 December 2016 to reduce future contributions.

Notes to the Consolidated Financial Statements

34 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid to directors of the Company during the year are set out as follows:

	2017	2016
	US$'000	US$'000
Fees	**216**	295
Salaries, housing and other allowances	**1,806**	1,610
Benefits in kind	**–**	–
Bonuses	**308**	193
Contributions to retirement benefit schemes	**2**	2
	2,332	2,100

Directors' fees disclosed above include US$216,000 (2016: US$224,000) paid to independent non-executive directors. The Company did not grant any share options during the year ended 31 December 2017 and 2016.

As at 31 December 2016, one director of the Company had 500,000 share options which are exercisable at HK$19.30 per share granted by the Company under the 2003 Share Option Scheme. All share options were lapsed as at 31 December 2017.

For the year ended 31 December 2017, no (2016: Nil) share option was exercised.

Details and movements of share options granted and exercised during the year are set out in note 20 to the consolidated financial statements.

34 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

The directors' emoluments are analysed as follows:

		Year ended 31 December 2017								
Name of directors	Note	Fees	Salary	Discretionary bonuses	Housing and other allowances	Estimated money value of other benefits	Contributions to retirement benefit schemes	Remunerations paid or receivable in respect of accepting office as director	As management (note e)	Total
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Mr. HUANG Xiaowen	(i)	–	–	–	–	–	–	–	–	–
Mr. ZHANG Wei (張為)	(ii)	–	739	57	18	–	–	–	–	814
Mr. FANG Meng	(iii)	–	389	84	18	–	–	–	–	491
Mr. DENG Huangjun		–	251	83	18	–	–	–	–	352
Mr. FENG Boming	(iv)	–	–	–	–	–	–	–	–	–
Mr. ZHANG Wei (張煒)	(iv)	–	–	–	–	–	–	–	–	–
Mr. CHEN Dong	(iv)	–	–	–	–	–	–	–	–	–
Mr. XU Zunwu	(iv)	–	–	–	–	–	–	–	–	–
Mr. WANG Haimin		–	–	–	–	–	–	–	–	–
Dr. WONG Tin Yau, Kelvin		–	355	84	18	–	2	–	–	459
Dr. FAN HSU Lai Tai, Rita		50	–	–	–	–	–	–	–	50
Mr. Adrian David LI Man Kiu		56	–	–	–	–	–	–	–	56
Mr. FAN Ergang		33	–	–	–	–	–	–	–	33
Mr. LAM Yiu Kin		40	–	–	–	–	–	–	–	40
Prof. CHAN Ka Lok	(iv)	37	–	–	–	–	–	–	–	37
		216	1,734	308	72	–	2	–	–	2,332

34 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

The directors' emoluments are analysed as follows:

Year ended 31 December 2016										
Name of directors	Note	Fees	Salary	Discretionary bonuses	Housing and other allowances	Estimated money value of other benefits	Contributions to retirement benefit schemes	Remunerations paid or receivable in respect of accepting office as director	As management (note e)	Total
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Mr. HUANG Xiaowen	(i)	–	–	–	–	–	–	–	–	–
Mr. ZHANG Wei (張為)	(ii)	5	503	–	15	–	–	–	–	523
Mr. FANG Meng	(iii)	–	171	–	15	–	–	–	–	186
Mr. DENG Huangjun		–	252	18	18	–	–	–	–	288
Mr. FENG Boming	(iv)	4	–	–	–	–	–	–	–	4
Mr. ZHANG Wei (張煒)	(iv)	4	–	–	–	–	–	–	–	4
Mr. CHEN Dong	(iv)	4	–	–	–	–	–	–	–	4
Mr. XU Zunwu	(iv)	4	–	–	–	–	–	–	–	4
Mr. WANG Haimin		15	–	–	–	–	–	–	–	15
Dr. WONG Tin Yau, Kelvin		–	356	91	18	–	2	–	–	467
Dr. FAN HSU Lai Tai, Rita		50	–	–	–	–	–	–	–	50
Mr. Adrian David LI Man Kiu		57	–	–	–	–	–	–	–	57
Mr. FAN Ergang		34	–	–	–	–	–	–	–	34
Mr. LAM Yiu Kin		40	–	–	–	–	–	–	–	40
Prof. CHAN Ka Lok	(iv)	9	–	–	–	–	–	–	–	9
Mr. WAN Min	(v)	–	–	–	–	–	–	–	–	–
Mr. QIU Jinguang	(vi)	–	239	84	23	–	–	–	–	346
Mr. TANG Runjiang	(vii)	9	–	–	–	–	–	–	–	9
Mr. FENG Bo	(viii)	13	–	–	–	–	–	–	–	13
Mr. WANG Wei	(viii)	13	–	–	–	–	–	–	–	13
Mr. IP Sing Chi	(viii)	34	–	–	–	–	–	–	–	34
		295	1,521	193	89	–	2	–	–	2,100

34 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

Notes:

(i) appointed as Chairman of the Board and a non-executive director on 29 March 2016
(ii) appointed as Vice Chairman of the Board and Managing Director on 27 April 2016
(iii) appointed on 27 April 2016
(iv) appointed on 24 October 2016
(v) resigned on 29 March 2016
(vi) resigned on 27 April 2016
(vii) resigned on 7 July 2016
(viii) resigned on 24 October 2016

The above analysis includes three (2016: two) directors whose emoluments were among the five highest in the Group.

(b) Management's emoluments

Details of the aggregate emoluments paid to two (2016: three) individuals whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2017 US$'000	2016 US$'000
Salaries and other allowances	**623**	884
Bonuses	**168**	280
Contributions to retirement benefit schemes	**4**	6
	795	1,170

The emoluments of the highest paid individuals fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands		
US$320,848-US$385,017 (HK$2,500,001-HK$3,000,000)	**–**	1
US$385,018-US$449,187 (HK$3,000,001-HK$3,500,000)	**2**	2
	2	3

(c) During the year, no emolument had been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

34 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (CONTINUED)

(d) No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(e) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included salaries, discretionary bonuses, employer's contributions to retirement benefit schemes and housing allowance.

35 FINANCIAL GUARANTEE CONTRACTS

The financial guarantees issued by the Group as at 31 December 2017 are analysed as below:

	2017 **US$'000**	2016 US$'000
Bank guarantees to a joint venture	**9,226**	9,110

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

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

36 CAPITAL COMMITMENTS

The Group has the following significant capital commitments as at 31 December 2017:

	2017 **US$'000**	2016 US$'000
Contracted but not provided for		
– Investments (note)	**442,895**	671,956
– Other property, plant and equipment	**576,376**	591,399
	1,019,271	1,263,355

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

	2017 **US$'000**	2016 US$'000
Contracted but not provided for	**6,154**	60,121

36 CAPITAL COMMITMENTS (CONTINUED)

Note:

The capital commitments in respect of investments of the Group as at 31 December 2017 are as follows:

	2017 US$'000	2016 US$'000
Contracted but not provided for		
Investments in:		
– QQCT	–	64,997
– Antwerp Gateway NV	51,970	44,548
– DPCT	–	42,093
– Tianjin Port Euroasia International Container Terminal Co., Ltd.	107,435	101,196
– Qingdao Port Dongjiakou Ore Terminal Co., Ltd.	–	86,493
– Vado	14,472	55,880
– Others	202,883	214,453
	376,760	609,660
Terminal projects in:		
– Shanghai Yangshan Port Phase II	61,216	57,662
– Others	4,919	4,634
	66,135	62,296
	442,895	671,956

37 OPERATING LEASE ARRANGEMENTS/COMMITMENTS

(a) Operating lease arrangements – where the Group is the lessor

As at 31 December 2017, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	2017 US$'000	2016 US$'000
Buildings, leasehold land and land use rights		
– not later than one year	320	417
– later than one year and not later than five years	594	623
– later than five years	246	234
	1,160	1,274
Investment properties		
– not later than one year	3	21
– later than one year and not later than five years	–	26
	3	47
	1,163	1,321

Notes to the Consolidated Financial Statements

37 OPERATING LEASE ARRANGEMENTS/COMMITMENTS (CONTINUED)

(b) Operating lease commitments – where the Group is the lessee

As at 31 December 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2017 **US$'000**	2016 US$'000
Buildings, leasehold land and land use rights		
– not later than one year	**13,996**	4,471
– later than one year and not later than five years	**65,762**	1,345
– later than five years	**491,288**	–
	571,046	5,816
Plant and machinery		
– not later than one year	**1,009**	9
– later than one year and not later than five years	**3,148**	9
– later than five years	**4,053**	–
	8,210	18
Concession		
– not later than one year	**75,098**	53,680
– later than one year and not later than five years	**362,620**	332,176
– later than five years	**4,016,815**	4,210,150
	4,454,533	4,596,006
	5,033,789	4,601,840

38 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit before income tax to cash generated from operations

	2017 US$'000	2016 US$'000
Profit before income tax including discontinued operation	**645,858**	324,529
Depreciation and amortisation	**106,840**	133,283
Interest expenses	**49,542**	51,972
Amortised amount of		
– discount on issue of notes	**212**	231
– transaction costs on bank loans and notes	**1,042**	914
Other incidental borrowing costs and charges	**5,180**	3,000
(Reversal of)/provision for impairment of trade receivables	**(134)**	413
Write off of inventories	**(16)**	–
Loss on disposal of property, plant and equipment and intangible assets, net	**364**	160
Dividends income from unlisted available-for-sale financial assets	**(149)**	(1,225)
Dividends income from listed available-for-sale financial assets	**(1,221)**	(3,020)
Gain on disposal of a subsidiary	**–**	(59,021)
Gain on disposal of a joint venture	**(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)**	–
Gain on remeasurement of equity investments	**(7,301)**	–
Net gain on bargain purchase	**(30)**	–
Written-off of goodwill upon deregistration of a subsidiary	**309**	–
Provision for impairment loss of an available-for-sale financial asset	**–**	19,800
Write back of provision for impairment of trade receivables	**10**	(1,247)
Interest income	**(12,668)**	(14,943)
Share of profits less losses of		
– joint ventures	**(86,531)**	(112,081)
– associates	**(150,037)**	(88,161)
Operating profit before working capital changes	**228,875**	254,604
Decrease in finance lease receivables	**–**	6,665
Decrease in inventories	**1,099**	9,649
Decrease in trade and other receivables	**11,040**	32,106
Decrease in amounts due from fellow subsidiaries	**17,084**	18,161
(Increase)/decrease in amount due from an associate	**(177)**	2,238
Decrease/(increase) in amount due from joint ventures	**2,572**	(100)
Decrease in amounts due from non-controlling shareholders of subsidiaries	**1,136**	170
Increase in amount due from a related company	**(377)**	–
Increase/(decrease) in trade and other payables	**45,807**	(3,960)
Decrease in payables to owners of managed containers	**–**	(2,048)
Increase in amounts due to fellow subsidiaries	**870**	717
Increase in amounts due to joint ventures	**–**	98
Decrease in amounts due to related companies	**(71)**	(235)
Increase/(decrease) in amounts due to non-controlling shareholders of subsidiaries	**9,071**	(6,436)
Increase in other long term liabilities	**–**	1,913
Cash generated from operations	**316,929**	313,542

38 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Major non-cash transactions

	2017 US$'000	2016 US$'000
Acquisition of an associate by transferring 20% equity interest in a joint venture as consideration (note 26)	**(465,491)**	–
Acquisition of an associate by contribution of 40% equity interest in a joint venture and 20% equity interest in an associate to the associate (note 11(b) & note 12(c))	**(119,758)**	–
Acquisition of machinery by means of finance lease (note 21)	**999**	–

(c) Analysis of the balances of cash and cash equivalents

	2017 US$'000	2016 US$'000
Total time deposits, bank balances and cash (note i)	**566,400**	837,100
Restricted bank deposits included in current assets	**(6,333)**	(2,868)
	560,067	834,232
Representing:		
Time deposits	**298,828**	658,396
Bank balances and cash	**190,650**	83,474
Balance placed with COSCO Finance (note iii)	**70,589**	92,358
Balance placed with CS Finance (note iv)	**–**	4
	560,067	834,232

Notes:

(i) As at 31 December 2017, cash and cash equivalents of US$125,290,000 (2016: US$37,053,000) of the Group denominated in Renminbi and US dollar were held by certain subsidiaries with bank accounts operating in the PRC where exchange controls apply.

(ii) The carrying amounts of time deposits, bank balances and cash are denominated in the following currencies:

	2017 US$'000	2016 US$'000
US dollar	**282,361**	605,764
Renminbi	**189,695**	161,768
Euro	**16,725**	24,012
Hong Kong dollar	**71,249**	42,668
Other currencies	**37**	20
	560,067	834,232

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

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

38 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(d) Reconciliation of liabilities arising from financing activities

	Borrowings	Loans from non-controlling shareholders of subsidiaries	Loans from a fellow subsidiary	Loans from a joint venture and an associate	Debt-related derivative financial instruments	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance as at 1 January 2017	1,502,991	167,772	38,061	40,147	–	1,748,971
Changes from financing cash flows						
Loans drawn down	763,520	–	–	–	–	763,520
Loans repaid	(449,635)	–	–	–	–	(449,635)
Loans from non–controlling shareholders of subsidiaries	–	51,497	–	–	–	51,497
Repayment of loans from a non-controlling shareholders of a subsidiary	–	(59,196)	–	–	–	(59,196)
Loan from an associate	–	–	–	14,799	–	14,799
Repayment of loans from fellow subsidiaries	–	–	(11,109)	–	–	(11,109)
Acquisition of subsidiaries	431,818	–	–	–	10,028	441,846
Fair value gain of cash flow hedges	–	–	–	–	243	243
Foreign exchange difference	87,240	4,042	3,048	2,980	241	97,551
Other non-cash movements	(1,585)	–	608	–	(1,150)	(2,127)
Balance as at 31 December 2017	2,334,349	164,115	30,608	57,926	9,362	2,596,360

39 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 container leasing, management and sales, and related businesses of the Group) to COSCO SHIPPING Development (Hong Kong) Co., Limited ("CSDHK") for a total consideration of US$1,241,032,000. The FCHL's shareholder's loans in the aggregate sum of US$285,000,000 were transferred on the same day to CSDHK at the consideration of US$285,000,000. Upon completion of the disposal, FCHL ceased to be a subsidiary of the Company. Upon completion of the disposal, FCHL ceased to be a subsidiary of the company. Given that FCHL represented a separate major line of business with separately identifiable operations and cash flows before the disposal, it is classified as discontinued operation in the consolidated financial statements.

39 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:	US$'000
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

39 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 year	7,526
Gain on disposal of a subsidiary	59,021
	66,547
Profit 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 as at 1 January 2016	129,835
Exchange difference	118
Cash and cash equivalents upon Completion Date	102,128

40 RELATED PARTY TRANSACTION

The Group is controlled by COSCO SHIPPING Holdings which owns 46.91% of the Company's shares as at 31 December 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. 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.

40 RELATED PARTY TRANSACTIONS (CONTINUED)

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

In addition to those disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year.

(a) Continuing operations

Sales/purchases of goods, services and investments

	2017 US$'000	2016 US$'000
Handling, storage and transportation income from fellow subsidiaries (note i, xiv)	**3**	949
Management fee and service fee income from (note ii)		
– joint ventures	**3,771**	3,867
– associates	**578**	597
– an investee company	**85**	90
Terminal handling and storage income received from (note iii, xiv)		
– fellow subsidiaries	**103,243**	87,893
– non-controlling shareholders of subsidiaries	**55,834**	48,331
Container handling and logistics service fees to non-controlling shareholders of subsidiaries (note iv, xiv)	**(12,584)**	(14,602)
Electricity and fuel expenses paid to (note v, xiv)		
– fellow subsidiaries	**(813)**	(1,209)
– non-controlling shareholders of subsidiaries	**(7,477)**	(8,169)
Finance lease charges paid to a fellow subsidiary (note vi)	**(1,607)**	(2,099)
Handling, storage and maintenance expenses paid to fellow subsidiaries (note vii, xiv)	**(3,166)**	(2,186)
High-frequency communication fee to a non-controlling shareholder of a subsidiary (note viii, xiv)	**(92)**	(80)
Rental expenses paid to (note ix, xiv)		
– fellow subsidiaries	**(11,345)**	(5,078)
– non-controlling shareholders of subsidiaries	**(5,509)**	(8,090)
Concession fee to a fellow subsidiary (note xiii, xiv)	**(38,341)**	(13,343)

40 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Discontinued operation

Sales/purchases of goods, services and investments

	2017 US$'000	2016 US$'000
Container rental income from fellow subsidiaries (note x, xiv)		
– long term leases	–	38,005
– short term lease	–	353
Compensation for loss of containers from a fellow subsidiary (note xi, xiv)	–	2,370
Handling, storage and maintenance expenses to fellow subsidiaries (note vii, xiv)	–	(233)
Container freight charges to (note xii, xiv)		
– subsidiaries of China International Marine Containers (Group) Co., Ltd ("CIMC")	–	(52)

Notes:

(i) The handling, storage and transportation income received from fellow subsidiaries of the Group were at terms as set out in the agreements entered into between the Group and these fellow subsidiaries.

(ii) The Group provided advisory and management services to COSCO-HIT Terminals (Hong Kong) Limited, a joint venture of the Group, during the year. Management fee was charged and agreed at HK$20,000,000 (equivalent to US$2,567,000) (2016: HK$20,000,000 (equivalent to US$2,577,000)) per annum.

Other management fee and service fee income charged to joint ventures, associates and an investee company were agreed between the Group and the respective parties in concern.

(iii) The terminal handling and storage income received from fellow subsidiaries and non-controlling shareholders of subsidiaries in relation to the cargoes shipped from/to Zhangjiagang, Yangzhou, Quanzhou, Jinjiang, Xiamen, Nansha, Lianyungang and Jinzhou were charged at rates by reference to rates as set out by the Ministry of Communications of the PRC.

The container terminal handling and storage income received from fellow subsidiaries in relation to the cargoes shipped from/to Piraeus Ports, Zeebrugge and Spain were charged at rates as mutually agreed.

(iv) The container handling and logistics service fees paid to non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

40 RELATED PARTY TRANSACTIONS (CONTINUED)

(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.

(vii) Handling, storage and maintenance expenses paid to fellow subsidiaries were charged at rates as mutually agreed.

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

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

(x) The Group conducts long term container leasing business with COSCO SHIPPING Lines Co., Ltd. ("COSCO SHIPPING Lines"). For the year ended 31 December 2016, the Group entered into new long term container leasing contracts/arrangements with COSCO SHIPPING Lines. The Group's long term container leasing transactions with COSCO SHIPPING Lines during 2016 were conducted by reference to, if applicable, the average of the available leasing rates quoted from five independent container leasing companies and in the ordinary and normal course of the business of the Group.

The other container leasing businesses with COSCO SHIPPING Lines and other subsidiaries of COSCO were conducted at terms as agreed between the Group and respective parties in concern.

The Group does not have any container leasing businesses with COSCO SHIPPING Lines and other subsidiaries of COSCO after the disposal of FCHL in 2016.

(xi) During 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 as mutually agreed.

(xiii) Concession fee paid to a fellow subsidiary was charged and mutually agreed at two fixed annual fees, and a variable annual concession fee based on the aggregate revenue of Piraeus Container Terminal S.A..

(xiv) The transactions represent continuing connected transactions which has complied with the disclosure requirements in accordance with Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules").

40 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

	2017 US$'000	2016 US$'000
Fees	–	5
Salaries, bonuses and other allowances	3,858	3,546
Contributions to retirement benefit schemes	9	60
	3,867	3,611

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

The emoluments of the senior management members fell within the following bands:

	Number of individuals 2017	Number of individuals 2016
Emolument bands		
US$128,339-US$256,678 (HK$1,000,001-HK$2,000,000)	2	2
US$256,679-US$320,847 (HK$2,000,001-HK$2,500,000)	–	1
US$320,848-US$385,017 (HK$2,500,001-HK$3,000,000)	2	1
US$385,018-US$449,187 (HK$3,000,001-HK$3,500,000)	2	2
	6	6

Notes to the Consolidated Financial Statements

41 BUSINESS COMBINATIONS

(a) Acquisition of a subsidiary – Noatum Port Holdings, S.L.U. ("NPH")

On 31 October 2017, the Group acquired 51% equity interests in NPH, a group of companies engaged in terminal operating activities in Spain, for a consideration of Euro203,490,000 (equivalent to approximately US$239,866,000).

Details of net assets acquired are as follows:

	US$'000
Purchase consideration	239,866
Fair value of net assets acquired shown as below	(109,689)
Goodwill	130,177

The assets and liabilities of the acquired terminal operations as at the date of acquisition were as follows:

	Fair value US$'000
Property, plant and equipment	172,426
Intangible assets	296,118
Available-for-sale financial assets	123
Associates	1,085
Deferred income tax assets	95,248
Inventories	1,475
Trade and other receivables	80,562
Restricted bank deposits	9,161
Cash and cash equivalents	21,831
Bank borrowings	(352,031)
Other long-term liabilities	(11,430)
Trade and other payables	(46,394)
Deferred income tax liabilities	(47,580)
Total identifiable net assets acquired	220,594
Less: non-controlling interests	(110,905)
	109,689
Purchase consideration settled in cash	239,866
Cash and cash equivalents in acquired terminal operation	(21,831)
Net cash outflow on acquisition	218,035

41 BUSINESS COMBINATIONS (CONTINUED)

(a) Acquisition of a subsidiary – Noatum Port Holdings, S.L.U. ("NPH") (Continued)

Notes:

(i) The goodwill is attributable to the anticipated profitability of the acquired business. It will not be deductible for tax purposes.

(ii) Acquired receivables

The fair value of acquired trade receivables is US$47,984,000. The gross contractual amount for trade receivables due is US$50,802,000, of which US$2,818,000 is expected to be uncollectible.

(iii) Non-controlling interests

The Group recognises the non-controlling interests in NPH at its proportionate share of the acquired net identifiable assets. See note 3.1 for the Group's accounting policies for business combinations.

(iv) Revenue and profit contribution

The acquired terminal operation contributed approximately US$44,596,000 revenues and contributed a net profit of approximately US$2,145,000 for the year ended 31 December 2017 since the date of acquisition. If the acquisition had occurred on 1 January 2017, the Group's consolidated revenue and profit for the year ended 31 December 2017 would have been increased by approximately US$212,897,000 and approximately US$4,231,000 respectively.

(v) Acquisition-related costs

Acquisition-related costs of US$2,586,000 that were not directly attributable to the acquisition are included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

(vi) Pursuant to the purchase agreement, a put option was granted which entitled the non-controlling interests to sell the remaining interests in the acquired entity between the issuance of 2019 audited consolidated financial statements and 2020 audited consolidated financial statements of NPH Group at a consideration with reference to NPH Group's EBITDA under specified circumstances.

(b) Step acquisition from an associate to a subsidiary

On 30 November 2017, the Group completed a further acquisition of 76% equity interests in CSP Zeebrugge Terminal NV ("CSP Zeebrugge"), a terminal operating company in Belgium, for a consideration of Euro28,000,000 (equivalent to approximately US$32,560,000) and a shareholder loan of Euro8,000,000 (equivalent to approximately US$9,499,000). CSP Zeebrugge became a wholly-owned subsidiary of the Group and the results of it is consolidated into the Group's financial statements commencing from the acquisition date.

Upon the step-up acquisition, the Group remeasured the fair value of its pre-existing interest in CSP Zeebrugge at the acquisition date and recognised an impairment loss of US$6,888,000 on the remeasurement of the Group's pre-existing interest in CSP Zeebrugge to acquisition date fair value in the consolidated income statement.

Details of net assets acquired are as follows:

	US$'000
Purchase consideration (including a shareholder loan)	42,059
Fair value of pre-existing interest in CSP Zeebrugge at the date of acquisition	10,282
Fair value of net assets acquired shown as below	(63,234)
Gain on bargain purchase	(10,893)

Notes to the Consolidated Financial Statements

41 BUSINESS COMBINATIONS (CONTINUED)

(b) Step acquisition from an associate to a subsidiary (Continued)

The assets and liabilities of the acquired terminal operations as at the date of acquisition were as follows:

	Fair value US$'000
Property, plant and equipment	33,829
Intangible assets	616
Deferred income tax assets	35,184
Inventories	701
Trade and other receivables	5,013
Cash and cash equivalents	1,847
Bank borrowings	(8,152)
Trade and other payables	(5,607)
Deferred tax liabilities	(197)
Total identifiable net assets acquired	63,234
Purchase consideration settled in cash	42,059
Cash and cash equivalents in acquired terminal operation	(1,847)
Net cash outflow on acquisition	40,212

Notes:

(i) In the opinion of the directors of the Company, the gain on bargain purchase is largely attributable to the Group's capability in negotiating more favourable transaction terms with the vendors. This has resulted in fair value of the identifiable net assets of the acquired subsidiary exceeded the total consideration paid. After netting off the impairment loss arising from the 24% interest in associate, US$6,888,000 and accumulated exchange loss of US$3,975,000, the net gain was US$30,000.

(ii) Acquired receivables

The fair value of acquired trade receivables is US$2,184,000. The gross contractual amount for trade receivables due is US$2,207,000, of which US$23,000 is expected to be uncollectible.

(iii) Revenue and profit contribution

The acquired terminal operation contributed approximately US$1,283,000 revenues and contributed a net loss of approximately US$822,000 for the year ended 31 December 2017 since the date of the completion of further acquisition. If the acquisition had occurred on 1 January 2017, the Group's revenue and profit for the year ended 31 December 2017 would have been increased approximately by US$12,800,000 and decreased approximately by US$5,909,000 respectively.

(iv) Acquisition-related costs

Acquisition-related costs were insignificant and have been included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

41 BUSINESS COMBINATIONS (CONTINUED)

(c) Acquisition of other subsidiaries

During the year ended 31 December 2017, the Group acquired certain subsidiaries engaged in terminal operations that are material collectively to the Group, the aggregate financial information as at date of acquisition is presented as follows:

	US$'000
Purchase consideration	105,463
Fair value of net assets acquired shown as below	(99,194)
Goodwill	6,269

The combined assets and liabilities of the acquired terminal operations as at the date of acquisition were as follows:

	Fair value US$'000
Property, plant and equipment	114,054
Land use rights	62,464
Intangible asset	1
Other receivables	54,655
Cash and cash equivalents	61,614
Bank borrowings	(71,635)
Deferred tax liabilities	(6,033)
Trade and other payables	(42,185)
Total identifiable net assets acquired	172,935
Less: non-controlling interests	(73,641)
	99,294
Purchase consideration settled in cash	105,463
Cash and cash equivalents in acquired terminal operations	(61,614)
Net cash outflow on acquisition	43,849

Notes:

(i) The goodwill is attributable to the anticipated profitability of the acquired businesses. It will not be deductible for tax purposes.

(ii) Acquired receivables

There are no acquired trade receivables.

Notes to the Consolidated Financial Statements

41 BUSINESS COMBINATIONS (CONTINUED)

(c) Acquisition of other subsidiaries (Continued)

(iii) Non-controlling interests

The Group recognizes the non-controlling interests in these subsidiaries at its proportionate share of the acquired net identifiable assets. See note 3.1 for the Group's accounting policies for business combinations.

(iv) Revenue and profit contribution

The acquired terminal operations contributed approximately net losses of approximately US$734,000 for the year ended 31 December 2017 since the dates of acquisitions. If the acquisitions had occurred on 1 January 2017, the Group's profits for the year ended 31 December 2017 would have been decreased by approximately US$4,632,000.

(v) Acquisition-related costs

Acquisition-related costs were insignificant and have been included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

42 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	2017 US$'000	2016 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**124**	149
Subsidiaries		**5,244,883**	5,252,031
Amounts due from subsidiaries		**186,892**	208,782
		5,431,899	5,460,962
Current assets			
Other receivables		**486**	628
Amounts due from subsidiaries		**986,192**	2,197,718
Amount due from an intermediate holding company		**2**	–
Amounts due from a fellow subsidiary		**–**	17,307
Cash and cash equivalents		**256,388**	632,977
		1,243,068	2,848,630
Total assets		**6,674,967**	8,309,592

42 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

	Note	2017 US$'000	2016 US$'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**39,254**	38,728
Reserves	(a)	**4,544,499**	4,166,186
Total equity		**4,583,753**	4,204,914
LIABILITIES			
Non-current liability			
Long term borrowings		**513,430**	467,709
Current liabilities			
Other payables		**38,520**	14,566
Current income tax liabilities		**139**	91
Loan from a subsidiary		**296,610**	296,610
Amounts due to subsidiaries		**892,515**	3,323,588
Amounts due to fellow subsidiaries		**–**	2,114
Current portion of long-term borrowings		**350,000**	–
		1,577,784	3,636,969
Total liabilities		**2,091,214**	4,104,678
Total equity and liabilities		**6,674,967**	8,309,592

On behalf of the Board

ZHANG Wei
Vice Chairman and Managing Director

WONG Tin Yau, Kelvin
Executive Director and Deputy Managing Director

Notes to the Consolidated Financial Statements

42 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (a) Reserve movement of the Company

	Share Premium US$'000	Contributed surplus (note) US$'000	Share option reserve US$'000	Retained profits US$'000	Total US$'000
At 1 January 2017	**1,694,406**	**414,214**	**6,321**	**2,051,245**	**4,166,186**
Profit for the year	**–**	**–**	**–**	**403,082**	**403,082**
Issue of shares on settlement of scrip dividends	**45,279**	**–**	**–**	**–**	**45,279**
Transfer of reserve upon lapse of share options	**–**	**–**	**(6,321)**	**6,321**	**–**
Dividends					
– 2016 final	**–**	**–**	**–**	**(30,160)**	**(30,160)**
– 2017 interim	**–**	**–**	**–**	**(39,888)**	**(39,888)**
At 31 December 2017	**1,739,685**	**414,214**	**–**	**2,390,600**	**4,544,499**
Representing:					
Reserves	**1,739,685**	**414,214**	**–**	**2,339,118**	**4,493,017**
2017 final dividend proposed	**–**	**–**	**–**	**51,482**	**51,482**
At 31 December 2017	**1,739,685**	**414,214**	**–**	**2,390,600**	**4,544,499**
At 1 January 2016	1,643,261	414,214	8,254	1,216,749	3,282,478
Profit for the year	–	–	–	1,294,970	1,294,970
Issue of shares on settlement of scrip dividends	51,145	–	–	–	51,145
Transfer of reserve upon lapse of share options	–	–	(1,933)	1,933	–
Dividends					
– Conditional special cash dividends	–	–	–	(306,059)	(306,059)
– 2015 final	–	–	–	(87,454)	(87,454)
– 2016 interim	–	–	–	(68,894)	(68,894)
At 31 December 2016	1,694,406	414,214	6,321	2,051,245	4,166,186
Representing:					
Reserves	1,694,406	414,214	6,321	2,021,085	4,136,026
2016 final dividend proposed	–	–	–	30,160	30,160
At 31 December 2016	1,694,406	414,214	6,321	2,051,245	4,166,186

Note:

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued share capital and the net asset value of the subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders.

43 BUSINESS COMBINATION UNDER COMMON CONTROL

The Group adopts merger accounting for common control combination in respect of the acquisition of China Shipping Ports Development Co., Limited ("Acquired Subsidiary"). Statements of adjustments for business combination under common control on the Group's financial position as at 31 December 2016 and the results for the year ended 31 December 2016 are summarised as follows:

	The Group before the acquired subsidiary US$'000	Acquired Subsidiary US$'000	Note	Adjustments US$'000	Total US$'000
Year ended 31 December 2016					
Continuing operations					
Revenues	494,846	61,531		–	556,377
Profit before income tax	229,869	26,823	(i)	915	257,607
Income tax	(41,960)	(5,563)	(i)	(647)	(48,170)
Profit for the year	187,909	21,260		268	209,437
As at 31 December 2016					
ASSETS					
Non-current assets	5,879,000	1,023,804	(ii), (iv)	(1,111,856)	5,790,948
Current assets	940,806	67,678	(ii), (iii)	(12,976)	995,508
Total assets	6,819,806	1,091,482		(1,124,832)	6,786,456
EQUITY					
Capital and reserves					
Share capital	38,728	1,112,304	(iv)	(1,112,304)	38,728
Reserves	4,517,028	(155,028)	(ii), (iv)	(45,867)	4,316,133
	4,555,756	957,276		(1,158,171)	4,354,861
Non-controlling interests	301,103	68,622	(ii)	41,218	410,943
Total equity	4,856,859	1,025,898		(1,116,953)	4,765,804
LIABILITIES					
Non-current liabilities	1,149,989	33,909	(ii)	811	1,184,709
Current liabilities	812,958	31,675	(ii), (iii)	(8,690)	835,943
Total liabilities	1,962,947	65,584		(7,879)	2,020,652
Total equity and liabilities	6,819,806	1,091,482		(1,124,832)	6,786,456

Note:

(i) Adjustments to adjust the profit and tax in relation to reclassification of certain investments after acquisition of the Acquired Subsidiary.
(ii) Adjustments for reclassification of certain investments after acquisition of the Acquired Subsidiary.
(iii) Adjustments to eliminate the inter-group balances as at 31 December 2016.
(iv) Adjustments to eliminate the investment cost, and share capital of the Acquired Subsidiary against reserves.

No other significant adjustment were made to the net assets and net profit of any entities or business as a result of the common control combination to achieve consistency of accounting policies.

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44 DETAILS OF SUBSIDIARIES

Details of the subsidiaries as at 31 December 2017 are as follows:

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2017	2016
	Abu Dhabi Oceangate Container Terminal L.L.C.	Abu Dhabi, United Arab Emirates	Abu Dhabi, United Arab Emirates	Operation of terminals	150,000 ordinary shares of AED1 each	**90.00%**	–
2	Cheer Dragon Investment Limited	Hong Kong	Hong Kong	Investment holding	HK$3 divided into 3 ordinary shares	**66.67%**	66.67%
4	Cheer Hero Development Limited	Hong Kong	Hong Kong	Container handling, storage and stevedoring	HK$100,000 divided into 10,000 ordinary shares	**–**	77.00%
1	China Shipping Ports Development Co., Limited	Hong Kong	Hong Kong	Investment holding	HK$15,120,435,795 divided into 5,679,542,725 ordinary shares	**100.00%**	100.00%
2,3	China Shipping Terminal Development Co., Limited	PRC	PRC	Investment holding	RMB9,786,531,586	**100.00%**	100.00%
1	COSCO Container Services Limited	Hong Kong	Hong Kong	Investment holding, depot handling, storage and container repairing	HK$3,500,002 divided into 3 ordinary shares	**100.00%**	100.00%
1	COSCO Pacific Finance (2013) Company Limited	British Virgin Islands	Hong Kong	Financing	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO Pacific Limited (formerly known as COSCO SHIPPING Ports Treasury Limited)	British Virgin Islands	Hong Kong	Provision of treasury services	1 ordinary share of US$1	**100.00%**	100.00%
1, 2, 4	COSCO Pacific Nominees Limited	British Virgin Islands	Hong Kong	Provision of nominee services	2 ordinary share of US$1	**–**	100.00%
1	COSCO Ports (ACT) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO Ports (Antwerp) NV	Belgium	Belgium	Investment holding	Euro61,500 divided into 2 shares with no face value	**100.00%**	100.00%
1	COSCO Ports (Belgium) Limited	Hong Kong	Hong Kong	Investment holding	HK$1 divided into 1 ordinary share	**100.00%**	100.00%
1, 2	COSCO Ports (Dalian) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Ports (Dalian RoRo) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Ports (Greece) S.à r.l.	Luxembourg	Luxembourg	Investment holding	Euro512,500	**100.00%**	100.00%
2, 4	COSCO Ports (Guangzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**–**	100.00%
1, 4	COSCO Ports (Holdings) Limited	British Virgin Islands	Hong Kong	Investment holding	82 ordinary share of US$1 each	**–**	100.00%
1	COSCO Ports (Istanbul) Limited	Hong Kong	Hong Kong	Investment holding	HK$1 divided into 1 ordinary share	**100.00%**	100.00%
1, 2	COSCO Ports (Nanjing) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO Ports (Nansha) Limited	British Virgin Islands	Hong Kong	Investment holding	10,000 ordinary shares of US$1 each	**66.10%**	66.10%

44 DETAILS OF SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2017	2016
1, 2	COSCO Ports (Ningbo Beilun) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2, 4	COSCO Ports (Panama) Limited	British Virgin Islands	Hong Kong	Investment holding	2 ordinary shares of US$1	**–**	100.00%
1, 2	COSCO Ports (Port Said) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Ports (Pudong) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 4	COSCO Ports (Qianwan) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**–**	100.00%
1, 2	COSCO Ports (Quanzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Ports (Quanzhou Jinjiang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO Ports (Rotterdam) Limited	Hong Kong	Hong Kong	Investment holding	HK$1 divided into 1 ordinary share	**100.00%**	100.00%
1, 2	COSCO Ports (Singapore) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO Ports (Taiwan Kaohsiung) Limited	Hong Kong	Hong Kong	Investment holding	HK$1 divided into 1 ordinary share	**100.00%**	100.00%
1, 2	COSCO Ports (Tianjin) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Ports (Tianjin North Basin) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Ports (Xiamen Haicang) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Ports (Yangzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Ports (Yingkou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO SHIPPING Ports (Abu Dhabi) Limited	British Virgin Islands	British Virgin Islands	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Abu Dhabi CFS) Limited	British Virgin Islands	British Virgin Islands	Investment holding	50,000 ordinary shares with no par value	**100.00%**	–
1, 2, 3	COSCO SHIPPING Ports Investments (Shanghai) Co., Ltd. (formerly known as COSCO Pacific (China) Investments Co., Ltd.)	PRC	PRC	Investment holding	US$147,000,000	**100.00%**	100.00%
1	COSCO SHIPPING Ports Management Company Limited	Hong Kong	Hong Kong	Investment holding and provision of management services	HK$2 divided into 2 ordinary shares	**100.00%**	100.00%
1	COSCO SHIPPING Ports (Nantong) Limited	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 ordinary shares	**100.00%**	–
1	COSCO SHIPPING Ports (Spain) Limited	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 ordinary shares	**100.00%**	–
1	COSCO SHIPPING Ports (Vado) Limited	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 ordinary shares	**100.00%**	100.00%

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44 DETAILS OF SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2017	2016
1, 2	COSCO SHIPPING Ports (Yangshan) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1	**100.00%**	100.00%
1	Crestway International Limited	British Virgin Islands	Hong Kong	Investment holding	50,000 ordinary shares of US$1 each	**100.00%**	100.00%
2, 5	CSP Zeebrugge Terminal NV (formerly known as APM Terminals Zeebrugge NV)	Belgium	Belgium	Operation of container terminals	3,500,001 ordinary shares of Euro 10 each	**100.00%**	N/A
1, 2	Frosti International Limited	British Virgin Islands	Hong Kong	Investment holding	2 ordinary shares of US$1 each	**100.00%**	100.00%
4	Greating Services Limited	Hong Kong	Hong Kong	Transportation of containers	HK$250,000 divided into 250,000 ordinary shares	**–**	100.00%
2, 3	Guangzhou South China Oceangate Container Terminal Company Limited	PRC	PRC	Operation of container terminals	RMB1,928,293,400	**39.00%**	39.00%
4	Hong Kong Haima Development Co., Ltd	Hong Kong	Hong Kong	Inactive	US$8,553.58 divided into 2,001 ordinary shares	**–**	100.00%
2, 3	Jinjiang Pacific Ports Development Co., Ltd.	PRC	PRC	Operation of terminals	US$49,900,000	**80.00%**	80.00%
2, 3	Jinzhou New Age Container Terminal Co., Ltd.	PRC	PRC	Operation of terminals	RMB320,843,634	**51.00%**	51.00%
2, 3	Lianyungang New Oriental International Terminals Co., Ltd.	PRC	PRC	Operation of terminals	RMB470,000,000	**55.00%**	55.00%
2, 3, 6	Lianyungang Xiansanly Container Service Co., Ltd.	PRC	PRC	Container inspection and auxiliary services	RMB1,000,000	**N/A**	22.00%
	Maltransinter, S.A.U.	Spain	Spain	Inactive	14,000 ordinary shares of Euro 1,000 each	**51.00%**	–
2, 3	Nantong Tonghai Port Co., Ltd.	PRC	PRC	Operation of terminals	RMB790,000,000	**51.00%**	–
	Noatum Container Terminal Bilbao, S.L.	Spain	Spain	Operation of container terminals	30,694,951 ordinary shares of Euro 0.43 each	**39.51%**	–
	Noatum Container Terminal Valencia, S.A.U.	Spain	Spain	Operation of container terminals	170,912,783 ordinary shares of Euro 0.29 each	**51.00%**	–
	Noatum Port Holdings, S.L.	Spain	Spain	Investment holding	23,147,944 ordinary shares of Euro 1 each	**51.00%**	–
	Noatum Ports, S.L.U.	Spain	Spain	Investment holding	36,250,000 ordinary shares of Euro 1 each	**51.00%**	–
	Noatum Rail Terminal Zaragoza, S.L.	Spain	Spain	Operation of container terminals	3,000 ordinary shares of Euro 1 each	**30.60%**	–
1	Piraeus Container Terminal S.A.	Greece	Greece	Operation of container terminals	Euro77,299,800	**100.00%**	100.00%

44 DETAILS OF SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2017	2016
1, 2, 4	Plangreat Limited	British Virgin Islands	Hong Kong	Investment holding	100 ordinary shares of US$1 each	–	100.00%
2, 3	Quan Zhou Pacific Container Terminal Co., Ltd.	PRC	PRC	Operation of terminals	US$80,770,000	**82.35%**	82.35%
1	Right Key International Limited (formerly known as COSCO Pacific Limited)	Hong Kong	Hong Kong	Inactive	HK$1 divided into 1 ordinary share	**100.00%**	100.00%
	Sagtransinter, S.L.U.	Spain	Spain	Inactive	13,631,405 ordinary shares of Euro 1 each	**51.00%**	–
	Santrasmul, S.A.U.	Spain	Spain	Inactive	7,160,000 ordinary shares of Euro 1 each	**51.00%**	–
2,3	Shanghai China Shipping Terminal Development Co., Ltd.	PRC	PRC	Investment holding	RMB6,107,012,170	**100.00%**	100.00%
1	Win Hanverky Investments Limited	Hong Kong	Hong Kong	Investment holding	HK$100,000 divided into 10,000 ordinary shares	**100.00%**	100.00%
2, 3	Wuhan Yangluo Jiutong Gangwu Co., Ltd.	PRC	PRC	Operation of terminals	RMB280,000,000	**70.00%**	–
2, 3, 7	Xiamen Haitou Tongda Terminal Co., Ltd.	PRC	PRC	Operation of container terminals	RMB170,000,000	–	70.00%
2, 3	Xiamen Ocean Gate Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminals	RMB1,813,680,000	**70.00%**	70.00%
2, 3	Yangzhou Yuanyang International Ports Co., Ltd.	PRC	PRC	Operation of terminals	US$69,600,000	**55.59%**	55.59%
2, 3	Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminals	US$36,800,000	**51.00%**	51.00%

Notes:

1 Shares held directly by the Company.

2 Subsidiaries not audited by PricewaterhouseCoopers.

3 China Shipping Terminal Development Co., Limited and COSCO SHIPPING Ports Investments (Shanghai) Co., Ltd. are wholly foreign-owned enterprises. Guangzhou South China Oceangate Container Terminal Company Limited, Jinjiang Pacific Ports Development Co., Ltd., Jinzhou New Age Container Terminal Co., Ltd., Lianyungang New Oriental International Terminals Co., Ltd., Lianyungang Xinsanly Contianer Service Co., Ltd., Quan Zhou Pacific Container Terminal Co., Ltd., Shanghai China Shipping Terminal Development Co., Ltd., Wuhan Yangluo Jiutong Gangwu Co., Ltd., Xiamen Haitou Tongda Terminal Co., Ltd., Xiamen Ocean Gate Container Terminal Co., Ltd., Yangzhou Yuanyang International Ports Co., Ltd., Zhangjiagang Win Hanverky Container Terminal Co., Ltd. and Nantong Tonghai Port Co., Ltd. are sino-foreign equity joint ventures established in the PRC.

4 These subsidiaries were dissolved during the year.

5 CSP Zeebrugge Terminal NV was reclassified from an associate to a subsidiary due to further acquisiton during the year (note 41(b)).

6 The subsidiary was reclassified to an associate during the year.

7 The subsidiary was merged with Xiamen Ocean Gate Container Terminal Co., Ltd. during the year.

45 DETAILS OF JOINT VENTURES

Details of the principal joint ventures as at 31 December 2017, which principally affect the results and/or net assets of the Group, are as follows:

Name	Place of incorporation/ establishment	Principal activities	Paid-up capital	Percentage of interest in ownership/voting power/profit sharing 2017	2016
Asia Container Terminals Holdings Limited	Cayman Islands	Investment holding	HK$1 divided into 1,000 ordinary shares	**20.00%**	20.00%
Conte-Rail, S.A.	Spain	Operation of rail terminals	45,000 ordinary shares of Euro 34.3 each	**25.50%**	–
COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	Operation of container terminals	HK$20 divided into 2 "A" ordinary shares HK$20 divided into 2 "B" ordinary shares HK$40 divided into 4 non-voting 5% deferred shares	**50.00%**	50.00%
COSCO-HPHT ACT Limited (notes i)	British Virgin Islands	Investment holding	1,000 ordinary shares of US$1 each	**50.00%**	50.00%
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminals	SGD65,900,000	**49.00%/ 50.00%/ 49.00%**	49.00%/ 50.00%/ 49.00%
Dalian Dagang China Shipping Container Co., Ltd.	PRC	Operation of container terminals	RMB7,500,000	**35.00%**	35.00%
Dalian International Container Terminal Co., Ltd. (note ii)	PRC	Operation of container terminals	RMB1,400,000,000	**–**	40.00%
Euro-Asia Oceangate S.à.r.l. (note iii)	Luxembourg	Investment holding	US$30,000	**40.00%**	40.00%
Lianyungang Port Railway International Container Multimodal Transport Co., Ltd.	PRC	Logistics	RMB3,400,000	**30.00%**	30.00%
Nansha Stevedoring Corporation Limited of Port of Guangzhou	PRC	Operation of container terminals	RMB1,260,000,000	**40.00%**	40.00%
Ningbo Yuan Dong Terminals Limited	PRC	Operation of container terminals	RMB2,500,000,000	**20.00%**	20.00%
Panama International Terminals, S.A.	Panama	Inactive	300 ordinary shares with no face value	**–**	50.00%

45 DETAILS OF JOINT VENTURES (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities	Paid-up capital	Percentage of interest in ownership/voting power/profit sharing 2017	2016
Piraeus Consolidation and Distribution Centre S.A.	Greece	Storage, consolidation and distribution	Euro1,000,000	**50.00%/ 60.00%/ 50.00%**	50.00%/ 60.00%/ 50.00%
Qingdao Port Dongjiakou Ore Terminal Co., Ltd.	PRC	Operation of iron ore terminal	RMB1,400,000,000	**25.00%/ 22.22%/ 25.00%**	25.00%/ 22.22%/ 25.00%
Qingdao Qianwan Container Terminal Co., Ltd.	PRC	Operation of container terminals	US$308,000,000	**–**	20.00%/ 18.18%/ 20.00%
Qingdao Qianwan Intelligent Container Terminal Co., Ltd. (note iv)	PRC	Operation of container terminals	RMB642,000,000	**N/A**	20.00%
Qinzhou International Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB500,000,000	**40.00%**	40.00%
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminals	RMB1,900,000,000	**30.00%**	30.00%
Tianjin Port Euroasia International Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB1,260,000,000	**30.00%/ 28.60%/ 30.00%**	30.00%/ 28.60%/ 30.00%
Xiamen Haicang Free Trade Port Zone Container Inspection Co., Ltd.	PRC	Container stevedoring, storage, inspection and auxiliary services	RMB10,000,000	**22.40%/ 33.33%/ 22.40%**	22.40%/ 33.33%/ 22.40%
Yingkou Container Terminals Company Limited	PRC	Operation of container terminals	RMB8,000,000	**50.00%/ 57.14%/ 50.00%**	50.00%/ 57.14%/ 50.00%
Yingkou New Century Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB40,000,000	**40.00%**	40.00%

Notes:

(i) COSCO-HPHT ACT effectively holds 80% equity interest in ACT, which engages in the operation, management and development of container terminals in Hong Kong, and is considered as a subsidiary of COSCO-HPHT ACT.

(ii) In October 2017, DICT was deregistered due to DICT merged with DCT and DPCT.

(iii) Euro-Asia Oceangate S.à.r.l. effectively holds 65% equity interest in Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi, which engages in container terminal operations in Turkey, and is considered as a subsidiary of Euro-Asia Oceangate S.à.r.l.

(iv) During the year, Qingdao Qianwan Intelligent Container Terminal Co., Ltd. was reclassified to an associate due to disposal of QQCT.

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46 DETAILS OF ASSOCIATES

Details of the associates as at 31 December 2017, which principally affect the results and/or net assets of the Group, are as follows:

Name	Place of establishment operation	Principal activities	Issued share capital/ registered capital	Group equity interest 2017	2016
Antwerp Gateway NV	Belgium	Operation of container terminals	Euro17,900,000	**20.00%**	20.00%
APM Terminals Vado Holdings B.V. (note i)	Netherlands	Investment holding	10 ordinary shares of Euro 100 each	**40.00%**	40.00%
CSP Zeebrugge Terminal NV (formerly known as APM Terminals Zeebrugge NV)	Belgium	Operation of container terminals	3,500,001 ordinary shares of Euro 10 each	**N/A**	24.00%
COSCO Shipping Terminal (USA) LLC	USA	Investment holding	US$200,000	**40.00%**	40.00%
Dalian Automobile Terminal Co., Ltd.	PRC	Construction and operation of automobile terminals	RMB320,000,000	**24.00%**	24.00%
Dalian Container Terminal Co., Ltd. (note ii)	PRC	Operation of container terminals	RMB3,480,000,000	**19.00%**	–
Dalian Port Container Terminal Co., Ltd. (note iii)	PRC	Operation of container terminals	RMB730,000,000	**–**	20.00%
Damietta International Port Company S.A.E	Egypt	Operation of container terminals	20,000,000 ordinary shares of US$10 each	**20.00%**	20.00%
Dawning Company Limited	British Virgin Islands	Investment holding	200 "A" shares of US$1 each and 800 "B" shares of US$1 each	**20.00%**	20.00%
Euromax Terminal Rotterdam B.V.	Netherlands	Operation of container terminals	65,000 "A" shares of Euro1 each and 35,000"B" shares of Euro1 each	**35.00%**	35.00%
Jiangsu Yantze Petrochemical Co., Ltd.	PRC	Operation of bulk liquid storage	RMB219,635,926	**30.40%**	30.40%
Kao Ming Container Terminal Corp.	Taiwan	Operation of container terminals	TWD6,800,000,000	**20.00%**	20.00%
Lianyuangarg Xiansanly Container Service Co., Ltd	PRC	Container inspection and auxiliary services	RMB1,000,000	**22.00%**	N/A
Nanjing Port Longtan Container Co., Ltd.	PRC	Operation of container terminals	RMB1,544,961,839	**16.14%**	16.14%

46 DETAILS OF ASSOCIATES (CONTINUED)

Name	Place of establishment operation	Principal activities	Issued share capital/ registered capital	Group equity interest 2017	2016
Ningbo Meishan Bonded Port New Habour Terminal Operating Co., Ltd.	PRC	Operation of container terminals	RMB200,000,000	**20.00%**	20.00%
Qingdao Port International Co., Ltd	PRC	Operation of container terminals	RMB6,036,724,000	**18.41%**	–
Qingdao Qianwan Intelligent Container Terminal Co., Ltd	PRC	Operation of container terminals	RMB642,000,000	**20.00%**	N/A
Qinhuangdao Port New Habour Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB400,000,000	**30.00%**	30.00%
Servicios Intermodales Bilbaoport, S.L. (note iv)	Spain	Container storage and transportation	860,323 ordinary shares of Euro 0.57 each	**5.53%**	–
Shanghai Mingdong Container Terminals Limited	PRC	Operation of container terminals	RMB4,000,000,000	**20.00%**	20.00%
Sigma Enterprises Limited (note v)	British Virgin Islands	Investment holding	2,005 "A" shares of US$1 each and 8,424 "B" shares of US$1 each	**16.49%**	16.49%
Suez Canal Container Terminal S.A.E.	Egypt	Operation of container terminals	1,856,250 ordinary shares of US$100 each	**20.00%**	20.00%
Taicang International Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB450,800,000	**39.04%**	39.04%
Tianjin Five Continents International Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB1,145,000,000	**28.00%**	28.00%
Wattrus Limited (note v)	British Virgin Islands	Investment holding	32 "A" shares of US$1 each and 593 "B" shares of US$1 each	**5.12%**	5.12%

Note:

(i) APM Terminals Vado Holdings B.V. holds 100% equity interest in Reefer Terminal S.p.A., which engages in container terminal operations in Italy, and is considered as a subsidiary of APM Terminals Vado Holdings B.V..

(ii) In October 2017, DCT merged with DICT and DPCT.

(iii) In October 2017, DPCT was deregistered due to DPCT merged with DCT and DICT.

(iv) The directors of the Company considered that the Group has significant influence over Servicios Intermodales Bilbaoport, S.L. through its representatives on the board of directors of the company with 16.67% voting rights and therefore classified it as an associate as at 31 December 2017.

(v) The directors of the Company considered that the Group has significant influence over Sigma and Wattrus through its representatives on the boards of directors of Sigma and Wattrus with 20% voting rights respectively and therefore classified Sigma and Wattrus as associates as at 31 December 2017 and 2016.