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 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 28 March 2019.

2 BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2018 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA"). These accounting policies have been consistently applied to all the years presented unless otherwise mentioned.

The consolidated financial statements of the Company have been prepared in accordance with all applicable HKFRS issued by the HKICPA. The consolidated financial statements have been prepared under the historical cost convention except that, financial assets at fair value through other comprehensive income ("FVOCI"), financial asset at fair value through profit or loss ("FVPL"), derivative financial instruments and investment properties are carried at fair value.

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

2.1 Adoption of new standards, interpretation, amendments and improvements to existing standards

In 2018, the Group has adopted the following new standards, interpretation, amendments and improvements to existing standards issued by the HKICPA which are mandatory for the financial year ended 31 December 2018:

New standards, interpretation and amendments

HKAS 40 Amendment	Transfers of Investment Property
HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 Amendment	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 Amendment	Clarifications to HKFRS 15
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION (CONTINUED)

2.1 Adoption of new standards, interpretation, amendments and improvements to existing standards (Continued)

Annual Improvements 2014–2016 Cycle

HKAS 28 Amendment	Investments in Associates and Joint Ventures
HKFRS 1 Amendment	First time adoption of HKFRS

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

2.2 Change in accounting policies

(a) Impact on the financial statements

As explained below, HKFRS 9 and HKFRS 15 were adopted without restating comparative information. The resulting reclassifications and adjustments arising from the new accounting policies are therefore not reflected in the comparative balances, but are recognised in the opening consolidated balance sheet on 1 January 2018.

The following table shows the impact on each individual line item. Line items that were not affected by the changes have not been included. The impact is explained in more details in notes (b) and (c) below.

Consolidated balance sheet (extract)	As at 31 December 2017 (As originally presented)	Impact on initial adoption of		As at 1 January 2018 (Restated)
		HKFRS 9	HKFRS 15	
	US$'000	US$'000	US$'000	US$'000
Non-current assets				
Financial assets at FVOCI	–	276,553	–	276,553
Available-for-sale financial assets	276,553	(276,553)	–	–
Current assets				
Trade and other receivables	271,430	–	6,382	277,812
Current liabilities				
Trade and other payables	502,440	–	–	502,440
Contract liabilities	–	–	6,382	6,382
Trade and other payables and contract liabilities	502,440	–	6,382	508,822

2 BASIS OF PREPARATION (CONTINUED)

2.2 Change in accounting policies (Continued)

(b) HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that related to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies. The new accounting policies are set out in note (i) and (ii) below. In accordance with the transitional provisions in HKFRS 9, the comparative information for prior periods with respect to classification and measurement (including impairment) changes is not restated and differences in the carrying amounts resulting from the adoption of HKFRS 9 are recognised as adjustments to the opening consolidated balance sheet on 1 January 2018.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

The impact of this change on the Group's equity is as follows:

	Investment revaluation reserve	FVOCI reserve	Retained profits
	US$'000	US$'000	US$'000
Opening balance as at 1 January 2018 – HKAS 39	116,703	–	3,409,333
Reclassify available-for-sale financial assets to financial assets at FVOCI (note)	(116,703)	116,703	–
Reclassify impairment loss on an available-for-sale financial asset previously recognised in profit or loss to FVOCI reserve (note)	–	(19,800)	19,800
Opening balance as at 1 January 2018 – HKFRS 9	–	96,903	3,429,133

Note:

Equity investments previously classified as available-for-sale financial asset

The Group has elected to present in other comprehensive income ("OCI") for the changes in the fair value of all equity instruments previously classified as available-for-sale financial assets, which were then reclassified to financial assets at FVOCI on 1 January 2018. As a result, fair value gains were reclassified from investment revaluation reserve to FVOCI reserve. Retained profits increased as there was no longer any reclassification of accumulated amounts from reserves to profit or loss on impairment of these financial assets.

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION (CONTINUED)

2.2 Change in accounting policies (Continued)

(b) HKFRS 9 Financial Instruments (Continued)

(i) Classification and measurement (Continued)

Reclassifications of financial instruments on adoption of HKFRS 9

On the date of initial application, 1 January 2018, the financial instruments of the Group were as follows, with any reclassifications noted:

	Measurement category		Carrying amount		
	Original (HKAS 39)	New (HKFRS 9)	Original	New	Difference
			US$'000	US$'000	US$'000
Non-current financial assets					
Equity investments	Available for sale	FVOCI	276,553	276,553	–
Loans to joint ventures and associates	Amortised cost	Amortised cost	160,211	160,211	–
Current financial assets					
Trade and other receivables, excluding prepayments	Amortised cost	Amortised cost	258,138	258,138	–
Restricted bank deposits	Amortised cost	Amortised cost	6,333	6,333	–
Cash and cash equivalents	Amortised cost	Amortised cost	560,067	560,067	–
Non-current financial liabilities					
Long term borrowings and loans from related parties	Amortised cost	Amortised cost	1,897,075	1,897,075	–
Derivative financial instruments	FVPL	FVPL	6,527	6,527	–
Current financial liabilities					
Trade and other payables, excluding receipts in advance	Amortised cost	Amortised cost	497,162	497,162	–
Current portion of long term borrowings and short term borrowings	Amortised cost	Amortised cost	510,579	510,579	–
Derivative financial instruments	FVPL	FVPL	2,835	2,835	–

(ii) Impairment of financial assets

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For other financial assets at amortised cost are considered to be low risk, and therefore the impairment provision is determined as 12 months expected credit losses. The results of these revisions have not resulted in any material change in impairment provision or any material impact on the carrying amount of the Group's financial assets.

2 BASIS OF PREPARATION (CONTINUED)

2.2 Change in accounting policies (Continued)

(c) HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 using modified retrospective approach. In accordance with the transition provisions in HKFRS 15, the comparative information for prior periods is not restated.

The following adjustment was made to the amounts recognised in the consolidated balance sheet at the date of initial application:

Presentation of liabilities related to contracts with customers

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities relating to receipts in advance and expected volume discounts which were previously net-off and included in trade and other receivables with related customers.

2.3 New standards, interpretation, amendments and improvements to existing standards that are not yet effective for the year ended 31 December 2018 and have not been early adopted by the Group

The HKICPA has issued the following new standards, interpretation, amendments and improvements to existing standards which are not yet effective for the year ended 31 December 2018 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
New standards, interpretation and amendments		
HKAS 1 and HKAS 8 Amendment	Definition of Material	1 January 2020
HKAS 19 Amendment	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 Amendment	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 9 Amendment	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 3 Amendment	Definition of a Business	1 January 2020
HKFRS 17	Insurance contract	1 January 2021
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 23	Uncertainty over Income Tax Treatments	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
Annual Improvements 2015–2017		
HKAS 12 Amendment	Income Taxes	1 January 2019
HKAS 23 Amendment	Borrowing Costs	1 January 2019
HKFRS 3 Amendment	Business Combination	1 January 2019
HKFRS 11 Amendment	Joint Arrangements	1 January 2019

Notes to the Consolidated Financial Statements

2 BASIS OF PREPARATION (CONTINUED)

2.3 New standards, interpretation, amendments and improvements to existing standards that are not yet effective for the year ended 31 December 2018 and have not been early adopted by the Group (Continued)

The Group will apply the above new standards, interpretation, 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, interpretation, amendments and improvements to the existing standards to the Group, certain of which will give rise to change in presentation, disclosure and measurements of certain items in the financial statements as explained below:

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result lessees accounting for most leases within the scope of the standard in a manner similar to finance leases 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.

Impact

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16.

The Group expects to adopt the standard using the modified retrospective approach where the cumulative effects of initially applying HKFRS 16 is recognised as an adjustment to the opening balance of retained profits and comparative figures are not restated. The operating lease commitments are disclosed in note 38(b). The Group will recognise a right-of-use ("ROU") asset and a financial liability on the consolidated balance sheet. The asset will be depreciated over the terms of the leases, and the financial liability will be measured at amortised costs. Lease expenses in the consolidated income statement are replaced by depreciation and interest expenses. Adoption of the new standard result in a significant increase in both assets and liabilities in the consolidated balance sheet and will have negative impact to the financial performance of the Group as, when comparing to the HKAS 17, higher expenses will be incurred in the early years of lease terms, diminishing over the lease terms and will result lower expenses in the later part of the lease terms, though earnings before interest, taxes, depreciation and amortisation ("EBITDA") and earnings before interest and taxes ("EBIT") will increase.

The impact on adoption of HKFRS 16 will be disclosed in the first set of unaudited condensed consolidated financial statements issued by the Group following the initial application of this new standard, i.e. in the unaudited condensed consolidated financial statements for the three months ending 31 March 2019.

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on date of adoption (adjusted for any prepaid or accrued lease expenses).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Group accounting

(a) Merger accounting for common control combinations

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

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

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

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

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

(b) Acquisition method for non-common control combination

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

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

Acquisition-related costs are expensed as incurred.

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

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

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Group accounting (Continued)

(c) Subsidiaries

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

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

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

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

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

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

(e) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as joint ventures, associates or financial assets. In addition, any amounts previously recognised in OCI 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 OCI are reclassified to the consolidated income statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Group accounting (Continued)

(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 of 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 and OCI 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.

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 equity investments, and such share of profits and OCI is recorded through equity. Any OCI recognised in prior periods in relation to the previously held stake in the acquired associate is reversed through OCI and reclassified to profit of loss. 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 OCI 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 OCI 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Group accounting (Continued)

(f) Joint ventures/associates (Continued)

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.

Gains or losses on 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 of 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 sales.

(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 OCI as qualifying cash flow hedges or qualifying net investment hedges. Foreign exchange gains and losses are presented in the consolidated income statement on a net basis within other operating income/(expenses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments held at FVPL, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as FVOCI, are recognised in OCI.

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 OCI.

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 OCI.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(d) Disposal of foreign operation and partial disposal

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.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 ranging from 5 to 35 years, and furniture, fixtures and equipment and motor vehicles with estimated useful lives ranging 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Investment properties

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

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

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

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

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

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in OCI 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 container 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 Investments and other financial assets

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as amortised cost for assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and measures at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating income/(expenses) together with foreign exchange gains and losses.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other operating income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other operating income/(expenses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For other financial assets at amortised cost and debt instruments at FVOCI, the provision for these financial assets will be determined based on whether their credit risk are low at each reporting date, and, if so, by recognising a 12-month expected losses amount. If the financial asset is not subsequently of a low credit risk, the corresponding provision for doubtful debts will be recognised as equal to lifetime expected losses.

(e) Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Available-for-sale financial assets

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

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

Available-for-sale financial assets were 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 were recognised in OCI. When securities classified as available-for-sale were 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 were based on current bid prices. If the market for a financial asset was not active (and for unlisted securities), the Group established fair value by using valuation techniques. These included the use of recent arm's length transactions, reference to other instruments that were 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)

3.9 Investments and other financial assets (Continued)

(e) Accounting policies applied until 31 December 2017 (Continued)

(ii) Impairment of assets carried at amortised cost

The Group assessed at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets is impaired and impairment losses were incurred only if there was 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) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

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

The amount of the loss was 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 was reduced and the amount of the loss was recognised in the consolidated income statement. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group might 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 could 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.

(iii) Impairment of financial assets classified as available-for-sales

The Group assessed at each balance sheet date whether there was objective evidence that available-for-sale financial assets were impaired. A significant or prolonged decline in the fair value of the equity securities below its cost was considered as an indicator that the securities were impaired. If any such evidence existed 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) was removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments were not reversed through the consolidated income statement.

3.10 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.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 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).

At the inception of the hedging, the Group documents the economics, relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedge items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of the derivative financial instruments used for hedging purposes are disclosed in note 26. Movements in the hedging reserve in shareholders' equity are shown in note 26. 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 OCI and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other operating income or other operating expenses.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

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.

3.12 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 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 receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3.14 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).

3.15 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 3.23(b) below.

3.16 Provisions

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

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

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

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 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.

3.18 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

3.19 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.

3.20 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.

3.21 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 OCI or directly in equity. In this case, the tax is also recognised in OCI 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

(c) Offsetting

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

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Employee benefits

(a) Retirement benefit costs

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

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

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

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

(b) Employee leave entitlements

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

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

(c) Bonus entitlements

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

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

(d) Share-based compensation

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 Recognition of revenues and income

The Group recognises revenues and income on the following bases:

(a) Revenue for ports and related services

Revenue for ports and related services is recognised over time in which the services are rendered as the Group's performance provides all of the benefits received and consumed simultaneously by the customer. Revenue is recognised based on the price specified in the contract, net of the estimated volume discounts. Where the contracts include multiple performance obligation, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Accumulated experience is used to estimate and provide for the discounts, using either the expected value or the most likely amount approach, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A contract liability (included in trade and other payables and contract liabilities) is recognised for expected volume discounts to customers in relation to sales made until the end of the reporting period. Except for classification of contract liabilities, there is no change in revenue recognition policy from the adoption of HKFRS 15.

(b) 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.

(c) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(d) 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.

3.24 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.

3.25 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.

3.26 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.

Notes to the Consolidated Financial Statements

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.27 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 are disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

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

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

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Renminbi 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.

Under the Linked Exchanged Rate System in Hong Kong and the monetary policy of the Central Bank of the United Arab Emirates, Hong Kong dollar and United Arab Emirates Dirham are pegged to the US dollar respectively, management therefore considers that there are no significant foreign exchange risk with respect to Hong Kong dollar and United Arab Emirates Dirham.

With all other variables held constant, if the currencies (except for Hong Kong dollar and United Arab Emirates Dirham) 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$4,484,000 (2017: increased/decreased by US$4,493,000) as a result of the translation of those Non-Functional Currency Items.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk

The Group is exposed to price risk arises from investments held by the group and classified in the consolidated balance sheet either as financial assets at FVOCI (note 13) or financial asset at FVPL (note 14). 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, loan from an associate, 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.

With all other variables held constant, if the interest rate had increased/decreased by 50 basis-point, 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$3,641,000 (2017: US$4,584,000).

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. The fixed interest rates of the swaps range between 0.61% and 1.22% (2017: 0.61% and 1.22%) and the variable rates of the loans are between 1.5% and 2% above the 6-month EURIBOR.

Effect of hedge accounting on the financial position and performance

The effected of the interest rate swaps on the Group's financial position and performance are as follows:

	2018 **US$'000**	2017 US$'000
Interest rate swaps		
Carrying amount (liabilities)	**10,504**	9,362
Notional amount	**278,293**	291,220
Maturity date	**2022–2024**	2022–2026
Hedge ratio	**1.1**	1.1
Change in fair value of outstanding hedging instruments since 1 January	**(1,225)**	243
Change in value of hedged item used to determine hedge effectiveness	**1,225**	(243)

Notes to the Consolidated Financial Statements

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 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.

Upon adoption of HKFRS 9, the Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. Trade receivables are measured at an amount equal to the lifetime expected credit losses. Other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available.

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. No significant increase in credit risk since initial recognition, and therefore the impairment provision is determined as 12 months expected credit losses.

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 2018, approximately 55% (31 December 2017: 58%) 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.

Notes to the Consolidated Financial Statements

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(c) Liquidity risk

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

The table below analyses the Group's 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.

	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 2018				
Bank and other borrowings	272,045	300,036	1,485,887	757,257
Loans from non-controlling shareholders of subsidiaries	141,139	685	–	–
Loans from a fellow subsidiary	8,294	4,585	4,708	–
Trade and other payables	406,668	–	–	–
Derivative Financial Instruments	3,146	1,683	5,675	–
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 Instruments	2,835	2,748	3,779	–

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 2018, the net debt-to-total equity ratio is 32.2% (2017: 30.2%).

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation

(a) Fair value hierarchy

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 instruments that are measured at fair value at 31 December 2018 and 2017:

As at 31 December 2018

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
Financial assets at FVPL	**72,771**	**–**	**–**	**72,771**
Financial assets at FVOCI	**153,077**	**–**	**30,186**	**183,263**
Derivative financial instruments				
– interest rate swap	**–**	**10,504**	**–**	**10,504**
	225,848	**10,504**	**30,186**	**266,538**

As at 31 December 2017

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

(b) Valuation techniques used to determine fair value

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 financial assets at FVOCI or FVPL.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation (Continued)

(b) Valuation techniques used to determine fair value (Continued)

For interest rate swap, the present value of the estimated future cash flows based on observable yield curves is used to value financial instruments. The resulting fair value estimates are included in level 2

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

As at 31 December 2018, the fair value of unlisted financial assets at FVOCI is determined by the valuation performed by management using valuation techniques (market multiples derived from a set of comparable companies). A discount rate of 20% is applied to compute the fair value on top of market price/book multiples. These financial assets at FVOCI are included in level 3 (note 13).

(c) Transfer between levels 1 and 3

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year. 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.

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

Description	Fair value		Unobservable inputs	Range of inputs (average)	
	31 Dec 2018 US$'000	31 Dec 2017 US$'000		**2018**	2017
Unlisted equity security:					
Port industry	**30,186**	31,019	price/book multiples (i)	**1.1**	1.21-1.87
				(1.1)	(1.54)
			discount for lack of marketability (ii)	**20%**	20%

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

(ii) 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.

Notes to the Consolidated Financial Statements

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) 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.

(c) Income taxes

Deferred income tax liabilities have not been established for the withholding taxation that would be payable on the undistributed profits of certain subsidiaries which were under certain jurisdictions as the directors consider that the timing of the reversal of related temporary differences can be controlled (note 15).

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.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Fair value of financial assets at FVOCI

If information on current or recent prices of financial assets at FVOCI is not available, the fair values of financial assets at FVOCI are determined using valuation techniques (market multiples derived from a set of comparable companies). 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:

	2018 **US$'000**	2017 US$'000
Terminal operations income related to rendering of ports and related services	**1,000,350**	634,710

(a) Operating segments

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

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

The segment of "Others" primarily includes corporate level activities. Assets under the segment of "Others" comprise property, plant and equipment, 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.

Notes to the Consolidated Financial Statements

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(a) Operating segments (Continued)

Segment assets

	Terminals and related businesses US$'000	Others US$'000	Elimination US$'000	Total US$'000
At 31 December 2018				
Segment assets	**8,692,503**	**898,339**	**(545,390)**	**9,045,452**
Segment assets include:				
Joint ventures	**1,269,250**	**–**	**–**	**1,269,250**
Associates	**2,578,830**	**–**	**–**	**2,578,830**
Financial asset at FVPL	**72,771**	**–**	**–**	**72,771**
Financial assets at FVOCI	**183,263**	**–**	**–**	**183,263**
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

Segment revenues, results and other information

	Terminals and related businesses US$'000	Others US$'000	Elimination US$'000	Total US$'000
Year ended 31 December 2018				
Revenues – total sales	**1,000,350**	**–**	**–**	**1,000,350**
Segment profit/(loss) attributable to equity holders of the Company	**363,958**	**(39,375)**	**–**	**324,583**
Segment profit/(loss) attributable to equity holders of the Company includes:				
Finance income	**2,416**	**32,251**	**(22,325)**	**12,342**
Finance costs	**(57,628)**	**(42,689)**	**22,295**	**(78,022)**
Share of profits less losses of				
– joint ventures	**90,969**	**–**	**–**	**90,969**
– associates	**201,483**	**–**	**–**	**201,483**
Income tax expenses	**(58,260)**	**(7,782)**	**–**	**(66,042)**
Depreciation and amortisation	**(145,558)**	**(1,565)**	**–**	**(147,123)**
Other non-cash expenses	**(1,340)**	**(9)**	**–**	**(1,349)**
Additions to non-current assets	**(365,223)**	**(853)**	**–**	**(366,076)**

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(a) Operating segments (Continued)

Segment revenues, results and other information (Continued)

	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)

(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.

	2018 US$'000	2017 US$'000
Terminals and related businesses		
– Mainland China (excluding Hong Kong)	**459,860**	405,611
– Europe	**540,490**	229,099
	1,000,350	634,710

6 REVENUES AND SEGMENT INFORMATION (CONTINUED)

(b) Geographical information (Continued)

(ii) Non-current assets

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

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

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

	2018 **US$'000**	2017 US$'000
Mainland China (excluding Hong Kong)	**5,270,666**	5,280,695
Europe	**1,246,419**	1,291,505
Others	**1,147,244**	984,697
	7,664,329	7,556,897

7 PROPERTY, PLANT AND EQUIPMENT

	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 2018	**1,915,941**	**6,231**	**1,315,265**	**424,011**	**3,661,448**
Exchange differences	**(98,146)**	**(338)**	**(73,973)**	**(15,179)**	**(187,636)**
Additions	**1,429**	**456**	**10,775**	**332,206**	**344,866**
Disposals	**(1,243)**	**(5)**	**(10,302)**	**–**	**(11,550)**
Transfers	**172,950**	**–**	**119,860**	**(299,192)**	**(6,382)**
At 31 December 2018	**1,990,931**	**6,344**	**1,361,625**	**441,846**	**3,800,746**
Accumulated depreciation					
At 1 January 2018	**294,357**	**3,812**	**382,781**	**–**	**680,950**
Exchange differences	**(17,480)**	**(238)**	**(30,391)**	**–**	**(48,109)**
Depreciation charge for the year	**52,356**	**392**	**65,471**	**–**	**118,219**
Disposals	**(209)**	**–**	**(5,587)**	**–**	**(5,796)**
Transfers	**(1,587)**	**–**	**–**	**–**	**(1,587)**
At 31 December 2018	**327,437**	**3,966**	**412,274**	**–**	**743,677**
Net book value					
At 31 December 2018	**1,663,494**	**2,378**	**949,351**	**441,846**	**3,057,069**

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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)
Transfers	–	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

Notes:

(a) As at 31 December 2018, certain other property, plant and equipment with an aggregate net book value of US$167,178,000 (2017: US$157,298,000) were pledged as security for banking facilities granted to the Group (note 22(g)).

(b) During 2018, the Group transferred buildings outside Hong Kong with an aggregate net book value of US$1,973,000 to investment properties at the time of commencement of leases and transferred spare parts with an aggregate net book value of US$2,822,000 to inventories which are expected to be used during less than one period. There is no transfer to/from investment properties during 2017.

(c) During the year, interest expenses of US$6,887,000 (2017: US$5,670,000) was capitalised in construction in progress (note 30).

(d) Terminal buildings and equipment under finance leases with net book value of approximately US$49,338,000 (2017: US$54,879,000) as at 31 December 2018 are accounted for as property, plant and equipment. As at 31 December 2018, the balance of approximately US$16,769,000 (2017: US$30,608,000) in respect of such finance lease arrangements was included in loans from a fellow subsidiary (note 23(b)).

Notes to the Consolidated Financial Statements

8 INVESTMENT PROPERTIES

	2018 US$'000	2017 US$'000
At 1 January	**8,410**	8,135
Exchange differences	**(574)**	275
Transfer from property, plant and equipment and land use rights (note 7 & 9)	**10,035**	–
At 31 December	**17,871**	8,410

Notes:

(a) The investment properties as at 31 December 2018 and 2017 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 berths and buildings situated in PRC on leases of 20 years, office units situated in PRC on leases of 50 years and a residential property in Hong Kong on leases of over 50 years.

(c) The valuations are derived using 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 rates are 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 2018, capitalisation rate of 7.5% is used in the income capitalisation method for the PRC berths, buildings and office units and 2% is used in the income capitalisation method for Hong Kong residential property.

(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:

	2018 US$'000	2017 US$'000
At 1 January	**278,706**	201,804
Exchange differences	**(13,266)**	14,071
Additions	**12,066**	5,567
Transfer to investment properties (note 8)	**(8,062)**	–
Acquisition of subsidiaries (note 41)	**–**	62,464
Amortisation	**(6,937)**	(5,200)
At 31 December	**262,507**	278,706

Note:

During 2018, the Group transferred land use rights in the PRC with an aggregate net book value of US$8,062,000 to investment properties at the time of commencement of leases.

10 INTANGIBLE ASSETS

	Computer software		Computer systems under development		Concession rights		Customer relationships		Goodwill		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	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	**19,161**	10,309	**2,441**	867	**265,430**	–	**47,367**	–	**136,446**	301	**470,845**	11,477
Exchange differences	**(1,846)**	2,172	**(82)**	197	**(19,563)**	18,390	**655**	–	**(4,656)**	8	**(25,492)**	20,767
Additions	**2,424**	4,488	**4,831**	1,041	**1,889**	222	**–**	–	**–**	–	**9,144**	5,751
Acquisition of subsidiaries (note 41)	**–**	325	**–**	2,225	**–**	246,818	**–**	47,367	**–**	136,446	**–**	433,181
Write-off	**(9)**	(22)	**–**	–	**(354)**	–	**–**	–	**–**	–	**(363)**	(22)
Deemed disposal of a subsidiary	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(309)	**–**	(309)
Transfers	**2,299**	1,889	**(5,569)**	(1,889)	**3,270**	–	**–**	–	**–**	–	**–**	–
At 31 December	**22,029**	19,161	**1,621**	2,441	**250,672**	265,430	**48,022**	47,367	**131,790**	136,446	**454,134**	470,845
Accumulated amortisation												
At 1 January	**8,883**	6,042	**–**	–	**9,474**	–	**629**	–	**–**	–	**18,986**	6,042
Exchange differences	**(1,379)**	1,480	**–**	–	**(7,387)**	6,979	**(134)**	–	**–**	–	**(8,900)**	8,459
Amortisation for the year	**2,100**	1,375	**–**	–	**14,405**	2,495	**3,773**	629	**–**	–	**20,278**	4,499
Write-off	**(6)**	(14)	**–**	–	**(35)**	–	**–**	–	**–**	–	**(41)**	(14)
At 31 December	**9,598**	8,883	**–**	–	**16,457**	9,474	**4,268**	629	**–**	–	**30,323**	18,986
Net book value												
At 31 December	**12,431**	10,278	**1,621**	2,441	**234,215**	255,956	**43,754**	46,738	**131,790**	136,446	**423,811**	451,859

Impairment test for goodwill

Goodwill is allocated to the Group's CGUs that are expected to benefit from business combination which primarily arises from the acquisition of Noatum Port Holdings, S.L. (now known as "COSCO SHIPPING Ports (Spain) Holding, S.L."). Impairment testing is performed annually on goodwill allocated to the CGUs included in the terminals and related business segment.

For the year ended 31 December 2018 and 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 an estimated average revenue growth rate of 3.3% (2017: 4.1%), average gross margin of 50.8% (2017: 50.4%) and average operating margin of 24.6% (2017: 24.0%) up to 2052, the expected operation period, except for certain years where certain concession rights expire under the current agreement. Future cash flows are discounted at a pre-tax rate of 10.4% (equivalent to a post-tax rate of 8.0%) (2017: pre-tax rate of 10.4% (equivalent to a post-tax rate of 8.9%)). Assuming revenue growth rate decreased by 15 basis points, impairment charge of US$720,000 would be required for the goodwill in terminals and related business segment at 31 December 2018.

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11 JOINT VENTURES

	2018 US$'000	2017 US$'000
Investment in joint ventures (including goodwill on acquisitions) (note a)	**1,126,491**	1,054,903
Equity loan to a joint venture (note c)	**142,759**	141,745
	1,269,250	1,196,648
Loans to joint ventures (note d)	**23,812**	1,672

Notes:

(a) The carrying amount of goodwill on acquisitions of joint ventures amounted to US$66,143,000 (2017: US$66,214,000), mainly represented the goodwill on acquisitions of equity interests in Shanghai Pudong International Container Terminals Limited and Asia Container Terminals Holdings Limited of US$31,435,000 (2017: US$31,435,000) and US$34,594,000 (2017: US$34,665,000).

(b) In 2017, 20% equity interests in Qingdao Qianwan Container Terminal Co., Ltd. ("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 27. In 2017, 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.

(d) Balance of US$800,000 (2017: US$1,672,000) is secured, which bears interest at 5.5% per annum above the 3 months Euro Interbank Offered Rate ("EURIBOR") and wholly repayable on or before December 2020. The remaining balances as at 31 December 2018 were unsecured and interest bearing at the rate of 2.10% above Hong Kong Interbank Offered Rate ("HIBOR") per annum quoted in respect of a one month's period, and repayable on or before March 2023.

(e) There is no joint venture that is individually material to the Group as at 31 December 2018. 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
2018	1,269,250	90,969	190	91,159
2017	1,196,648	86,531	172	86,703

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

(g) Details of the principal joint ventures as at 31 December 2018 are set out in note 45 to the consolidated financial statements.

12 ASSOCIATES

	2018 US$'000	2017 US$'000
Investment in associates (including goodwill on acquisitions) (note b)	**2,533,830**	2,534,493
Equity loan to an associate (note e)	**45,000**	45,000
	2,578,830	2,579,493
Loans to associates (note d)	**150,269**	158,539

Notes:

(a) QPI and Sigma Enterprises Limited ("Sigma") and Wattrus Limited ("Wattrus") and their subsidiaries (collectively "Sigma and Wattrus Group") are associates 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.

12 ASSOCIATES (CONTINUED)

(a) Set out below are the summarised consolidated financial information for QPI as at and for the year ended 31 December 2018 and 2017, after fair-value adjustments upon acquisition, which is accounted for using the equity method:

Summarised consolidated balance sheet

	QPI	
	2018	2017
	US$'000	US$'000
Non-current assets	**4,429,353**	4,720,917
Current assets	**2,676,047**	2,633,258
Non-current liabilities	**(915,747)**	(1,507,558)
Current liabilities	**(1,903,092)**	(2,011,005)

Summarised consolidated statement of comprehensive income

	QPI	
	2018	2017
	US$'000	US$'000
Revenues	**1,750,668**	1,043,464
Profit attributable to equity holders for the year/period	**539,766**	303,603
Group's share of profits of the associate	**95,747**	53,524

Reconciliation of summarised financial information

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

Summarised consolidated financial information

	QPI	
	2018	2017
	US$'000	US$'000
Attributable to equity holders		
Opening net assets	**3,605,291**	3,180,883
Profit for the year/period	**539,766**	303,603
Other comprehensive (loss)/income for the year/period	**(22,664)**	51,336
Other reserve for the year/period	**1,082**	(456)
Dividends	**–**	(116,549)
Exchange difference	**(191,973)**	186,474
Closing net assets	**3,931,502**	3,605,291
Interest in the associate at 18.41%	**723,790**	663,734
Fair value adjustment	**102,631**	111,474
Goodwill	**227,736**	239,203
Carrying amount	**1,054,157**	1,014,411

Notes to the Consolidated Financial Statements

12 ASSOCIATES (CONTINUED)

(a) Set out below are the summarised consolidated financial information for Sigma and Wattrus Group as at and for the year ended 31 December 2018 and 2017, after fair-value adjustments upon acquisitions, which is accounted for using the equity method:

Summarised balance sheet

	Sigma and Wattrus Group	
	2018	2017
	US$'000	US$'000
Non-current assets	**3,819,566**	3,939,847
Current assets	**929,414**	945,766
Non-current liabilities	**(239,585)**	(490,653)
Current liabilities	**(668,489)**	(574,068)

Summarised statement of comprehensive income

	Sigma and Wattrus Group	
	2018	2017
	US$'000	US$'000
Revenues	**926,575**	941,409
Profit attributable to equity holders for the year	**253,460**	249,708
Group's share of profits of associates	**52,086**	51,315

Reconciliation of summarised financial information

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

Summarised financial information

	Sigma and Wattrus Group	
	2018	2017
	US$'000	US$'000
Capital and reserves attributable to equity holders	**2,900,574**	2,897,007
Group's effective interest	**20.55%**	20.55%
Group's share of capital and reserves attributable to equity holders	**596,068**	595,335
Adjustment to cost of investment	**46,860**	46,860
Carrying amount	**642,928**	642,195

(b) The carrying amount of goodwill on acquisitions of associates amounted to US$299,359,000 (2017: US$311,695,000) mainly represented the goodwill on acquisition of equity interests in QPI, Sigma, Suez Canal Container Terminal S.A.E., Euromax Terminal Rotterdam B.V., Wattrus and Nanjing Port Longtan Containers Co., Ltd. of US$227,736,000 (2017: US$239,203,000), US$20,669,000 (2017: US$20,669,000), US$16,624,000 (2017: US$16,624,000), US$16,172,000 (2017: US$16,889,000), US$7,523,000 (2017:US$7,523,000) and US$4,533,000 (2017: US$4,533,000) respectively.

12 ASSOCIATES (CONTINUED)

(c) 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 previously determined by management's assessment and is subjected to changes. During the year ended 31 December 2018, the Group completed the valuation of the 19% equity interests in DCT. No adjustment was made to the goodwill.

The total cash paid for the acquisition of associates during the year ended 31 December 2017 was US$385,832,000, comprised of the QPI (note 27) and Vado.

(d) A balance of US$96,045,000 (2017: US$100,302,000) is unsecured, which bears interest at the aggregate of 2.0% per annum and EURIBOR (2017: 2.3% per annum and EURIBOR), and is repayable in 2024. A balance of US$15,486,000 (2017:US$17,782,000) is unsecured, bears interest at 2.5% per annum above 10-year EURIBOR ICE swap rate and has no fixed terms of repayment. A balance of US$38,738,000 (2017: US$40,455,000) is unsecured, bears interest at the aggregate of 3.75% per annum and EURIBOR, and is repayable in 2021. These balances are all denominated in Euro.

(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 (loss)/income	Total comprehensive income
	US$'000	US$'000	US$'000	US$'000
2018	881,745	53,650	(1,689)	51,961
2017	922,887	45,198	2,739	47,937

(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 2018 are set out in note 46 to the consolidated financial statements.

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE FINANCIAL ASSETS

(a) Classification of financial assets at FVOCI

Financial assets at FVOCI comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

(b) Equity investments at FVOCI

Equity investments at FVOCI comprise the following individual investments:

	2018 US$'000	2017* US$'000
Non-current assets		
Listed shares (note i)		
Qinhuangdao Port Co., Ltd.	**10,801**	–
Guangzhou Port Holdings Company Limited	**142,276**	–
	153,077	–
Unlisted investments (note ii)	**30,186**	–
	183,263	–

* These investments were classified as available-for-sale financial assets in 2017, see note (c) below. All of the investments were also held in the previous year.

Notes:

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

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

(iii) As at 31 December 2018, a financial asset at FVOCI with a fair value of US$37,504,000 (2017: nil) was pledged as security for banking facilities granted to the Group (note 22(g)).

(iv) Financial assets at FVOCI are denominated in the following currencies:

(2017 relating to available-for-sale financial assets, see note (c) below)

	2018 US$'000	2017 US$'000
Hong Kong dollar	**10,801**	14,960
Renminbi	**171,684**	261,463
Euro	**778**	130
	183,263	276,553

(v) Movements of the financial assets at FVOCI during the year are as follows:

(2017 relating to available-for-sale financial assets, see note (c) below)

	2018 US$'000	2017 US$'000
At 1 January	**276,553**	156,939
Acquisition of a subsidiary	**–**	123
Addition	**713**	–
Step acquisition from an available-for-sale financial asset to investment in an associate	**–**	(80,672)
Fair value (loss)/gain recognised in OCI	**(84,137)**	188,367
Exchange differences	**(9,866)**	11,796
At 31 December	**183,263**	276,553

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

(c) Financial assets previously classified as available-for-sale financial assets (2017)

Available-for-sale financial assets included the following classes of financial assets:

	2018 US$'000	2017 US$'000
Non-current assets		
Listed shares	–	245,534
Unlisted investments	–	31,019
	–	276,553

14 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group classifies the following financial asset at FVPL:

- Equity investment for which the entity has not elected to recognise fair value gains and losses through OCI.

In December 2018, the Group acquired 4.34% equity interests in Beibu Gulf Port Co., Ltd. as financial asset at FVPL at a consideration of RMB471,065,000 (equivalent to approximately US$67,919,000).

Financial asset mandatorily measured at FVPL includes the following:

	2018 US$'000	2017 US$'000
PRC listed equity security	**72,771**	–
Fair value gain on equity investment at FVPL recognised in other operating income	**4,283**	–

15 DEFERRED INCOME TAX

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

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

	2018 US$'000	2017 US$'000
At 1 January	**25,162**	52,903
Exchange differences	**1,996**	(4,152)
Charged to consolidated income statement	**6,267**	15,488
(Credited)/charged to reserves	**(20,401)**	37,545
Acquisition of subsidiaries (note 41)	–	(76,622)
At 31 December	**13,024**	25,162

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 2018, the Group has unrecognised tax losses of US$104,885,000 (31 December 2017: US$96,199,000) to carry forward. Except for the tax losses of US$22,187,000 (31 December 2017: US$29,850,000) of the Group which will be expired between 2019 and 2023 (31 December 2017: between 2018 and 2022), all other tax losses have no expiry dates.

15 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	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1 January	**47,385**	1,543	**58,193**	52,766	**51,376**	10	**8,387**	–	**165,341**	54,319
Exchange differences	**(1,789)**	1,415	**(26)**	50	**(2,063)**	1,688	**(1)**	463	**(3,879)**	3,616
(Credited)/charged to consolidated income statement	**(886)**	(1,383)	**(3,337)**	5,377	**703**	12,366	**(3,573)**	(76)	**(7,093)**	16,284
Acquisition of subsidiaries (note 41)	**–**	45,810	**–**	–	**–**	–	**–**	8,000	**–**	53,810
(Credited)/charged to reserve	**–**	–	**–**	–	**(20,002)**	37,312	**–**	–	**(20,002)**	37,312
At 31 December	**44,710**	47,385	**54,830**	58,193	**30,014**	51,376	**4,813**	8,387	**134,367**	165,341

Deferred income tax assets

	Tax losses		Future deductible finance costs		Others		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1 January	**74,800**	6	**36,078**	–	**29,301**	1,410	**140,179**	1,416
Exchange differences	**(3,149)**	4,021	**(1,472)**	888	**(1,254)**	2,859	**(5,875)**	7,768
(Charged)/credited to consolidated income statement	**(10,605)**	(183)	**(1,990)**	16	**(765)**	963	**(13,360)**	796
Acquisition of subsidiaries (note 41)	**–**	70,956	**–**	35,174	**–**	24,302	**–**	130,432
Credited/(charged) to reserve	**–**	–	**–**	–	**399**	(233)	**399**	(233)
At 31 December	**61,046**	74,800	**32,616**	36,078	**27,681**	29,301	**121,343**	140,179

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

	2018	2017
	US$'000	US$'000
Deferred income tax assets	**94,648**	108,277
Deferred income tax liabilities	**107,672**	133,439

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

	2018	2017
	US$'000	US$'000
Deferred income tax assets to be recovered after more than 12 months	**75,837**	82,430
Deferred income tax liabilities to be settled after more than 12 months	**45,194**	61,593

16 OTHER NON-CURRENT ASSETS

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

17 INVENTORIES

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

18 TRADE AND OTHER RECEIVABLES

	2018 **US$'000**	2017 US$'000
Trade receivables (note a)		
– third parties	**86,941**	72,503
– fellow subsidiaries (note b)	**15,857**	14,729
– non-controlling shareholders of subsidiaries (note b)	**4,798**	4,905
– a joint venture (note b)	**10**	21
– related companies (note b)	**8,152**	9,895
	115,758	102,053
Bills receivable (note a)	**10,493**	9,708
	126,251	111,761
Less: provision for impairment (note a)	**(2,398)**	(3,161)
	123,853	108,600
Deposits and prepayments	**8,755**	13,292
Other receivables	**73,748**	47,903
Loans to joint ventures (note c)	**800**	78,324
Amounts due from		
– fellow subsidiaries (note b)	**3,979**	3,361
– non-controlling shareholders of subsidiaries (note b)	**3,783**	2,597
– joint ventures (note d)	**4,459**	244
– associates (note d)	**15,945**	16,732
– related companies (note b)	**99**	377
	235,421	271,430

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) The Group grants credit periods of 30 to 90 days to its customers. The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Expected credit losses on trade receivables are calculated by using the provision matrix approach. The ageing analysis of the trade receivables and bills receivable based on invoice date and issuance date respectively is as follows:

	Expected loss rate	**Gross carrying amount 31 December 2018 US$'000**	**Loss allowance 31 December 2018 US$'000**
Within 30 days	**0.3%**	**71,433**	**207**
31-60 days	**0.4%**	**36,676**	**148**
61-90 days	**0.3%**	**6,337**	**20**
Over 90 days	**17.0%**	**11,805**	**2,023**
		126,251	**2,398**

	Expected loss rate	Gross carrying amount 1 January 2018 US$'000	Loss allowance 1 January 2018 US$'000
Within 30 days	**0.2%**	**63,732**	**97**
31-60 days	**0.1%**	**26,208**	**24**
61-90 days	**0.0%**	**10,651**	**5**
Over 90 days	**27.0%**	**11,170**	**3,035**
		111,761	**3,161**

As at 31 December 2018, trade receivables of US$2,398,000 (2017: US$3,161,000) were impaired. The amount of the provision was US$2,398,000 (2017: US$3,161,000) as at 31 December 2018.

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

	2018 US$'000	2017 US$'000
At 1 January	**(3,161)**	(449)
Exchange differences	**117**	(180)
(Provision for)/reversal of impairment of trade receivables	**(825)**	134
Write back of provision for impairment of trade receivables	**89**	10
Receivables written off during the year as uncollectible	**1,382**	7
Acquisition of subsidiaries	**–**	(2,683)
At 31 December	**(2,398)**	(3,161)

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

(c) As at 31 December 2018, balance of US$800,000 (2017: US$836,000) is secured, denominated in Euro, bears interest at 5.5% per annum above 3 months EURIBOR and repayable within twelve months.

As at 31 December 2017, balance of US$19,920,000 is unsecured, denominated in Singapore dollar, interest free, and was capitalised as capital contribution to a joint venture during 2018. The balance of US$57,568,000 is unsecured and interest bearing at the rate of 5% above HIBOR per annum quoted in respect of a one month's period, and out of which US$34,541,000 was repaid in 2018, US$23,027,000 was extended to be repaid on or before March 2023.

(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:

	2018 **US$'000**	2017 US$'000
US dollar	**3,809**	3,184
Renminbi	**114,771**	92,218
Hong Kong dollar	**7,060**	60,198
Euro	**104,010**	95,641
Other currencies	**5,771**	20,189
	235,421	271,430

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

Notes to the Consolidated Financial Statements

19 FINANCIAL INSTRUMENTS BY CATEGORY

	2018 US$'000	2017 US$'000
Financial assets as per balance sheet		
Financial assets at FVOCI	**183,263**	–
Available-for-sale financial assets	**–**	276,553
Financial asset at FVPL	**72,771**	–
Financial assets at amortised cost		
Loans to joint ventures	**24,612**	79,996
Loans to associates	**150,269**	158,539
Trade and other receivables	**186,833**	179,814
Cash and cash equivalents	**543,015**	560,067
Restricted bank deposits	**63,674**	6,333
Total	**1,224,437**	1,261,302
Financial liabilities as per balance sheet		
Financial liabilities at amortised cost		
Borrowings	**2,479,903**	2,334,349
Loans from non-controlling shareholders of subsidiaries	**139,870**	164,115
Loans from a fellow subsidiary	**16,769**	30,608
Loan from a joint venture	**32,784**	42,622
Loan from an associate	**14,570**	15,304
Trade and other payables	**362,589**	317,818
Financial liabilities at FVPL		
Derivative financial instruments	**10,504**	9,362
Total	**3,056,989**	2,914,178

20 SHARE CAPITAL

	2018 US$'000	2017 US$'000
Issued and fully paid:		
3,113,125,479 (2017: 3,057,112,720) ordinary shares of HK$0.10 each	**39,971**	39,254

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 2018	**3,057,112,720**	**39,254**
Issue of scrip dividend for 2017 final (note a)	**353,517**	**5**
Issue of scrip dividend for 2018 interim (note b)	**55,659,242**	**712**
At 31 December 2018	**3,113,125,479**	**39,971**
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

Notes:

(a) During the year ended 31 December 2018, 353,517 (2017: 14,954,193) new shares were issued by the Company at HK$7.340 (2017: HK$8.890) per share for the settlement of 2017 final (2017: 2016 final) scrip dividends.

(b) During the year ended 31 December 2018, 55,659,242 (2017: 26,139,899) new shares were issued by the Company at HK$7.526 (2017: HK$8.598) per share for the settlement of 2018 interim (2017: 2017 interim) scrip dividends.

Notes to the Consolidated Financial Statements

21 SHARE-BASED PAYMENT

On 23 May 2003, the shareholders of the Company approved the adoption of an option scheme (the "2003 Share Option Scheme") and the termination of the share option scheme adopted by the shareholders of the Company on 30 November 1994. On 5 December 2005, amendments to certain terms of the 2003 Share Option Scheme were approved by the shareholders of the Company (the "Amended 2003 Share Option Scheme"). Under the Amended 2003 Share Option Scheme, the directors of the Company may, at their discretion, invite any participants, as defined under the Amended 2003 Share Option Scheme, to take up share options for subscribing the Company's shares, subject to the terms and conditions stipulated therein. The consideration on acceptance of an offer of the grant of options was 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.

At a special general meeting of the Company held on 8 June 2018, the shareholders of the Company approved the adoption of a share option scheme (the "2018 Share Option Scheme"). The purposes of the 2018 share option scheme are to enable the Company to establish and cultivate a performance-oriented culture, under which value is created for the Shareholders, and to establish an interests-sharing and restraining mechanism between the Shareholders and the Company's management. No consideration was paid by the grantees for the acceptance of share options.

Under the 2018 Share Option Scheme, the exercise of the options is subject to a two-year vesting period during which a participant is not allowed to exercise any option granted. After the expiration of the two-year period, the participant may exercise the options in three equal batches in the 3rd, 4th and 5th year after the grant date respectively. Within the exercise period of the share options, and subject to the fulfilment of the vesting conditions and the exercise arrangement of the share options, grant of each share option entitles the grantee to subscribe for one share at relevant exercise price.

Vesting of share options are subject to the satisfaction of both the Company's performance targets and the participant's performance target including (1) target rate of return on net assets (after extraordinary gains and losses) in the financial year immediately preceding the vesting of the share options and compared to the average of the selected peer benchmark enterprises; (2) target growth rate of revenue in the financial year immediately preceding the vesting of the share options as compared to that in the financial year immediately preceding the grant date and compared to the average of the selected peer benchmark enterprises; (3) the economic value added indicator accomplished for the financial year immediately preceding the vesting of the share options has reached the assessment target set by COSCO SHIPPING; and (4) required appraisal grade of the participant's personal performance appraisal in the preceding financial year.

The exercise price is determined based on the principle of fair market value. The exercise price shall be the highest of the following:

i. the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Grant Date;

ii. the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the Grant Date; and

iii. the nominal value of the Shares.

21 SHARE-BASED PAYMENT (CONTINUED)

Movements of the share options are set out below:

Category	Note	Exercise price HK$	For the year ended 31 December 2018 Number of share options Outstanding at 1 January 2018	Granted during the year	Exercised during the year	Transfer (to)/from other categories during the year	Forfeited during the year	Outstanding at 31 December 2018	Exercisable period
Directors	(i)(ii)	**7.27**	**–**	**5,400,000**	**–**	**–**	**–**	**5,400,000**	19.6.2020-18.6.2023
Continuous contract employees	(i)(ii)	**7.27**	**–**	**48,083,200**	**–**	**–**	**(2,067,252)**	**46,015,948**	19.6.2020-18.6.2023
		8.02	**–**	**851,966**	**–**	**–**	**–**	**851,966**	29.11.2020-28.11.2023
			–	**54,335,166**	**–**	**–**	**(2,067,252)**	**52,267,914**	

Category	Note	Exercise price HK$	For the year ended 31 December 2017 Number of share options Outstanding at 1 January 2017	Granted during the year	Exercised during the year	Transfer (to)/from other categories during the year	Lapsed during the year	Outstanding at 31 December 2017	Exercisable period
Directors	(iii)(iv)	19.30	500,000	–	–	–	(500,000)	–	18.4.2007-17.4.2017
Continuous contract employees	(iii)(iv)	19.30	8,310,000	–	–	–	(8,310,000)	–	(Refer to note (iv))
Others	(iii)(iv)	19.30	1,130,000	–	–	–	(1,130,000)	–	(Refer to note (iv))
			9,940,000	–	–	–	(9,940,000)	–	

21 SHARE-BASED PAYMENT (CONTINUED)

Notes:

(i) No outstanding options were vested and exercisable as at 31 December 2018. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(ii) The share options were granted on 19 June 2018 and 29 November 2018 under the 2018 Share Option Scheme at an exercise price of HK$7.27 and HK$8.02 respectively. According to the provisions of the 2018 Share Option Scheme, share options under each grant have a validity period of five years commencing from the date of grant and cannot be exercised during the two-year period commencing from the date of grant (the "Restriction Period"). Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. 33%, 33% and 34%.

(iii) All options were lapsed during 2017. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(iv) 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.

(v) No share options were exercised under the 2018 Share Option Scheme during the year.

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

	2018		2017	
	Average exercise price per share HK$	**Number of share options**	Average exercise price per share HK$	Number of share options
At 1 January	–	–	19.30	9,940,000
Granted during the year	7.28	54,335,166	–	–
Forfeited/lapsed during the year	7.27	(2,067,252)	19.30	(9,940,000)
At 31 December	7.28	52,267,914	–	–

(vii) Fair value of options granted

The fair values of the options granted during the period are estimated based on the Black-Scholes valuation model, and such fair values and significant inputs into the model are as follows:

	Fair value per share option HK$	**Share price at date of grant** HK$	**Exercise price** HK$	**Standard deviation of expected share price return**	**Expected life of share options**	**Expected dividend paid out rate**	**Risk-free interest rate**
Granted on 19 June 2018 – 51,415,948 share options (outstanding as at 31 December 2018)	1.179	6.85	7.27	28.64%	4 years	2.88%	2.21%
Granted on 29 November 2018 – 851,966 share options (outstanding as at 31 December 2018)	1.538	7.93	8.02	29.35%	4 years	2.88%	2.29%

22 BORROWINGS

	2018 US$'000	2017 US$'000
Long term borrowings		
Secured		
– bank loans	**967,800**	799,037
– loan from China Shipping Finance Co., Ltd. ("CS Finance")	**10,491**	11,019
	978,291	810,056
Unsecured		
– bank loans	**1,057,406**	710,065
– loans from CS Finance/COSCO Finance Co., Ltd. ("COSCO Finance") (note i)	**36,207**	38,184
– notes	**298,730**	298,324
	1,392,343	1,046,573
Finance lease obligations	**719**	999
	2,371,353	1,857,628
Amounts due within one year included under current liabilities	**(87,824)**	(33,858)
	2,283,529	1,823,770
Short term borrowings		
Secured		
– bank loan	**39,340**	5,970
Unsecured		
– bank loans	**69,210**	447,795
– loans from CS Finance/COSCO Finance	**–**	22,956
	69,210	470,751
	108,550	476,721

22 BORROWINGS (CONTINUED)

Notes:

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

	2018 US$'000	2017 US$'000
Bank loans		
Within one year	**50,864**	33,610
Between one and two years	**231,164**	37,350
Between two and five years	**1,041,751**	831,962
Over five years	**701,427**	606,180
	2,025,206	1,509,102
Loans from CS Finance/COSCO Finance		
Within one year	**36,207**	–
Between one and two years	**–**	38,184
	36,207	38,184
Loan from CS Finance		
Within one year	**507**	–
Between one and two years	**1,708**	533
Between two and five years	**5,245**	5,467
Over five years	**3,031**	5,019
	10,491	11,019
Finance lease obligations		
Within one year	**246**	248
Between one and two years	**254**	257
Between two and five years	**219**	494
	719	999
Notes (note b)		
Between two and five years	**298,730**	–
Over five years	**–**	298,324
	2,371,353	1,857,628

22 BORROWINGS (CONTINUED)

(b) Details of the notes as at 31 December 2018 are as follows:

	2018 US$'000	2017 US$'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	**1,436**	1,243
– notes issuance cost	**1,584**	1,371
	298,730	298,324

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 2018				
Total borrowings	**87,824**	**1,579,071**	**704,458**	**2,371,353**
At 31 December 2017				
Total borrowings	33,858	914,247	909,523	1,857,628

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

	2018 US$'000	2017 US$'000
US dollar	**721,698**	1,011,840
Renminbi	**560,147**	449,093
Euro	**853,360**	873,416
Hong Kong dollar	**344,698**	–
	2,479,903	2,334,349

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

	2018				2017			
	US$	**RMB**	**Euro**	**HK$**	US$	RMB	Euro	HK$
Bank loans, loans from CS Finance and COSCO Finance	**3.0%**	**4.2%**	**1.9%**	**3.5%**	2.4%	4.2%	1.4%	N/A
Finance lease obligations	**N/A**	**N/A**	**3.4%**	**N/A**	N/A	N/A	3.4%	N/A
Notes	**4.4%**	**N/A**	**N/A**	**N/A**	4.4%	N/A	N/A	N/A

Notes to the Consolidated Financial Statements

22 BORROWINGS (CONTINUED)

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

	Carrying amounts		Fair values	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Bank loans, loans from CS Finance and COSCO Finance	**1,984,326**	1,524,695	**1,926,938**	1,568,044
Finance lease obligations	**473**	751	**427**	679
Notes	**298,730**	298,324	**298,284**	297,855
	2,283,529	1,823,770	**2,225,649**	1,866,578

The fair values of the Group's non-current borrowings are determined based on cash flows discounted using a weighted average borrowing rate of 2.8% (2017: 2.1%) per annum.

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

(g) As at 31 December 2018, bank loans and a loan from CS Finance of US$1,017,631,000 (2017: US$816,026,000) granted to subsidiaries of the Company were secured by certain other property, plant and equipment of the Group (note 7(a)), the Company's interests in subsidiaries and a financial asset at FVOCI (note 13(b)(iii)).

(h) As at 31 December 2018, the committed and undrawn borrowing facilities of the Group amounted to US$764,138,000 (2017: US$976,365,000).

(i) On 23 October 2018, CS Finance absorbed and merged with COSCO Finance. CS Finance continued as the surviving company and COSCO Finance ceased to exist as a legal entity.

(j) During the year, the Group entered bank borrowings of RMB270,000,000 and Euro7,000,000 with US$48,500,000 and US$9,000,000 pledged as restricted deposits as security respectively.

23 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 2018, balance of US$685,000 was unsecured, bore interest ranging from 3.25% to 4.5% above the 6 months EURIBOR, with no fixed terms of repayment.

As at 31 December 2017, balance of US$7,100,000 was unsecured, and interest free. The balance was capitalised as capital contribution from a non-controlling shareholder of a subsidiary as at 31 December 2018. The remaining balance was unsecured, bore interest at 4.75% per annum and was repaid in 2018. The carrying values of the loans are not materially different from their fair values.

(b) Loans from a fellow subsidiary

As at 31 December 2018, balance of US$16,769,000 (2017: US$30,608,000) 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 (2017: 8 years), and bear interest of 2% above the RMB five-year benchmark lending rate, or 5.98%. The net book value of assets acquired under the finance leases amounted to US$49,338,000 (2017: US$54,879,000) as at 31 December 2018 (note 7(d)). The carrying value of the loans were not materially different from its fair value.

24 OTHER LONG TERM LIABILITIES

	2018	2017
	US$'000	US$'000
Deferred income	**32,031**	32,716
Others	**4,849**	7,170
	36,880	39,886

25 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2018 US$'000	2017 US$'000
Trade payables (note a)		
– third parties	**51,767**	104,173
– fellow subsidiaries (note b)	**6,326**	1,322
– non-controlling shareholders of subsidiaries (note b)	**2,184**	1,355
– joint ventures (note b)	**179**	318
– an associate (note b)	**470**	–
– related companies (note b)	**1,878**	2,210
	62,804	109,378
Accruals	**49,210**	54,079
Other payables	**166,178**	131,742
Contract liabilities (note c)	**6,890**	–
Dividend payable	**10**	10
Loans from a fellow subsidiary (note 23(b))	**7,899**	10,315
Loans from a joint venture (note d)	**32,784**	42,622
Loan from an associate (note f)	**14,570**	15,304
Loans from non-controlling shareholders of subsidiaries (note e)	**139,185**	111,103
Amounts due to (note b)		
– fellow subsidiaries	**2,125**	3,897
– non-controlling shareholders of subsidiaries	**83,498**	23,558
– joint ventures	**45**	421
– an associate	**11**	11
	565,209	502,440

Notes:

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

	2018 US$'000	2017 US$'000
Within 30 days	**41,202**	79,169
31-60 days	**8,285**	7,283
61-90 days	**3,780**	11,751
Over 90 days	**9,537**	11,175
	62,804	109,378

(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.

25 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES (CONTINUED)

(c) Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers:

	2018 US$'000
Contract liabilities	
– expected volume discounts	**2,167**
– receipts in advance from customers	**4,723**
	6,890

Revenues recognised in relation to contract liabilities

The following table shows how much of the revenues recognised in the current year relates to carried-forwards contract liabilities.

	2018 US$'000
Revenues recognised that were included in the contract liabilities balance at the beginning of the year	
Expected volume discounts	**–**

(d) Loans from a joint venture of US$32,784,000 (2017: US$42,622,000) are unsecured, bear interest at 2.3% per annum and repayable within twelve months.

(e) Loans from non-controlling shareholders of subsidiaries are unsecured and repayable within twelve months. Balance of US$2,082,000 (2017: US$6,328,000) bears interest at 0.30% (2017: 0.60%) above 1-year US dollar London Interbank Offered Rate ("LIBOR") per annum. Balance of US$49,681,000 (2017: US$49,681,000) is interest free. Balances of US$43,711,000 and US$43,711,000 (31 December 2017: US$45,912,000 and US$9,182,000) bear interest at 4.35% and 4.75% per annum respectively (31 December 2017: 3.8% and 4.4% respectively).

(f) Loan from an associate of US$14,570,000 (2017: US$15,304,000) is unsecured, bears interest at 2.3% per annum and repayable within twelve months.

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

	2018 US$'000	2017 US$'000
US dollar	**80,106**	24,237
Renminbi	**366,608**	321,038
Euro	**96,112**	84,966
Hong Kong dollar	**19,745**	72,011
Other currencies	**2,638**	188
	565,209	502,440

(h) The carrying amounts of trade and other payables and contract liabilities approximate their fair values.

26 DERIVATIVE FINANCIAL INSTRUMENTS

	2018 US$'000	2017 US$'000
Interest rate swaps	**10,504**	9,362
Less: non-current portion	**(7,358)**	(6,527)
Current portion	**3,146**	2,835

At 31 December 2018, the Group had interest rate swap agreements in place with a total notional amount of US$278,293,000 (2017: US$291,220,000). 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% (2017: 0.61% and 1.22%). The hedge of the interest rate swaps was assessed to be effective.

The group's hedging reserves included in other reserves of the consolidated statement of changes in equity:

	Interest rate swap US$'000
At 1 January 2017	(233)
Add: Change in fair value of cash flow hedge recognised in OCI, net of tax	110
Less: Reclassified from OCI to consolidated income statement, net of tax	180
At 31 December 2017	57
Add: Change in fair value of cash flow hedge recognised in OCI, net of tax	(571)
Share of OCI of an associate	70
At 31 December 2018	(444)

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

On 20 January 2017, Shanghai China Shipping Terminal Development Co., Ltd. ("SCSTD", a wholly-owned subsidiary of the Company) and QPI entered into an agreement under which, SCSTD subscribed for 1,015,520,000 non-circulating domestic shares in QPI at a total consideration of RMB5,798,619,200 (equivalent to US$843,858,000, being RMB5.71 per share), of which RMB3,198,650,840 (equivalent to US$465,491,000) was settled by the transfer of a 20% equity interest in QQCT 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.

28 OTHER OPERATING INCOME

	2018 US$'000	2017 US$'000
Management fee and other service income	**7,910**	5,346
Dividends income from listed and unlisted available-for-sale financial assets	**–**	1,370
Dividends income from listed and unlisted financial assets at FVOCI	**1,966**	–
Reversal of provision for impairment of trade receivables	**–**	134
Rental income from		
– investment properties	**624**	434
– buildings, leasehold land and land use rights	**49**	685
Gain on disposal of property, plant and equipment	**723**	677
Gain on remeasurement of equity investments	**–**	7,301
Net gain on bargain purchase	**–**	30
Government subsidies	**15,295**	5,459
Exchange gain, net	**1,793**	15,681
Fair value gain on financial asset at FVPL	**4,283**	–
Others	**4,732**	3,157
	37,375	40,274

29 OPERATING PROFIT

Operating profit is stated after charging the following:

	2018 US$'000	2017 US$'000
Charging:		
Amortisation of		
– land use rights	**6,937**	5,200
– intangible assets (note a)	**20,278**	4,499
– other non-current assets (note 16)	**1,689**	1,611
Depreciation	**118,219**	95,530
Loss on disposal of property, plant and equipment	**531**	1,053
Auditors' remuneration		
– current year	**1,378**	1,050
– over provision in prior year	**(73)**	(59)
Provision for impairment of trade receivables	**825**	–
Provision for inventories	**275**	–
Rental expenses under operating leases of		
– land and buildings leased from third parties	**994**	378
– buildings leased from a fellow subsidiary	**2,007**	1,832
– buildings leased from a joint venture	**–**	28
– land use rights leased from non-controlling shareholders of subsidiaries	**3,105**	3,073
– plant and machinery leased from third parties	**1,405**	279
– concession from a fellow subsidiary (note 16)	**64,548**	48,051
– concession from third parties	**13,529**	1,633
Total staff costs (including directors' emoluments and retirement benefit costs) (note b)		
– wages, salaries and other benefits	**262,417**	214,759
– share option expenses (note c)	**1,185**	–
	263,602	214,759

Notes:

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

(b) Total staff costs do not include the amounts of benefits in kind provided to the Company's directors and the Group's employees in respect of the Company's share options granted prior to 2005 and staff quarters. Details of the Company's share options are set out in note 21 to the consolidated financial statements.

(c) It represents the amounts of benefit in kind provided to the Company's directors and the Group's employees in respect of the Company's share options granted in 2018. Details of the share options are set out in note 21 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

30 FINANCE INCOME AND COSTS

	2018 US$'000	2017 US$'000
Finance income		
Interest income on		
– bank balances and deposits	**6,055**	4,343
– deposits with CS Finance	**–**	1
– deposits with CS Finance/COSCO Finance	**1,067**	873
– loans to joint ventures and associates	**5,220**	7,451
	12,342	12,668
Finance costs		
Interest expenses on		
– bank loans	**(57,978)**	(31,013)
– notes wholly repayable within five years	**(13,125)**	–
– notes not wholly repayable within five years	**–**	(13,125)
– loan from CS Finance	**(486)**	(530)
– loans from CS Finance/COSCO Finance	**(857)**	(3,373)
– loans from a fellow subsidiary	**(1,207)**	(1,607)
– loans from non-controlling shareholders of subsidiaries (note 23(a) and note 25(e))	**(4,519)**	(4,586)
– loan from a joint venture (note 25(d))	**(911)**	(954)
– loan from an associate (note 25(f))	**(352)**	(18)
– finance lease obligations	**(16)**	(6)
Amortised amount of		
– discount on issue of notes	**(193)**	(212)
– transaction costs on bank loans and notes	**(2,434)**	(1,042)
	(82,078)	(56,466)
Less: amount capitalised in construction in progress (note 7(c))	**6,887**	5,670
	(75,191)	(50,796)
Other incidental borrowing costs and charges	**(2,831)**	(5,180)
	(78,022)	(55,976)
Net finance costs	**(65,680)**	(43,308)

31 INCOME TAX EXPENSES

	2018 US$'000	2017 US$'000
Current income tax		
– Hong Kong profits tax	**(157)**	–
– Mainland China taxation	**(40,704)**	(68,878)
– Overseas taxation	**(18,972)**	(10,712)
– Over provision in prior years	**58**	369
	(59,775)	(79,221)
Deferred income tax charge (note 15)	**(6,267)**	(15,488)
	(66,042)	(94,709)

The Group's shares of income tax expenses of joint ventures and associates of US$23,909,000 (2017: US$24,428,000) and US$29,642,000 (2017: US$28,820,000) 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% (2017: 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:

	2018 US$'000	2017 US$'000
Profit before income tax	**439,966**	645,858
Less: Share of profits less losses of joint ventures and associates	**(292,452)**	(236,568)
	147,514	409,290
Aggregate tax at domestic rates applicable to profits in respective territories concerned	**67,117**	94,491
Income not subject to income tax	**(19,901)**	(73,219)
Expenses not deductible for income tax purposes	**759**	11,296
Over provision in prior years	**(58)**	(369)
Utilisation of previously unrecognised tax losses	**(942)**	(4,084)
Effect on deferred tax balance at 1 January resulting from a change in tax rate	**10,433**	–
Tax losses not recognised	**2,067**	1,139
Withholding income tax upon distribution of profits and payment of interest	**6,964**	65,100
Others	**(397)**	355
Income tax expenses	**66,042**	94,709

Except for the income tax US$20,002,000 relating to the deferred tax reversed on the fair value loss on financial assets at FVOCI in 2018 (the income tax US$37,312,000 relating to the deferred tax provided on the fair value gain on available-for-sale financial assets in 2017), US$354,000 (2017: US$214,000) deferred tax liability to the cash flow hedges, there was no income tax relating to components of OCI for the year ended 31 December 2018 and 2017.

Notes to the Consolidated Financial Statements

32 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.

	2018	2017
Profit attributable to equity holders of the Company	**US$324,583,000**	US$512,454,000
Weighted average number of ordinary shares in issue	**3,067,491,368**	3,027,433,793
Basic earnings per share	**US10.58 cents**	US16.93 cents

(b) Diluted

Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the year, after adjusting for the number of dilutive potential ordinary shares deemed to be issued at no considerations as if all outstanding dilutive share options granted by the Company had been exercised.

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

	2018	2017
Profit attributable to equity holders of the Company	**US$324,583,000**	US$512,454,000
Weighted average number of ordinary shares in issue	**3,067,491,368**	3,027,433,793
Adjustments for assumed issuance of shares on exercise of dilutive share options	**2,613,104**	–
Weighted average number of ordinary shares for diluted earnings per share	**3,070,104,472**	3,027,433,793
Diluted earnings per share	**US10.57 cents**	US16.93 cents

33 DIVIDENDS

	2018 US$'000	2017 US$'000
Interim dividend paid of US2.212 cents (2017: US1.316 cents) per ordinary share	**67,623**	39,691
Final dividend proposed of US2.020 cents (2017: US1.684 cents) per ordinary share	**62,885**	51,482
Additional dividend paid on shares issued due to issue of scrip dividend before the closure of register of members:		
– 2017 interim	**–**	197
– 2018 interim	**8**	–
	130,516	91,370

Note:

At a meeting held on 28 March 2019, the directors recommended the payment of a final dividend of HK15.8 cents (equivalent to US2.020 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 2019.

34 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$18,913,000 (2017: US$12,190,000). Contributions totaling US$2,251,000(2017: US$2,869,000) were payable to the retirement benefit schemes as at 31 December 2018 and were included in trade and other payables. No forfeited contributions were available as at 31 December 2018 and 31 December 2017 to reduce future contributions.

35 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:

	2018 **US$'000**	2017 US$'000
Fees	**216**	216
Salaries, housing and other allowances	**2,089**	1,806
Benefits in kind	**–**	–
Bonuses	**442**	308
Contributions to retirement benefit schemes	**2**	2
	2,749	2,332

Directors' fees disclosed above include US$216,000 (2017: US$216,000) paid to independent non-executive directors.

As at 31 December 2018, four directors (2017: not applicable) of the Company had 5,400,000 (2017: not applicable) share options which are exercisable at HK$7.27 per share granted by the Company on 19 June 2018 under the 2018 Share Option Scheme. No consideration was paid by the directors for the acceptance of share options.

Share options granted to a director under the 2003 Share Option Scheme were lapsed as at 31 December 2017.

For the year ended 31 December 2018, no (2017: Nil) share option was exercised.

Details and movements of share options granted during the year are set out in note 21 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

35 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

The directors' emoluments are analysed as follows:

		Year ended 31 December 2018								
Name of directors	Note	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Housing and other allowances US$'000	Estimated money value of other benefits US$'000	Contributions to retirement benefit schemes US$'000	Remunerations paid or receivable in respect of accepting office as director US$'000	As management (note e) US$'000	Total US$'000
Mr. HUANG Xiaowen		–	–	–	–	–	–	–	–	–
Mr. ZHANG Wei (張為)		–	742	112	18	–	–	–	–	872
Mr. FANG Meng		–	668	111	18	–	–	–	–	797
Mr. DENG Huangjun		–	252	107	18	–	–	–	–	377
Mr. FENG Boming		–	–	–	–	–	–	–	–	–
Mr. ZHANG Wei (張煒)		–	–	–	–	–	–	–	–	–
Mr. CHEN Dong		–	–	–	–	–	–	–	–	–
Mr. XU Zunwu	i	–	–	–	–	–	–	–	–	–
Mr. WANG Haimin		–	–	–	–	–	–	–	–	–
Dr. WONG Tin Yau, Kelvin		–	353	112	20	–	2	–	–	487
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		37	–	–	–	–	–	–	–	37
		216	2,015	442	74	–	2	–	–	2,749

35 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 US$'000	Salary US$'000	Discretionary bonuses US$'000	Housing and other allowances US$'000	Estimated money value of other benefits US$'000	Contributions to retirement benefit schemes US$'000	Remunerations paid or receivable in respect of accepting office as director US$'000	As management (note e) US$'000	Total US$'000
Mr. HUANG Xiaowen		–	–	–	–	–	–	–	–	–
Mr. ZHANG Wei (張為)		–	739	57	18	–	–	–	–	814
Mr. FANG Meng		–	389	84	18	–	–	–	–	491
Mr. DENG Huangjun		–	251	83	18	–	–	–	–	352
Mr. FENG Boming		–	–	–	–	–	–	–	–	–
Mr. ZHANG Wei (張煒)		–	–	–	–	–	–	–	–	–
Mr. CHEN Dong		–	–	–	–	–	–	–	–	–
Mr. XU Zunwu	i	–	–	–	–	–	–	–	–	–
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		37	–	–	–	–	–	–	–	37
		216	1,734	308	72	–	2	–	–	2,332

Note:

(i) Resigned on 23 May 2018.

The above analysis includes four (2017: three) directors whose emoluments were among the five highest in the Group.

35 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS (CONTINUED)

(b) Management's emoluments

Details of the aggregate emoluments paid to one (2017: two) individual whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2018 US$'000	2017 US$'000
Salaries, share options, and other allowances	**317**	623
Bonuses	**111**	168
Contributions to retirement benefit schemes	**2**	4
	430	795

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

	Number of individuals	
	2018	2017
Emolument bands		
US$319,040-US$382,847 (HK$2,500,001-HK$3,000,000)	**–**	–
US$382,848-US$446,655 (HK$3,000,001-HK$3,500,000)	**1**	2
	1	2

(c) During the year, no emolument had been paid by the Group to the directors or the five highest paid individuals as compensation for loss of office. During the year, Mr. XU Zunwu waived the emoluments.

(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.

36 FINANCIAL GUARANTEE CONTRACTS

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

	2018 US$'000	2017 US$'000
Bank guarantees to a joint venture	–	9,226

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.

37 CAPITAL COMMITMENTS

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

	2018 US$'000	2017 US$'000
Contracted but not provided for		
– Investments (note)	385,859	442,895
– Other property, plant and equipment	400,960	576,376
	786,819	1,019,271

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

	2018 US$'000	2017 US$'000
Contracted but not provided for	13,146	6,154

Note:

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

	2018 US$'000	2017 US$'000
Contracted but not provided for		
Investments in:		
– Antwerp Gateway NV	51,304	51,970
– Tianjin Port Euroasia International Container Terminal Co., Ltd.	102,285	107,435
– Vado	13,858	14,472
– Others	155,446	202,883
	322,893	376,760
Terminal projects in:		
– Shanghai Yangshan Port Phase II	58,282	61,216
– Others	4,684	4,919
	62,966	66,135
	385,859	442,895

Notes to the Consolidated Financial Statements

38 OPERATING LEASE ARRANGEMENTS/COMMITMENTS

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

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

	2018 US$'000	2017 US$'000
Buildings, leasehold land and land use rights		
– not later than one year	**488**	320
– later than one year and not later than five years	**595**	594
– later than five years	**176**	246
	1,259	1,160
Investment properties		
– not later than one year	**477**	3
– later than one year and not later than five years	**1,509**	–
– later than five years	**5,318**	–
	7,304	3
Plant and machinery		
– not later than one year	**1,530**	–
– later than one year and not later than five years	**6,120**	–
– later than five years	**22,293**	–
	29,943	–
	38,506	1,163

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

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

	2018 US$'000	2017 US$'000
Buildings, leasehold land and land use rights		
– not later than one year	**18,989**	13,996
– later than one year and not later than five years	**66,975**	65,762
– later than five years	**409,163**	491,288
	495,127	571,046
Plant and machinery		
– not later than one year	**1,230**	1,009
– later than one year and not later than five years	**3,605**	3,148
– later than five years	**10,003**	4,053
	14,838	8,210
Concession		
– not later than one year	**11,760**	6,725
– later than one year and not later than five years	**63,794**	49,952
– later than five years	**660,121**	536,175
	735,675	592,852
	1,245,640	1,172,108

The contingent rental expenses relating to operating leases for the year ended 31 December 2018 are US$60,333,000 (2017: US$39,009,000).

39 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2018 US$'000	2017 US$'000
Profit before income tax	**439,966**	645,858
Depreciation and amortisation	**147,123**	106,840
Interest expenses	**72,564**	49,542
Amortised amount of		
– discount on issue of notes	**193**	212
– transaction costs on bank loans and notes	**2,434**	1,042
Other incidental borrowing costs and charges	**2,831**	5,180
Provision/(reversal of provision) for impairment of trade receivables and other receivables	**818**	(134)
Provision/(reversal of provision) for inventories	**275**	(16)
(Gain)/loss on disposal of property, plant and equipment and intangible assets, net	**(192)**	364
Dividends income from unlisted financial assets at FVOCI/available-for-sale financial assets	**(272)**	(149)
Dividends income from listed financial assets at FVOCI/available-for-sale financial assets	**(1,694)**	(1,221)
Fair value gain on financial asset at FVPL	**(4,283)**	–
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)
Write off of goodwill upon deregistration of a subsidiary	**–**	309
Write back of provision for impairment of trade receivables	**(91)**	10
Interest income	**(12,342)**	(12,668)
Share of profits less losses of		
– joint ventures	**(90,969)**	(86,531)
– associates	**(201,483)**	(150,037)
Operating profit before working capital changes	**354,878**	228,875
(Increase)/decrease in inventories	**(3,171)**	1,099
(Increase)/decrease in trade and other receivables	**(32,703)**	11,040
(Increase)/decrease in amounts due from fellow subsidiaries	**(618)**	17,084
Decrease/(increase) in amounts due from associates	**4,281**	(177)
(Increase)/decrease in amounts due from joint ventures	**(287)**	2,572
(Increase)/decrease in amounts due from non-controlling shareholders of subsidiaries	**(897)**	1,136
Decrease/(increase) in amount due from a related company	**278**	(377)
(Decrease)/increase in trade and other payables	**(8,048)**	45,807
Increase in amounts due to fellow subsidiaries	**523**	870
Decrease in amounts due to related companies	**–**	(71)
(Decrease)/increase in amounts due to non-controlling shareholders of subsidiaries	**(6,382)**	9,071
Decrease in other long term liabilities	**(2,408)**	–
Cash generated from operations	**305,446**	316,929

Notes to the Consolidated Financial Statements

39 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Major non-cash transactions

	2018	2017
	US$'000	US$'000
Acquisition of an associate by transferring 20% equity interest in a joint venture as consideration (note 27)	**–**	(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 22)	**–**	999

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

	2018	2017
	US$'000	US$'000
Total time deposits, bank balances and cash (note i)	**606,689**	566,400
Restricted bank deposits included in current assets	**(63,674)**	(6,333)
	543,015	560,067
Representing:		
Time deposits	**213,921**	298,828
Bank balances and cash	**216,402**	190,650
Balances placed with COSCO Finance (note iii)	**–**	70,589
Balances placed with CS Finance (note iv)	**112,692**	–
	543,015	560,067

Notes:

(i) As at 31 December 2018, cash and cash equivalents of US$118,440,000 (2017: US$125,290,000) 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:

	2018	2017
	US$'000	US$'000
US dollar	**226,682**	282,361
Renminbi	**185,239**	189,695
Euro	**78,174**	16,725
Hong Kong dollar	**51,181**	71,249
Other currencies	**1,739**	37
	543,015	560,067

(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.

39 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(d) Reconciliation of liabilities arising from financing activities

	Borrowings US$'000	Loans from non-controlling shareholders of subsidiaries US$'000	Loans from a fellow subsidiary US$'000	Loans from a joint venture and an associate US$'000	Debt-related derivative financial instruments US$'000	Total US$'000
Balance as at 1 January 2018	2,334,349	164,115	30,608	57,926	9,362	2,596,360
Changes from financing cash flows						
Loans drawn down	721,073	–	–	–	–	721,073
Loans repaid	(514,222)	–	–	–	–	(514,222)
Loans from non-controlling shareholders of subsidiaries	–	43,711	–	–	–	43,711
Repayment of loans from a non-controlling shareholder of a subsidiary	–	(57,135)	–	–	–	(57,135)
Loan from a joint venture	–	–	–	32,784	–	32,784
Repayment of loans from a joint venture	–	–	–	(42,622)	–	(42,622)
Repayment of loans from fellow subsidiaries	–	–	(13,471)	–	–	(13,471)
Fair value loss of cash flow hedge	–	–	–	–	1,225	1,225
Foreign exchange adjustments	(62,436)	(10,821)	(368)	(734)	(397)	(74,756)
Other non-cash movements	1,139	–	–	–	314	1,453
Balance as at 31 December 2018	2,479,903	139,870	16,769	47,354	10,504	2,694,400
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 shareholder 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 adjustments	87,240	4,042	3,048	2,980	241	97,551
Other non-cash movements	(1,585)	–	608	–	(664)	(1,641)
Balance as at 31 December 2017	2,334,349	164,115	30,608	57,926	9,362	2,596,360

Notes to the Consolidated Financial Statements

40 RELATED PARTY TRANSACTION

The Group is controlled by COSCO SHIPPING Holdings which owns 47.61% of the Company's shares as at 31 December 2018. The parent company of COSCO SHIPPING Holdings is COSCO, and the parent company of COSCO is COSCO SHIPPING.

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

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

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

(a) Sales/purchases of goods, services and investments

	2018 US$'000	2017 US$'000
Handling, storage and transportation income from fellow subsidiaries (note i, xiii)	**–**	3
Management fee and service fee income from (note ii)		
– joint ventures	**4,148**	3,771
– associates	**1,101**	578
– an investee company	**139**	85
Terminal handling and storage income received from (note iii, xiii)		
– fellow subsidiaries	**196,074**	103,243
– non-controlling shareholders of subsidiaries	**93,669**	55,834
Container handling and logistics service fees to non-controlling shareholders of subsidiaries (note iv, xiii)	**(6,042)**	(12,584)
Electricity and fuel expenses paid to (note v, xiii)		
– fellow subsidiaries	**(3,130)**	(813)
– non-controlling shareholders of subsidiaries	**(9,437)**	(7,477)
Finance lease charges paid to a fellow subsidiary (note vi)	**(1,146)**	(1,607)
Handling, storage and maintenance expenses paid to fellow subsidiaries (note vii, xiii)	**(3,429)**	(3,166)
High-frequency communication fee to a non-controlling shareholder of a subsidiary (note viii, xiii)	**–**	(92)
Rental expenses paid to (note ix, xiii)		
– fellow subsidiaries	**(12,431)**	(11,345)
– non-controlling shareholders of subsidiaries	**(5,511)**	(5,509)
Rental income received from a non-controlling shareholder of a subsidiary (note ix)	**991**	–
Purchase of materials from a fellow subsidiary (note x, xiii)	**(244)**	–
Insurance expenses paid to a fellow subsidiary (note xi, xiii)	**(702)**	–
Concession fee to a fellow subsidiary (note xii, xiii)	**(54,124)**	(38,341)

40 RELATED PARTY TRANSACTION (CONTINUED)

(a) Sales/purchases of goods, services and investments (Continued)

Notes:

(i) The handling, storage and transportation income received from fellow subsidiaries of the Group were at terms as set out in the agreements entered into between the Group and these fellow subsidiaries. There was no such item in 2018.

(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$2,552,000) (2017: HK$20,000,000 (equivalent to US$2,567,000)) 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, Jinzhou and Nantong 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.

(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 and rental income received from a non-controlling shareholders of a subsidiary were charged at rates as mutually agreed.

(x) The purchase of materials from a fellow subsidiary were conducted at terms as set out in the agreements entered into between the Group and the respective parties in concern.

(xi) Insurance expenses paid to a fellow subsidiary were charged at rates as mutually agreed.

(xii) 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..

(xiii) 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").

(b) Key management compensation

	2018 US$'000	2017 US$'000
Salaries, bonuses and other allowances	**4,481**	3,858
Contributions to retirement benefit schemes	**6**	9
Share-based payments	**247**	–
	4,734	3,867

Key management includes directors of the Company and six (2017: six) senior management members of the Group.

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

	Number of individuals 2018	Number of individuals 2017
Emolument bands		
US$127,616-US$255,231 (HK$1,000,001-HK$2,000,000)	**2**	2
US$255,232-US$319,039 (HK$2,000,001-HK$2,500,000)	**–**	–
US$319,040-US$382,847 (HK$2,500,001-HK$3,000,000)	**3**	2
US$382,848-US$446,655 (HK$3,000,001-HK$3,500,000)	**1**	2
	6	6

Notes to the Consolidated Financial Statements

41 BUSINESS COMBINATIONS

(a) Acquisition of subsidiary – Noatum Port Holdings, S.L. (now known as COSCO SHIPPING Ports (Spain) Holding, S.L. and its subsidiaries ("CSP Spain Group"))

On 31 October 2017, the Group acquired 51% equity interests in CSP Spain Group, a group of companies engaged in terminal operating activities in Spain, for a consideration of Euro 203,490,000 (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 subsidiary – Noatum Port Holdings, S.L. (now known as COSCO SHIPPING Ports (Spain) Holding, S.L. and its subsidiaries ("CSP Spain Group")) (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 CSP Spain Group 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 CSP Spain Group at a consideration with reference to CSP Spain 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 ("Zeebrugge Terminal"), 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). Zeebrugge Terminal 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 Zeebrugge Terminal 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 Zeebrugge Terminal 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 Zeebrugge Terminal 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
Trade and other receivables	54,655
Cash and cash equivalents	61,614
Bank borrowings	(71,635)
Deferred tax liabilities	(6,033)
Trade and other payables	(42,285)
Total identifiable net assets acquired	172,835
Less: non-controlling interests	(73,641)
	99,194
Purchase consideration settled in cash	105,463
Cash and cash equivalents in acquired terminal operation	(61,614)
Net cash outflow on acquisition	43,849

Notes to the Consolidated Financial Statements

41 BUSINESS COMBINATIONS (CONTINUED)

(c) Acquisition of other subsidiaries (Continued)

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.

(iii) Non-controlling interests

The Group recognises 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 EVENTS AFTER BALANCE SHEET DATE

On 21 January 2019, QPI completed its A share offering and listed on the Shanghai Stock Exchange. As a result, the Group's 18.41% equity interests in QPI was diluted to 17.12%. As the share of contribution from the A share offer is less than the cost of deemed disposal, the Group recognised a loss of approximately US$23,000,000 on deemed disposal of partial interest in QPI.

On 23 January 2019, the Company, COSCO SHIPPING Ports (Chancay) Limited ("CSP (Chancay)", a wholly-owned subsidiary of the Company), Volcan Compañía Minera S.A.A. and Terminales Portuarios Chancay S.A. ("TPCH") entered into a subscription and investment agreement pursuant to which TPCH has conditionally agreed to issue, and CSP (Chancay) has conditionally agreed to subscribe for, shares representing 60% of the shares of TPCH at a subscription price of US$225,000,000, and TPCH will become a subsidiary of the Company. As at the reporting date, the subscription was not completed.

43 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	2018 US$'000	2017 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**100**	124
Subsidiaries		**5,793,784**	5,244,883
Amounts due from subsidiaries		**185,025**	186,892
		5,978,909	5,431,899
Current assets			
Other receivables		**380**	486
Amounts due from subsidiaries		**937,724**	986,192
Amounts due from a fellow subsidiary		**1**	–
Amount due from an intermediate holding company		**–**	2
Cash and cash equivalents		**262,289**	256,388
		1,200,394	1,243,068
Total assets		**7,179,303**	6,674,967
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**39,971**	39,254
Reserves	(a)	**4,537,393**	4,544,499
Total equity		**4,577,364**	4,583,753

Notes to the Consolidated Financial Statements

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

	Note	2018 US$'000	2017 US$'000
LIABILITIES			
Non-current liabilities			
Loan from a subsidiary		**296,610**	–
Long term borrowings		**852,411**	513,430
Total non-current liabilities		**1,149,021**	513,430
Current liabilities			
Other payables		**32,623**	38,520
Current income tax liabilities		**–**	139
Loan from a subsidiary		**–**	296,610
Amounts due to subsidiaries		**1,420,295**	892,515
Current portion of long term borrowings		**–**	350,000
		1,452,918	1,577,784
Total liabilities		**2,601,939**	2,091,214
Total equity and liabilities		**7,179,303**	6,674,967

On behalf of the Board

ZHANG Wei
Vice Chairman and Managing Director

WONG Tin Yau, Kelvin
Executive Director and Deputy Managing Director

43 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 2018	**1,739,685**	**414,214**	**–**	**2,390,600**	**4,544,499**
Profit for the year	**–**	**–**	**–**	**57,625**	**57,625**
Issue of shares on settlement of scrip dividends	**53,197**	**–**	**–**	**–**	**53,197**
Fair value of share options granted	**–**	**–**	**1,185**	**–**	**1,185**
Dividends					
– 2017 final	**–**	**–**	**–**	**(51,482)**	**(51,482)**
– 2018 interim	**–**	**–**	**–**	**(67,631)**	**(67,631)**
At 31 December 2018	**1,792,882**	**414,214**	**1,185**	**2,329,112**	**4,537,393**
Representing:					
Reserves	**1,792,882**	**414,214**	**1,185**	**2,266,227**	**4,474,508**
2018 final dividend proposed	**–**	**–**	**–**	**62,885**	**62,885**
At 31 December 2018	**1,792,882**	**414,214**	**1,185**	**2,329,112**	**4,537,393**
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

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.

Notes to the Consolidated Financial Statements

44 DETAILS OF SUBSIDIARIES

Details of the subsidiaries as at 31 December 2018 are as follows:

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2018	Group equity interest 2017
2	Cheer Dragon Investment Limited	Hong Kong	Hong Kong	Investment holding	HK$3 divided into 3 ordinary shares	**66.67%**	66.67%
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%
1,4	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%
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	British Virgin Islands	Hong Kong	Provision of treasury services	1 ordinary share of US$1	**100.00%**	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 divided into 20,500 shares of Euro25 each	**100.00%**	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%
1, 2	COSCO Ports (Ningbo Beilun) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Ports (Port Said) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Ports (Pudong) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO Ports (Quanzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%

Notes to the Consolidated Financial Statements

44 DETAILS OF SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2018	Group equity interest 2017
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, 4	COSCO Ports (Taiwan Kaohsiung) Limited	Hong Kong	Hong Kong	Investment holding	HK$1 divided into 1 ordinary share	**–**	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	US$1 divided into 1 ordinary share	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Chancay) Limited	British Virgin Islands	British Virgin Islands	Investment holding	US$1,000 divided into 1,000 ordinary shares	**100.00%**	–
1, 2, 3	COSCO SHIPPING Ports Investments (Shanghai) 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%**	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%**	100.00%
	Noatum Port Holdings, S.L. (now known as COSCO SHIPPING Ports (Spain) Holding, S.L.)	Spain	Spain	Investment holding	23,147,944 ordinary shares of Euro 1 each	**51.00%**	51.00%
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%
1, 2	COSCO SHIPPING Ports (Yangshan) Limited	British Virgin Islands	Hong Kong	Inactive	1 ordinary share of US$1 each	**100.00%**	100.00%
1	Crestway International Limited	British Virgin Islands	Hong Kong	Investment holding	50,000 ordinary share of US$1 each	**100.00%**	100.00%

Notes to the Consolidated Financial Statements

44 DETAILS OF SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest	
						2018	2017
1, 2	COSCO SHIPPING Ports Finance (2018) Company	British Virgin Islands	British Virgin Islands	Financing	US$1 divided into 1 ordinary share	**100.00%**	–
2	CSP Abu Dhabi CFS Limited	Abu Dhabi Free Zone United Arab Emirates	Abu Dhabi Free Zone United Arab Emirates	Operation of container freight station	150 ordinary shares of AED1,000 each	**100.00%**	–
	CSP Abu Dhabi Terminal L.L.C. (formerly known as 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%**	90.00%
2, 3	CSP Wuhan Company Limited (formerly known as Wuhan Yangluo Jiutong Gangwu Co., Ltd.)	PRC	PRC	Operation of terminals	RMB280,000,000	**70.00%**	70.00%
2, 5	CSP Zeebrugge Terminal NV	Belgium	Belgium	Operation of container terminals	3,500,001 ordinary shares of Euro 10 each	**85.00%**	100.00%
1, 2	Frosti International Limited	British Virgin Islands	Hong Kong	Investment holding	2 ordinary shares of US$1 each	**100.00%**	100.00%
2, 3	Guangzhou South China Oceangate Container Terminal Company Limited	PRC	PRC	Operation of container terminals	RMB1,928,293,400	**39.00%**	39.00%
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%
	Maltransinter, S.A.U.	Spain	Spain	Inactive	14,000 ordinary shares of Euro 1,000 each	**51.00%**	51.00%
2, 3	Nantong Tonghai Port Co., Ltd.	PRC	PRC	Operation of terminals	RMB790,000,000	**51.00%**	51.00%
	Noatum Container Terminal Bilbao, S.L.	Spain	Spain	Operation of container	30,694,951 ordinary shares of Euro 0.43 each	**39.51%**	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%**	51.00%
	Noatum Ports, S.L.U.	Spain	Spain	Investment holding	36,250,000 ordinary shares of Euro 1 each	**51.00%**	51.00%

44 DETAILS OF SUBSIDIARIES (CONTINUED)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2018	Group equity interest 2017
	Noatum Rail Terminal Zaragoza, S.L.	Spain	Spain	Operation of rail terminals	3,000 ordinary shares of Euro 1 each	**30.60%**	30.60%
1	Ocean Bridge International Ports Management Company Limited	Hong Kong	Hong Kong	Provision of management and consultancy services	HK$1,000,000 divided into 1,000,000 ordinary shares	**51.00%**	–
1	Piraeus Container Terminal S.A.	Greece	Greece	Operation of container	Euro77,299,800	**100.00%**	100.00%
2, 3	Quan Zhou Pacific Container Terminal Co., Ltd.	PRC	PRC	Operation of terminals	US$80,770,000	**82.35%**	82.35%
1, 4	Right Key International Limited	Hong Kong	Hong Kong	Inactive	HK$1 divided into 1 ordinary share	**–**	100.00%
2	Sagtransinter, S.L.U.	Spain	Spain	Inactive	13,631,405 ordinary shares of Euro 1 each	**51.00%**	51.00%
	Noatum Rail Services, S.L.U. (formerly known as Santrasmul, S.A.U.)	Spain	Spain	Provision of rail terminals services	7,160,000 ordinary shares of Euro 1 each	**51.00%**	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	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$73,800,000	**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., Quan Zhou Pacific Container Terminal Co., Ltd., Shanghai China Shipping Terminal Development Co., Ltd., CSP Wuhan Company Limited, 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 in 2017 (note 41(b)). 15% equity interests in the subsidiary was disposed in 2018.

45 DETAILS OF JOINT VENTURES

Details of the principal joint ventures as at 31 December 2018, 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 2018	2017
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%**	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	SGD286,213,000	**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%
Euro-Asia Oceangate S.à.r.l. (note ii)	Luxembourg	Investment holding	US$40,000	**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%
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%
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%

45 DETAILS OF JOINT VENTURES (CONTINUED)

Notes:

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

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

46 DETAILS OF ASSOCIATES

Details of the associates as at 31 December 2018, 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	
				2018	2017
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%
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.	PRC	Operation of container terminals	RMB3,480,000,000	**19.00%**	19.00%
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%
Lianyungang Xinsanly Container Service Co., Ltd	PRC	Container inspection and auxiliary services	RMB1,000,000	**22.00%**	22.00%
Nanjing Port Longtan Container Co., Ltd.	PRC	Operation of container terminals	RMB1,544,961,839	**16.14%**	16.14%
Ningbo Meishan Bonded Port New Habour Terminal Operating Co., Ltd.	PRC	Operation of container terminals	RMB200,000,000	**20.00%**	20.00%
Qingdao Port International Co., Ltd	PRC	Operation of container terminals	RMB6,036,724,000	**18.41%**	18.41%
Qingdao Qianwan Intelligent Container Terminal Co., Ltd	PRC	Operation of container terminals	RMB642,000,000	**20.00%**	20.00%

Notes to the Consolidated Financial Statements

46 DETAILS OF ASSOCIATES (CONTINUED)

Name	Place of establishment operation	Principal activities	Issued share capital/ registered capital	Group equity interest	
				2018	2017
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 ii)	Spain	Container storage and transportation	860,323 ordinary shares of Euro 0.57 each	**5.53%**	5.53%
Shanghai Mingdong Container Terminals Limited	PRC	Operation of container terminals	RMB4,000,000,000	**20.00%**	20.00%
Sigma Enterprises Limited (note iii)	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 iii)	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) 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 2018 and 2017.

(iii) 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 2018 and 2017.