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 Co., Ltd ("COSCO") and China COSCO SHIPPING Corporation Limited ("COSCO SHIPPING"), state-owned enterprises established in the PRC, respectively.

These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2021.

2 Basis of preparation

The consolidated financial statements for the year ended 31 December 2020 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 for certain financial assets and liabilities (including derivative instruments) and investment properties measured 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 AMENDMENTS TO EXISTING STANDARDS

In 2020, the Group has adopted the following amendments to existing standards issued by the HKICPA which are mandatory for the financial year ended 31 December 2020:

Amendments	
HKAS 1 and HKAS 8 Amendment	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 Amendment	Interest Rate Benchmark Reform – Phase 1
HKFRS 3 Amendment	Definition of a Business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of these amendments to existing standards does not have any significant effect on the consolidated financial statements or result in any substantial changes in the Group's accounting policies.

2 Basis of preparation (Continued)

2.2 NEW STANDARD, INTERPRETATION, AMENDMENTS AND IMPROVEMENTS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020 AND HAVE NOT BEEN EARLY ADOPTED BY THE GROUP

The HKICPA has issued the following new standard, interpretation, amendments and improvements to existing standards which are not yet effective for the year ended 31 December 2020:

		Effective for accounting periods beginning on or after
New standard, interpretation, and amendments		
AG 5 (revised)	Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 Amendment	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 16 Amendment	Proceeds before Intended Use	1 January 2022
HKAS 37 Amendment	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 Amendment	Interest Rate Benchmark Reform – Phase 2	1 January 2021
HKFRS 3 Amendment	Reference to the Conceptual Framework	1 January 2022
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 16 Amendment	COVID-19-Related Rent Concessions	1 June 2020
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17 Amendment	Insurance Contracts	1 January 2023
HK Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Annual Improvements 2018-2020 Cycle		
HKAS 41 Amendment	Taxation in Fair Value Measurements	1 January 2022
HKFRS 1 Amendment	Subsidiary as a First-time Adopter	1 January 2022
HKFRS 9 Amendment	Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities	1 January 2022
HKFRS 16 Amendment	Lease Incentives	1 January 2022

The Group has not early adopted the above new standard, interpretation, amendments and improvements to existing standards and will apply these new standard, interpretation, amendments and improvements as and when they become effective. The Group has already commenced an assessment of the related impact of these new standard, interpretation, amendments and improvements to the existing standards to the Group, certain of them will give rise to change in presentation, disclosure and measurements of certain items in the consolidated financial statements.

3 Summary of significant accounting policies

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

3.1 GROUP ACCOUNTING

(a) Merger accounting for common control combinations

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

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

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

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

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

(b) Acquisition method for non-common control combination

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

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.

3 Summary of significant accounting policies (Continued)

3.1 GROUP ACCOUNTING (CONTINUED)

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

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

(c) Subsidiaries

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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.

Non-controlling interest put options are put options over non-controlling interests accounted for using the present access method. Written put options in respect of which the Group does not have an unconditional right to avoid the delivery of cash, are recognised as financial liabilities.

Under this method, the non-controlling interest is not derecognised when the financial liability in respect of the put option is recognised, as the non-controlling interest still has present access to the economic benefits associated with the underlying ownership interest.

Non-controlling interest put options are initially recognised at the present value of expected future cash flows and subsequently re-measured at the present value of expected future cash flows with any changes in value (accretion and interest) through equity.

3 Summary of significant accounting policies (Continued)

3.1 GROUP ACCOUNTING (CONTINUED)

(e) Disposal of subsidiaries

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

(f) Joint ventures/associates

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations 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 investments in joint ventures/associates includes goodwill identified on acquisition. The measurement of goodwill is the same as that of goodwill arising from the acquisition of subsidiaries. Appropriate adjustments to the Group's share of the profits or losses after acquisition are made to the consolidated financial statements based on the fair values of the assets and liabilities acquired at date of acquisition.

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

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

The cost of an associate acquired in stages is measured as the sum of the consideration paid for each purchase plus a share of the associate's profits and other 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 other comprehensive income 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.

Investment in an associate or a joint venture acquired from the Group's contribution of a non-monetary asset is the cost of the asset contributed adjusted by the gain or loss recognised (to the extent of additional interest acquired), any transaction costs and contingent consideration.

3 Summary of significant accounting policies (Continued)

3.1 GROUP ACCOUNTING (CONTINUED)

(f) Joint ventures/associates (Continued)

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

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in consolidated statement of comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in a joint venture or an associate equals or exceeds its interest in the joint venture or 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 joint venture or the associate.

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

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

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.

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 Summary of significant accounting policies (Continued)

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 fair value through profit and loss ("FVPL"), are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as fair value through other comprehensive income ("FVOCI"), are recognised in OCI.

(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.

3 Summary of significant accounting policies (Continued)

3.3 FOREIGN CURRENCY TRANSLATION (CONTINUED)

(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 profit and loss.

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.

Freehold land with unlimited useful life is not depreciated.

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:

Land	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 30 years

Other property, plant and equipment includes plant and machinery with estimated useful lives ranging from 5 to 30 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 Summary of significant accounting policies (Continued)

3.5 LEASES

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to decide on whether to exercise an extension option (or not to exercise a termination option). Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and makes adjustments specific to the lease, e.g. term, country, currency and security.

3 Summary of significant accounting policies (Continued)

3.5 LEASES (CONTINUED)

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Some concession leases contain variable payment terms that are linked to revenue or throughput generated from a port. For individual ports, lease payments are on the basis of variable payment terms with a wide range of percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for port operations. Variable lease payments that depend on revenue or throughput are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mainly comprise IT equipment.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated balance sheet based on their nature.

3.6 INVESTMENT PROPERTIES

Land and buildings that are 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.

3 Summary of significant accounting policies (Continued)

3.6 INVESTMENT PROPERTIES (CONTINUED)

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

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

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

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in 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, 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. Goodwill arising on acquisitions of joint ventures and associates is included in joint venturers and associates respectively and is tested for impairment as part of overall balance.

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.

(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.

3 Summary of significant accounting policies (Continued)

3.7 INTANGIBLE ASSETS (CONTINUED)

(b) Computer software (Continued)

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.

3.9 INVESTMENTS AND OTHER FINANCIAL ASSETS

(a) Classification

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.

3 Summary of significant accounting policies (Continued)

3.9 INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

(a) Classification (Continued)

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.

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.

3 Summary of significant accounting policies (Continued)

3.9 INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

(c) Measurement (Continued)

Equity instruments (Continued)

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

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.

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 Group or the counterparty.

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 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.

3 Summary of significant accounting policies (Continued)

3.11 DERIVATIVES AND HEDGING ACTIVITIES (CONTINUED)

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.

3.13 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 Summary of significant accounting policies (Continued)

3.15 PROVISIONS

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

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

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

3.16 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.

3.17 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.

3.18 SHARE CAPITAL

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

3 Summary of significant accounting policies (Continued)

3.19 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.

3.20 CURRENT AND DEFERRED INCOME TAX

The income tax expense or credit 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.

(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.

3 Summary of significant accounting policies (Continued)

3.20 CURRENT AND DEFERRED INCOME TAX (CONTINUED)

(b) Deferred income tax (Continued)

Outside basis differences (Continued)

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

(c) Offsetting

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

3.21 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.

3 Summary of significant accounting policies (Continued)

3.21 EMPLOYEE BENEFITS (CONTINUED)

(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.

3.22 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 obligations, 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.

(b) Rental income from investment properties

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.

3 Summary of significant accounting policies (Continued)

3.22 RECOGNITION OF REVENUES AND INCOME (CONTINUED)

The Group recognises revenues and income on the following bases: (Continued)

(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.

3.23 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.

3.24 GOVERNMENT SUBSIDY

Subsidies from the government are recognised at their fair value where there is a reasonable assurance that the subsidy will be received and the Group will comply with all attached conditions. Government subsidies relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

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.

3.25 DIVIDEND DISTRIBUTION

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

3.26 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.

3 Summary of significant accounting policies (Continued)

3.26 CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

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.

3.27 ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

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.

4 Financial risk management (Continued)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

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$4,788,000 (2019: increased/decreased by US$3,172,000) as a result of the translation of those Non-Functional Currency Items.

(ii) Price risk

The Group is exposed to price risk arises from investments held by the Group and classified in the consolidated balance sheet as financial assets at FVOCI (note 13). Management monitors the market conditions and securities price fluctuations and response so as to minimise adverse effects on the Group's financial performance.

A 10% increase/decrease in the price of the financial assets at FVOCI would increase/decrease the other comprehensive income by US$79,103,000 (2019: increase/decrease US$86,788,000).

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

With all other variables held constant, if the interest rate had increased/decreased by 50 basis-points, the corresponding increase/decrease in net finance costs (representing interest expenses on Interest Bearing Liabilities net of interest income on the Interest Bearing Assets) would have been approximately US$3,001,000 (2019: US$3,652,000).

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 rate of the swaps range between 0.61% and 1.22% (2019: 0.61% and 1.22%) and the variable rates of the loan are between 1.75% and 2.25% (2019: 1.5% and 2.25%) above the 6-month Euro Interbank Offered Rate ("EURIBOR").

4 Financial risk management (Continued)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(a) Market risk (Continued)

(iii) Cash flow and fair value interest rate risk (Continued)

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:

	2020 **US$'000**	2019 US$'000
Interest rate swaps		
Carrying amount (liabilities)	**11,461**	12,087
Notional amount	**301,933**	272,523
Maturity date	**2022–2024**	2022–2024
Hedge ratio	**1.1**	1.1
Change in fair value of outstanding hedging instruments since 1 January	**499**	(935)
Change in value of hedged item used to determine hedge effectiveness	**(499)**	935

(b) Credit risk

(i) Risk management

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 a joint venture 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.

4 Financial risk management (Continued)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (Continued)

(i) Risk management (Continued)

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 months 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 2020, approximately 68% (2019: 64%) of the Group's bank balances were placed with state-owned or listed banks. Management considers theses balances are subject to low credit risk.

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

(c) Liquidity risk

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

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

4 Financial risk management (Continued)

4.1 FINANCIAL RISK FACTORS (CONTINUED)

(c) Liquidity risk (Continued)

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
At 31 December 2020				
Bank and other borrowings	**374,712**	**722,855**	**1,416,223**	**852,760**
Lease liabilities	**41,862**	**42,614**	**124,521**	**1,189,776**
Loans from non-controlling shareholders of subsidiaries	**84,288**	**22**	**748**	**–**
Loans from a joint venture	**35,012**	**–**	**–**	**–**
Trade and other payables	**403,872**	**–**	**–**	**–**
Derivative financial Instruments	**3,709**	**3,717**	**4,035**	**–**
Put option liability	**–**	**–**	**–**	**280,000**
At 31 December 2019				
Bank and other borrowings	602,735	347,858	1,830,974	517,332
Lease liabilities	45,271	36,110	121,254	1,160,040
Loans from non-controlling shareholders of subsidiaries	92,854	15	514	–
Loans from a joint venture	32,253	–	–	–
Loan from an associate	17,201	–	–	–
Trade and other payables	444,825	–	–	–
Derivative financial Instruments	3,209	3,116	5,762	–
Put option liability	–	–	–	280,000

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 2020, the net debt-to-total equity ratio is 26.8% (2019: 34.0%).

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

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 2020 and 2019:

As at 31 December 2020

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
Financial assets at FVOCI	**134,405**	**–**	**23,801**	**158,206**
Derivative financial instruments				
– interest rate swap	**–**	**11,461**	**–**	**11,461**

As at 31 December 2019

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets at FVOCI	143,680	–	29,695	173,375
Derivative financial instruments				
– interest rate swap	–	12,087	–	12,087

(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.

4 Financial risk management (Continued)

4.3 FAIR VALUE ESTIMATION (CONTINUED)

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

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.

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 2020, 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 of 20% is applied to compute the fair value on top of market price/book multiples. These financial assets at FVOCI and put option liability are included in level 3.

The movements in financial instruments included in level 3 are as follows:

Unlisted financial assets at FVOCI

	2020 US$'000
At 1 January	**29,695**
Fair value loss recognised in OCI	**(7,536)**
Translation differences	**1,642**
At 31 December	**23,801**

4 Financial risk management (Continued)

4.3 FAIR VALUE ESTIMATION (CONTINUED)

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

The valuation technique and inputs used in the fair value measurements within Level 3 are summarised as follows:

Description	Fair value at		Valuation techniques	Unobservable inputs
	31 December 2020 US$'000	31 December 2019 US$'000		
Unlisted equity security:				
Port industry	**23,801**	29,695	Market multiples	Price/book multiples (i), discount for lack of marketability (ii)

(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.

(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.

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.

5 Critical accounting estimates and judgements (Continued)

(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 or fair value less costs of disposal 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) TAXATION

Deferred income tax liabilities have not been established for the withholding taxation that would be payable on the undistributed profits of certain subsidiaries which were under certain jurisdictions as the directors consider that the timing of the reversal of related temporary differences can be controlled (note 14).

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

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises or writes back liabilities for anticipated tax issues based on estimates of whether additional taxes will be due or reversal to be made. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(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:

	2020 **US$'000**	2019 US$'000
Terminal operations income related to rendering of port and related services	**1,000,629**	1,027,658

6 Revenues and segment information (Continued)

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, right-of-use assets, 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, intangible assets and right-of-use assets.

(a) OPERATING SEGMENTS

Segment assets

	Terminals and related businesses US$'000	Others US$'000	Elimination US$'000	Total US$'000
At 31 December 2020				
Segment assets	**10,137,784**	**1,304,583**	**(218,022)**	**11,224,345**
Segment assets include:				
Joint ventures	**1,222,414**	**–**	**–**	**1,222,414**
Associates	**3,112,653**	**–**	**–**	**3,112,653**
Financial assets at FVOCI	**158,206**	**–**	**–**	**158,206**
At 31 December 2019				
Segment assets	9,741,724	1,281,322	(546,528)	10,476,518
Segment assets include:				
Joint ventures	1,278,125	–	–	1,278,125
Associates	2,752,908	–	–	2,752,908
Financial assets at FVOCI	173,375	–	–	173,375

6 Revenues and segment information (Continued)

(a) OPERATING SEGMENTS (CONTINUED)

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 2020				
Revenues – total sales	**1,000,629**	**–**	**–**	**1,000,629**
Segment profit/(loss) attributable to equity holders of the Company	**387,935**	**(40,461)**	**–**	**347,474**
Segment profit/(loss) includes:				
Finance income	**991**	**27,518**	**(13,819)**	**14,690**
Finance costs	**(87,258)**	**(41,287)**	**13,895**	**(114,650)**
Share of profits less losses of				
– joint ventures	**78,219**	**–**	**–**	**78,219**
– associates	**194,501**	**–**	**–**	**194,501**
Taxation	**(40,599)**	**5,632**	**–**	**(34,967)**
Gain on disposal of subsidiaries	**71,150**	**–**	**–**	**71,150**
Depreciation and amortisation	**(196,498)**	**(3,946)**	**–**	**(200,444)**
Other non-cash expenses	**(4,039)**	**(3)**	**–**	**(4,042)**
Additions to non-current assets	**(205,844)**	**(7,864)**	**–**	**(213,708)**

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 2019				
Revenues – total sales	1,027,658	–	–	1,027,658
Segment profit/(loss) attributable to equity holders of the Company	354,025	(46,008)	–	308,017
Segment profit/(loss) includes:				
Finance income	1,196	35,754	(24,535)	12,415
Finance costs	(82,952)	(50,420)	24,509	(108,863)
Share of profits less losses of				
– joint ventures	86,359	–	–	86,359
– associates	181,095	–	–	181,095
Taxation	(40,081)	6,515	–	(33,566)
Depreciation and amortisation	(186,549)	(3,511)	–	(190,060)
Other non-cash expenses	(984)	–	–	(984)
Additions to non-current assets	(397,500)	(2,117)	–	(399,617)
Additions arising from business combinations	(164,391)	–	–	(164,391)

6 Revenues and segment information (Continued)

(b) GEOGRAPHICAL INFORMATION

(i) Revenues

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

	2020 US$'000	2019 US$'000
Terminals and related businesses		
– Mainland China (excluding Hong Kong)	**417,760**	467,532
– Europe	**557,604**	554,525
– Others	**25,265**	5,601
	1,000,629	1,027,658

(ii) Non-current assets

The Group's non-current assets, other than financial instruments and deferred tax assets ("Geographical Non-Current Assets"), consist of property, plant and equipment, right-of-use assets, investment properties, 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, Peru, Turkey, the Netherlands, Italy, Egypt, Hong Kong, Singapore and Taiwan.

	Subsidiaries and corporate US$'000	**Joint ventures and associates US$'000**	**Total US$'000**
2020			
Mainland China (excluding Hong Kong)	**2,333,858**	**3,380,136**	**5,713,994**
Europe	**1,652,794**	**14,890**	**1,667,684**
Others	**837,766**	**940,041**	**1,777,807**
	4,824,418	**4,335,067**	**9,159,485**
2019			
Mainland China (excluding Hong Kong)	2,172,194	3,036,156	5,208,350
Europe	1,567,983	17,647	1,585,630
Others	793,885	977,230	1,771,115
	4,534,062	4,031,033	8,565,095

7 Property, plant and equipment

	Land and 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 2020	2,107,268	5,987	1,358,628	380,519	3,852,402
Exchange differences	144,446	333	106,763	11,921	263,463
Additions	13,673	103	18,273	142,782	174,831
Disposals	(493)	(667)	(14,185)	(4,404)	(19,749)
Transfers	102,660	83	117,900	(213,811)	6,832
At 31 December 2020	2,367,554	5,839	1,587,379	317,007	4,277,779
Accumulated depreciation and impairment					
At 1 January 2020	311,833	3,865	411,465	–	727,163
Exchange differences	25,647	217	35,571	–	61,435
Depreciation charge for the year	59,754	396	80,767	–	140,917
Disposals	(198)	(667)	(12,975)	–	(13,840)
Transfers	–	–	2,243	–	2,243
Impairment loss	–	–	–	891	891
At 31 December 2020	397,036	3,811	517,071	891	918,809
Net book value					
At 31 December 2020	1,970,518	2,028	1,070,308	316,116	3,358,970

7 Property, plant and equipment (Continued)

	Land and 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 2019	1,990,931	6,344	1,361,625	441,846	3,800,746
Adjustment for change in accounting policy	–	–	(82,063)	10,688	(71,375)
Restated opening cost	1,990,931	6,344	1,279,562	452,534	3,729,371
Exchange differences	(35,162)	(87)	(24,478)	(4,069)	(63,796)
Additions	3,725	126	14,776	285,625	304,252
Acquisition of subsidiaries (note 39)	116,869	–	124	33,216	150,209
Transfer to assets classified as held for sale (note 18)	(171,543)	(153)	(72,318)	(28,802)	(272,816)
Disposals	(381)	(285)	(7,140)	–	(7,806)
Transfers	202,829	42	168,102	(357,985)	12,988
At 31 December 2019	2,107,268	5,987	1,358,628	380,519	3,852,402
Accumulated depreciation					
At 1 January 2019	327,437	3,966	412,274	–	743,677
Adjustment for change in accounting policy	–	–	(32,725)	–	(32,725)
Restated opening accumulated depreciation	327,437	3,966	379,549	–	710,952
Exchange differences	(6,303)	(57)	(6,860)	–	(13,220)
Depreciation charge for the year	54,437	365	76,326	–	131,128
Transfer to assets classified as held for sale (note 18)	(46,942)	(124)	(38,516)	–	(85,582)
Disposals	(87)	(285)	(6,416)	–	(6,788)
Transfers	(16,709)	–	7,382	–	(9,327)
At 31 December 2019	311,833	3,865	411,465	–	727,163
Net book value					
At 31 December 2019	1,795,435	2,122	947,163	380,519	3,125,239

7 Property, plant and equipment (Continued)

Notes:

(a) As at 31 December 2020, certain other property, plant and equipment with an aggregate net book value of US$292,149,000 (2019: US$296,323,000) were pledged as security for banking facilities granted to the Group (note 21(g)).

(b) During the year, the Group transferred from right-of-use assets with an aggregate net book value of US$4,589,000 (2019: US$23,121,000) to property, plant and equipment at the time of expiry of lease term. There was a transfer of land and buildings outside Hong Kong to investment properties with an aggregate net book value of US$806,000 in 2019.

(c) During the year, interest expenses of US$5,945,000 (2019: US$22,598,000) was capitalised in construction in progress (note 29).

(d) As at 31 December 2020, a freehold land amounted to US$100,475,000 (2019: US$100,475,000) was included in land and buildings outside Hong Kong.

8 Investment properties

	2020 **US$'000**	2019 US$'000
At 1 January	**9,566**	17,871
Exchange differences	**430**	(229)
Disposal	**–**	(74)
Transfer to assets classified as held for sale (note 18)	**–**	(8,808)
Transfer from property, plant and equipment (note 7)	**–**	806
At 31 December	**9,996**	9,566

Notes:

(a) The Group measured investment properties at fair value. The investment property amounted to US$5,438,000 as at 31 December 2020 was revalued on an open market value basis by D&P China (HK) Limited, independent professional property valuer who holds recognised relevant professional qualifications and has recent experiences in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

(b) The Group's interests in investment properties are office units situated in PRC on leases of 50 years and a residential property in Hong Kong on leases of over 50 years. For minimum lease payments receivable on leases of investment properties, refer to note 36.

(c) In 2020 and 2019, the valuations for PRC office units are derived using income capitalisation method. The valuation for the Hong Kong residential property is derived using direct comparison method in 2020 and 2019. 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 2020, capitalisation rate of 7.5% (2019: 7.5%) are used in income capitalisation method for PRC office units.

Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the property under consideration. As at 31 December 2020, unit price of HK$27,245 (2019: HK$26,000) per square feet is used in the direct comparison method.

9 Leases

(a) AMOUNTS RECOGNISED IN THE CONSOLIDATED BALANCE SHEET

The consolidated balance sheet shows the following amounts relating to leases:

	2020	2019
	US$'000	US$'000
Right-of-use assets		
Concession	**715,144**	698,805
Buildings	**22,121**	4,203
Plant and machinery	**10,210**	15,240
Land use right (note i)	**230,998**	219,601
	978,473	937,849
Lease liabilities		
Current	**42,093**	36,425
Non-current	**784,243**	733,948
	826,336	770,373

Notes:

(i) The Group has land lease arrangement with mainland China government.

(ii) As at 31 December 2020, certain concession and land use rights with aggregate net book value of US$48,523,000 (2019: US$46,546,000) were pledged as security for banking facilities granted to the Group (note 21(g)).

Additions to the right-of-use assets during 2020 financial year were US$22,686,000 (2019: US$74,169,000). US$14,939,000 and US$6,184,000 additions in 2020 related to buildings leased from a non-controlling shareholder of a subsidiary and from a fellow subsidiary. US$73,537,000 additions in 2019 related to concession arrangement with a fellow subsidiary.

9 Leases (Continued)

(b) AMOUNTS RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

The consolidated income statement shows the following amounts relating to leases:

	Note	**2020**	2019
		US$'000	US$'000
Depreciation charge of right-of-use assets			
Concession		**25,848**	23,490
Buildings		**4,161**	5,093
Plant and machineries		**867**	2,393
Land use rights		**5,461**	6,354
	28	**36,337**	37,330
Interest expense (included in finance costs)		**24,686**	16,697
Expense relating to short-term leases (included in cost of sales and administrative expenses)		**3,719**	4,175
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)		**1,289**	1,225
Expense relating to variable lease payments not included in lease liabilities (included in cost of sales)		**71,008**	70,005

The total cash outflow for leases in 2020 was US$115,668,000 (2019: US$113,132,000).

(c) THE GROUP'S LEASING ACTIVITIES AND HOW THESE ARE ACCOUNTED FOR

The Group leases various concession, buildings, plant and machinery and land use rights. Rental contracts are typically made for fixed periods of 3 to 50 years, but may have extension options as described in (e) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(d) VARIABLE LEASE PAYMENTS

Some of the concession agreements consist of variable payments based on the performance of the entity. Variable lease payments that based on revenue or throughput are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

A 1% increase in revenue or throughput relating to concession in the Group with such variable lease arrangements would increase total lease payments by approximately US$653,000 and US$82,000 (2019: US$616,000 and US$91,000) respectively.

(e) EXTENSION AND TERMINATION OPTIONS

Extension and termination options are included in a number of concession rights across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

10 Intangible assets

	Computer software		Computer systems under development		Concession		Customer relationships		Goodwill		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	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	**28,668**	22,029	**10,962**	1,621	**249,474**	250,672	**48,022**	48,022	**169,235**	131,790	**506,361**	454,134
Exchange differences	**3,010**	(380)	**490**	(43)	**23,264**	(4,113)	**2,821**	–	**12,439**	(2,629)	**42,024**	(7,165)
Additions	**2,222**	7,561	**3,950**	9,386	**10,019**	4,249	**–**	–	**–**	–	**16,191**	21,196
Acquisition of subsidiaries (note 39)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	40,074	**–**	40,074
Disposals	**(2,276)**	(38)	**(10,133)**	(2)	**–**	(1,334)	**–**	–	**–**	–	**(12,409)**	(1,374)
Transfer to assets classified as held for sale (note 18)	**–**	(504)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(504)
Transfers	**1,608**	–	**(1,608)**	–	**–**	–	**–**	–	**–**	–	**–**	–
At 31 December	**33,232**	28,668	**3,661**	10,962	**282,757**	249,474	**50,843**	48,022	**181,674**	169,235	**552,167**	506,361
Accumulated amortisation												
At 1 January	**12,157**	9,598	**–**	–	**30,805**	16,457	**7,767**	4,268	**–**	–	**50,729**	30,323
Exchange differences	**1,170**	(154)	**–**	–	**3,075**	(222)	**222**	(89)	**–**	–	**4,467**	(465)
Amortisation for the year	**3,671**	3,048	**–**	–	**15,858**	14,966	**3,661**	3,588	**–**	–	**23,190**	21,602
Disposals	**(789)**	(37)	**–**	–	**–**	(396)	**–**	–	**–**	–	**(789)**	(433)
Transfer to assets classified as held for sale (note 18)	**–**	(298)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	(298)
At 31 December	**16,209**	12,157	**–**	–	**49,738**	30,805	**11,650**	7,767	**–**	–	**77,597**	50,729
Net book value												
At 31 December	**17,023**	16,511	**3,661**	10,962	**233,019**	218,669	**39,193**	40,255	**181,674**	169,235	**474,570**	455,632

IMPAIRMENT TEST FOR GOODWILL

Goodwill is allocated to the Group's CGUs that are expected to benefit from business combination which primarily arises from acquisition of terminal operations. 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 2020 and 2019, the recoverable amount of the CGUs is determined based on value-in-use calculations. These calculations use 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 CGU cash flow projections are based on financial forecasts covering a five year period using an estimated average revenue growth rate of 4.6% (2019: 3.3%) and average operating margin of 15.2% (2019: 25.4%) with cash flows beyond this period at 2.5% terminal growth rate. Future cash flows are discounted at a rate equivalent to pre-tax rate of 9.53% (2019: 10.6%).

Assuming discount rate increased by 50 basis points, impairment charge of US$29,500,000 would be required for the goodwill in terminals and related business segment at 31 December 2020 (2019: US$9,758,000).

11 Joint ventures

	2020 US$'000	2019 US$'000
Investment in joint ventures (including goodwill on acquisitions) (note a)	**1,079,655**	1,135,366
Equity loan to a joint venture (note b)	**142,759**	142,759
	1,222,414	1,278,125
Loans to a joint venture (note c)	**23,218**	23,113

Notes:

(a) The carrying amount of goodwill on acquisitions of joint ventures amounted to US$66,501,000 (2019: US$66,343,000), mainly represented the goodwill on acquisitions of equity interests in Shanghai Pudong International Container Terminals Limited and Asia Container Terminals Holdings Limited ("Asia Container Terminal") of US$31,435,000 (2019: US$31,435,000) and US$34,953,000 (2019: US$34,795,000).

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

(c) The balance as at 31 December 2020 were unsecured and interest bearing at the rate of 2.1% 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.

(d) During the year, 40% equity interests in Guangxi Qinzhou International Container Terminal Co., Ltd. ("Qinzhou International Terminal") was disposed of during its injection into Guangxi Beibu Gulf International Container Terminal Co., Ltd. ("Beibu Gulf Terminal") with more details set out in note 12(b).

(e) There is no joint venture that is individually material to the Group as at 31 December 2020. 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
2020	**1,222,414**	**78,219**	**106**	**78,325**
2019	1,278,125	86,359	7	86,366

(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 2020 are set out in note 43 to the consolidated financial statements.

12 Associates

	2020 US$'000	2019 US$'000
Investment in associates (including goodwill on acquisitions) (note c)	**3,067,653**	2,707,908
Equity loan to an associate (note e)	**45,000**	45,000
	3,112,653	2,752,908
Loans to associates (note d)	**118,360**	147,121

Notes:

(a) Qingdao Port International Co., Ltd. ("QPI"), Sigma Enterprises Limited ("Sigma") and Wattrus Limited ("Wattrus") and their subsidiaries (collectively "Sigma and Wattrus Related Companies") are associates that are material to the Group. Both QPI and Sigma and Wattrus Related Companies are engaged in the operation, management and development of terminal related business. There are no quoted market prices for Sigma and Wattrus. As at 31 December 2020, the quoted market price of the Group's interest in QPI amounted to US$1,202,436,000 (2019: US$854,258,000).

Set out below are the summarised consolidated financial information for QPI as at and for the year ended 31 December 2020 and 2019, after fair-value adjustments upon acquisition, which is accounted for using the equity method:

Summarised consolidated balance sheet

	QPI	
	2020 US$'000	2019 US$'000
Non-current assets	**5,845,393**	4,711,572
Current assets	**2,907,217**	2,851,715
Non-current liabilities	**(854,661)**	(1,183,467)
Current liabilities	**(2,267,099)**	(1,563,823)

Summarised consolidated statement of comprehensive income

	QPI	
	2020 US$'000	2019 US$'000
Revenues	**1,915,746**	1,764,957
Profit attributable to equity holders for the year	**556,759**	549,934
Group's share of profits of the associate	**105,749**	94,512

12 Associates (Continued)

(a) **Reconciliation of summarised financial information**

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

Summarised consolidated financial information

	QPI	
	2020	2019
	US$'000	US$'000
Attributable to equity holders		
Opening net assets	**4,349,379**	3,931,502
Profit for the year	**556,759**	549,934
Other comprehensive income	**15,163**	7,106
Capital injection	**–**	65,928
Other reserve for the year	**(1,113)**	222,452
Dividends	**(188,419)**	(357,613)
Exchange difference	**325,227**	(69,930)
Closing net assets	**5,056,996**	4,349,379
Interest in the associate at 18.46% to 19.79% (2019: 17.12% to 18.46%)	**994,708**	803,606
Fair value adjustment	**93,531**	90,679
Goodwill	**223,104**	211,056
Carrying amount	**1,311,343**	1,105,341

Set out below are the summarised consolidated financial information for Sigma and Wattrus Related Companies as at and for the year ended 31 December 2020 and 2019, after fair-value adjustments upon acquisitions, which is accounted for using the equity method:

Summarised balance sheet

	Sigma and Wattrus Related Companies	
	2020	2019
	US$'000	US$'000
Non-current assets	**3,604,810**	3,698,319
Current assets	**902,640**	963,331
Non-current liabilities	**(124,340)**	(267,219)
Current liabilities	**(483,251)**	(535,400)

Summarised statement of comprehensive income

	Sigma and Wattrus Related Companies	
	2020	2019
	US$'000	US$'000
Revenues	**949,062**	963,976
Profit attributable to equity holders for the year	**233,917**	251,518
Group's share of profits of associates	**48,070**	51,687

12 Associates (Continued)

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

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

Summarised financial information

	Sigma and Wattrus Related Companies	
	2020	2019
	US$'000	US$'000
Capital and reserves attributable to equity holders	**2,921,367**	2,903,981
Group's effective interest	**20.55%**	20.55%
Group's share of capital and reserves attributable to equity holders	**600,341**	596,768
Adjustment to cost of investment	**46,860**	46,860
Carrying amount	**647,201**	643,628

(b) In April 2020, Jiangsu Yangtze Petrochemical Co., Ltd. was disposed of at a consideration of approximately RMB250,010,000 (equivalent to approximately US$35,427,000).

In November 2020, 40% equity interests in Qinzhou International Terminal (note 11(d)) was disposed of during its injection into Beibu Gulf Terminal, together with RMB486,824,000 (equivalent to approximately US$74,626,000) cash consideration, 26% equity interests in Beibu Gulf Terminal were acquired in return.

In August 2019, 31.073% equity interests in Tianjin Five Continents International Container Terminal Co., Ltd. and 24.5% equity interests in Tianjin Orient Container Terminals Co., Ltd. was disposed of during its combination into Tianjin Port Container Terminal Co., Ltd. ("Tianjin Container Terminal") and 16.01% equity interests in Tianjin Container Terminal were acquired in return.

In December 2019, the Group stepped up its 4.34% equity interests in Beibu Gulf Port Co., Ltd. from a financial asset at FVPL to a 10.65% associate, in which the Group has significant influence, at a total consideration of RMB890,528,000 (approximate to US$129,212,000).

In December 2019, Nanjing Port Longtan Container Co., Ltd. was disposed of at a consideration of approximately RMB366,123,000 (equivalent to US$52,273,000).

(c) The carrying amount of goodwill on acquisitions of associates amounted to US$291,751,000 (2019: US$277,851,000) mainly represented the goodwill on acquisition of equity interests in QPI, Sigma, Suez Canal Container Terminal S.A.E., Euromax Terminal Rotterdam B.V., and Wattrus of US$223,103,000 (2019: US$211,056,000), US$20,669,000 (2019: US$20,669,000), US$16,624,000 (2019: US$16,624,000), US$17,396,000 (2019: US$15,846,000) and, US$7,523,000 (2019:US$7,523,000) respectively.

(d) A balance of US$103,311,000 (2019: US$94,106,000) is unsecured, which bears interest at the aggregate of 2.0% per annum and EURIBOR (2019: 2.0% above EURIBOR per annum), and is repayable in 2024. A balance of US$15,049,000 (2019: US$15,059,000) is unsecured, bears interest at 2.5% per annum above 10-year EURIBOR ICE swap rate (2019: 2.5% per annum above 10-year EURIBOR ICE swap rate) and has no fixed terms of repayment. A balance of US$47,810,000 (2019: US$37,956,000) is unsecured, bears interest at the aggregate of 3.75% above EURIBOR per annum (2019: 3.75% above EURIBOR per annum), and is repayable in 2021. The balance was reclassified as current as at 31 December 2020. These balances are all denominated in EURO.

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

12 Associates (Continued)

(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 Related Companies disclosed above:

	Net assets US$'000	Profits less losses for the year US$'000	Other comprehensive loss US$'000	Total comprehensive income US$'000
2020	**1,154,109**	**40,682**	**(183)**	**40,499**
2019	1,003,938	34,896	(365)	34,531

(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 2020 are set out in note 44 to the consolidated financial statements.

13 Financial assets at fair value through other comprehensive income

(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.

(b) EQUITY INVESTMENTS AT FVOCI

Equity investments at FVOCI comprise the following individual investments:

	2020 US$'000	2019 US$'000
Non-current assets		
Listed shares (note i)		
Qinhuangdao Port Co., Ltd.	**7,428**	8,304
Guangzhou Port Company Limited	**126,977**	135,376
	134,405	143,680
Unlisted investments (note ii)	**23,801**	29,695
	158,206	173,375

13 Financial assets at fair value through other comprehensive income (Continued)

(b) EQUITY INVESTMENTS AT FVOCI (CONTINUED)

Notes:

(i) Listed shares 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 2019, a financial asset at FVOCI with a fair value of US$35,686,000 was pledged as security for a loan granted to the Group (note 21(g)). The loan has been repaid in 2020.

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

	2020 US$'000	2019 US$'000
Hong Kong dollar	**7,428**	8,304
Renminbi	**149,941**	164,308
Euro	**837**	763
	158,206	173,375

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

	2020 US$'000	2019 US$'000
At 1 January	**173,375**	183,263
Fair value loss recognised in OCI	**(25,245)**	(7,195)
Exchange differences	**10,076**	(2,693)
At 31 December	**158,206**	173,375

14 Deferred taxation

Deferred taxation 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 tax liabilities during the year are as follows:

	2020 US$'000	2019 US$'000
At 1 January	**39,710**	13,024
Exchange differences	**(5,851)**	2,765
Credited to consolidated income statement	**(23,245)**	(17,465)
Credited to reserves	**(5,665)**	(1,609)
Acquisition of subsidiaries (note 39)	**–**	42,995
At 31 December	**4,949**	39,710

14 Deferred taxation (Continued)

Deferred 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 2020, the Group has unrecognised tax losses of US$136,300,000 (31 December 2019: US$107,391,000) to carry forward. Except for the tax losses of US$41,564,000 (31 December 2019: US$24,117,000) of the Group which will be expired between 2021 and 2025 (31 December 2019: between 2020 and 2024), all other tax losses have no expiry dates.

As at 31 December 2020, undistributed earnings from subsidiaries of US$776,062,000 (2019: US$589,654,000) which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the Group is able to control the timing of distributions from the subsidiaries and is not expected to distribute these profits in the foreseeable future.

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

DEFERRED TAX LIABILITIES

	Accelerated tax depreciation		Undistributed profits		Fair value gains		Others		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1 January	**86,569**	44,710	**34,220**	54,830	**35,163**	30,014	**2,003**	4,813	**157,955**	134,367
Exchange differences	**3,893**	69	**42**	33	**1,478**	216	**(1)**	(1)	**5,412**	317
(Credited)/charged to consolidated income statement	**(2,587)**	(2,653)	**(13,116)**	(20,643)	**–**	6,096	**(2,002)**	(2,809)	**(17,705)**	(20,009)
Acquisition of subsidiaries (note 39)	**–**	44,443	**–**	–	**–**	–	**–**	–	**–**	44,443
Credited to reserve	**–**	–	**–**	–	**(4,200)**	(1,163)	**–**	–	**(4,200)**	(1,163)
At 31 December	**87,875**	86,569	**21,146**	34,220	**32,441**	35,163	**–**	2,003	**141,462**	157,955

DEFERRED TAX ASSETS

	Tax losses		Future deductible finance costs		Others		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
At 1 January	**59,907**	61,046	**30,368**	32,616	**27,970**	27,681	**118,245**	121,343
Exchange differences	**5,448**	(1,235)	**2,840**	(1,307)	**2,975**	94	**11,263**	(2,448)
Credited/(charged) to consolidated income statement	**4,026**	(974)	**(1,754)**	(941)	**3,268**	(629)	**5,540**	(2,544)
Acquisition of subsidiaries (note 39)	**–**	1,070	**–**	–	**–**	378	**–**	1,448
Credited to reserve	**–**	–	**–**	–	**1,465**	446	**1,465**	446
At 31 December	**69,381**	59,907	**31,454**	30,368	**35,678**	27,970	**136,513**	118,245

14 Deferred taxation (Continued)

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

	2020 US$'000	2019 US$'000
Deferred tax assets	**110,351**	95,333
Deferred tax liabilities	**115,300**	135,043

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

	2020 US$'000	2019 US$'000
Deferred tax assets to be recovered after more than 12 months	**92,276**	74,347
Deferred tax liabilities to be settled after more than 12 months	**92,951**	97,191

15 Inventories

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

16 Trade and other receivables

	2020 US$'000	2019 US$'000
Trade receivables (note a)		
– third parties	**59,675**	56,478
– fellow subsidiaries (note b)	**19,345**	15,914
– non-controlling shareholders of subsidiaries (note b)	**4,869**	11,365
– a joint venture (note b)	**–**	319
– an associate (note b)	**5**	–
– related companies (note b)	**4,438**	6,346
	88,332	90,422
Bills receivable (note a)	**4,617**	8,927
	92,949	99,349
Less: provision for impairment (note a)	**(573)**	(895)
	92,376	98,454
Deposits and prepayments	**27,526**	15,850
Other receivables	**112,404**	92,890
Loan to a joint venture (note c)	**–**	784
Loan to an associate (note d)	**47,810**	–
Amounts due from		
– fellow subsidiaries (note b)	**844**	380
– non-controlling shareholders of subsidiaries (note b)	**965**	2,058
– joint ventures (note e)	**239**	464
– associates (note e)	**11,008**	16,152
	293,172	227,032

16 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 2020 US$'000**	**Loss allowance 31 December 2020 US$'000**
Within 30 days	**0.3%**	**55,397**	**146**
31-60 days	**0.0%**	**24,457**	**11**
61-90 days	**0.0%**	**9,037**	**1**
Over 90 days	**10.2%**	**4,058**	**415**
		92,949	**573**

	Expected loss rate	Gross carrying amount 31 December 2019 US$'000	Loss allowance 31 December 2019 US$'000
Within 30 days	0.2%	58,835	128
31-60 days	0.1%	26,118	25
61-90 days	0.1%	8,734	12
Over 90 days	12.9%	5,662	730
		99,349	895

As at 31 December 2020, trade receivables of US$573,000 (2019: US$895,000) were impaired. The amount of the provision was US$573,000 (2019: US$895,000) as at 31 December 2020.

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

	2020 US$'000	2019 US$'000
At 1 January	**(895)**	(2,398)
Exchange differences	**(56)**	44
(Provision for)/reversal of impairment of trade receivables	**(413)**	525
Write back of provision for impairment of trade receivables	**137**	713
Receivables written off during the year as uncollectible	**654**	–
Transfer to assets classified as held for sale	**–**	221
At 31 December	**(573)**	(895)

(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 2019, balance of US$784,000 is secured, denominated in Euro, bears interest at 5.5% per annum above 3 months EURIBOR and is repayable within twelve months. The balance had been settled in 2020.

(d) As at 31 December 2020, balance of US$47,810,000 is unsecured, bears interest at the aggregate of 3.75% per annum above EURIBOR, and is repayable in 2021.

16 Trade and other receivables (Continued)

(e) The amounts receivable mainly represented interest, dividend and other receivable from joint ventures and associates.

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

	2020 US$'000	2019 US$'000
US dollar	**8,694**	43,576
Renminbi	**127,409**	91,590
Hong Kong dollar	**3,051**	2,447
Euro	**145,645**	80,624
Other currencies	**8,373**	8,795
	293,172	227,032

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

17 Financial instruments by category

	2020 US$'000	2019 US$'000
Financial assets as per balance sheet		
Financial assets at FVOCI	**158,206**	173,375
Financial assets at amortised cost		
Loans to a joint venture	**23,218**	23,897
Loans to associates	**166,170**	147,121
Trade and other receivables	**176,708**	181,139
Cash and cash equivalents	**1,310,289**	937,947
Restricted bank deposits	**31,224**	30,285
Total	**1,865,815**	1,493,764
Financial liabilities as per balance sheet		
Financial liabilities at amortised cost		
Borrowings	**3,047,741**	2,916,450
Loans from non-controlling shareholders of subsidiaries	**85,003**	93,168
Loans from a joint venture	**34,483**	32,253
Loan from an associate	**–**	17,201
Lease liabilities	**826,336**	774,440
Trade and other payables	**403,872**	450,021
Financial liabilities at FVPL		
Derivative financial instruments	**11,461**	12,087
Other financial liability		
Put option liability	**225,679**	217,711
Total	**4,634,575**	4,513,331

18 Assets classified as held for sale/liabilities directly associated with assets classified as held for sale

On 18 September 2019, the Company entered into agreements in respect of the disposal of all the shares in COSCO Ports (Yangzhou) Limited ("CP (Yangzhou)") together with its 51% interest in Yangzhou Yuanyang International Ports Co., Ltd. ("Yangzhou Yuanyang Terminal") and all the shares in Win Hanverky Investments Limited ("Win Hanverky") together with its 51% interest in Zhangjiagang Win Hanverky Container Terminal Co., Ltd. ("Zhangjiagang Terminal") and 4.59% interest in Yangzhou Yuanyang Terminal to Shanghai International Port Group (HK) Co., Limited ("SIPG (HK)") at considerations of approximately RMB316,039,000 (equivalent to approximately US$45,772,000) and approximately RMB380,774,000 (equivalent to approximately US$55,148,000) respectively. Accordingly, assets and liabilities of the disposal entities were reclassified as assets classified as held for sale and liabilities directly associated with assets classified as held for sale as at 31 December 2019.

	2019 US$'000
Assets classified as held for sale	
Non-current assets	
Property, plant and equipment	158,432
Property under development	28,802
Investment properties	8,808
Right-of-use assets	42,983
Intangible assets	206
Other non-current asset	12,374
Current assets	
Inventories	784
Trade and other receivables	8,548
Current tax recoverable	221
Cash and cash equivalents	10,753
	271,911
Liabilities directly associated with assets classified as held for sale	
Current liabilities	
Trade and other payables	18,491
Current tax liabilities	271
Lease liabilities	4,067
	22,829

The disposal was completed on 10 February 2020. The aggregate sum of payables owing to the Group by the disposed entities of approximately US$29,967,000 were also transferred to SIPG (HK) on the same day at its carrying amount. Upon completion of the disposal, CP (Yangzhou), Yangzhou Yuanyang Terminal, Win Hanverky and Zhangjiagang Terminal ceased to be subsidiaries of the Group. The disposal resulted in a pre-tax gain of US$71,150,000.

18 Assets classified as held for sale/liabilities directly associated with assets classified as held for sale (Continued)

	2020 US$'000
Cash consideration	100,920
Net assets disposed of:	
Assets classified as held for sale	(271,039)
Liabilities directly associated with assets classified as held for sale	22,437
Less: Payables from former subsidiaries	29,967
Less: Loans to a former subsidiary	120,346
Less: Non-controlling interests	63,797
	(34,492)
	66,428
Release of reserve upon disposal of subsidiaries	4,722
Gain on disposal of subsidiaries	71,150
Taxation	(9,678)
Gain on disposal of subsidiaries, net	61,472
Net cash inflow arising from the disposal	
Cash consideration received	100,920
Repayment of payables from former subsidiaries	29,967
Less: Cash and cash equivalents of subsidiaries disposed of	(9,271)
	121,616

19 Share capital

	2020 US$'000	2019 US$'000
Issued and fully paid:		
3,315,296,374 ordinary shares (2019: 3,161,958,830 ordinary shares) of HK$0.10 each	**42,574**	40,596

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 2020	**3,161,958,830**	**40,596**
Issue of scrip dividend for 2019 final (note a)	**84,415,610**	**1,089**
Issue of scrip dividend for 2020 interim (note b)	**68,921,934**	**889**
At 31 December 2020	**3,315,296,374**	**42,574**
At 1 January 2019	3,113,125,479	39,971
Issue of scrip dividend for 2018 final (note a)	48,402,618	619
Issue of scrip dividend for 2019 interim (note b)	430,733	6
At 31 December 2019	3,161,958,830	40,596

Notes:

(a) During the year ended 31 December 2020, 84,415,610 (2019: 48,402,618) new shares were issued by the Company at HK$3.826 (2019: HK$7.454) per share for the settlement of 2019 final (2019: 2018 final) scrip dividend.

(b) During the year ended 31 December 2020, 68,921,934 (2019: 430,733) new shares were issued by the Company at HK$4.350 (2019: HK$6.464) per share for the settlement of 2020 interim (2019: 2019 interim) scrip dividend.

20 Share-based payment

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.

20 Share-based payment (Continued)

Movements of the share options are set out below:

Category	Note	Exercise price HK$	For the year ended 31 December 2020 Number of share options						Exercisable period
			Outstanding at 1 January 2020	Granted during the year	Exercised during the year	Transfer (to)/from other categories during the year	Forfeited during the year	Outstanding at 31 December 2020	
Directors	(i)(ii)	7.27	3,600,000	–	–	–	–	3,600,000	19.6.2020-18.6.2023
Continuous contract employees	(i)(ii)	7.27	42,172,743	–	–	(1,819,613)	(1,853,715)	38,499,415	19.6.2020-18.6.2023
	(i)(ii)	8.02	851,966	–	–	–	(246,995)	604,971	29.11.2020-28.11.2023
	(i)(iii)	8.48	848,931	–	–	–	–	848,931	29.3.2021-28.3.2024
	(i)(iii)	7.27	666,151	–	–	–	–	666,151	23.5.2021-22.5.2024
	(i)(iii)	7.57	1,273,506	–	–	–	–	1,273,506	17.6.2021-16.6.2024
Others	(i)(ii)	7.27	4,492,607	–	–	1,819,613	–	6,312,220	19.6.2020-18.6.2023
			53,905,904	–	–	–	(2,100,710)	51,805,194	

20 Share-based payment (Continued)

			For the year ended 31 December 2019 Number of share options						
Category	Note	Exercise price HK$	Outstanding at 1 January 2019	Granted during the year	Exercised during the year	Transfer (to)/from other categories during the year	Forfeited during the year	Outstanding at 31 December 2019	Exercisable period
Directors	(i)(ii)	7.27	5,400,000	–	–	(1,800,000)	–	3,600,000	19.6.2020-18.6.2023
Continuous contract employees	(i)(ii)	7.27	46,015,948	–	–	(2,692,607)	(1,150,598)	42,172,743	19.6.2020-18.6.2023
	(i)(ii)	8.02	851,966	–	–	–	–	851,966	29.11.2020-28.11.2023
	(i)(iii)	8.48	–	848,931	–	–	–	848,931	29.3.2021-28.3.2024
	(i)(iii)	7.27	–	666,151	–	–	–	666,151	23.5.2021-22.5.2024
	(i)(iii)	7.57	–	1,273,506	–	–	–	1,273,506	17.6.2021-16.6.2024
Others	(i)(ii)	7.27	–	–	–	4,492,607	–	4,492,607	19.6.2020-18.6.2023
			52,267,914	2,788,588	–	–	(1,150,598)	53,905,904	

20 Share-based payment (Continued)

Notes:

(i) 16,439,893 options were vested and exercisable as at 31 December 2020 (2019: Nil).

(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. 33.3%, 33.3% and 33.4%.

(iii) The share options were granted on 29 March 2019, 23 May 2019 and 17 June 2019 under the 2018 Share Option Scheme at an exercise price of HK$8.48, HK$7.27 and HK$7.57 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. 33.3%, 33.3% and 33.4%.

(iv) No share options were exercised under the 2018 Share Option Scheme during the year (2019: Nil).

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

	2020		2019	
	Average exercise price per share HK$	**Number of share options**	Average exercise price per share HK$	Number of share options
At 1 January	**7.31**	**53,905,904**	7.28	52,267,914
Granted	**–**	**–**	7.78	2,788,588
Forfeited	**7.36**	**(2,100,710)**	7.27	(1,150,598)
At 31 December	**7.31**	**51,805,194**	7.31	53,905,904

21 Borrowings

	2020 US$'000	2019 US$'000
Long term borrowings		
Secured		
– bank loans	**1,046,013**	981,998
– loan from other financial institution	**6,866**	8,142
	1,052,879	990,140
Unsecured		
– bank loans	**1,622,633**	1,347,383
– notes	**299,431**	299,098
	1,922,064	1,646,481
	2,974,943	2,636,621
Amounts due within one year included under current liabilities	**(226,651)**	(228,957)
	2,748,292	2,407,664
Short term borrowings		
Unsecured		
– bank loans	**30,652**	279,829
– loan from other financial institution	**42,146**	–
	72,798	279,829

21 Borrowings (Continued)

Notes:

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

	2020 US$'000	2019 US$'000
Bank loans		
Within one year	**226,651**	228,957
Between one and two years	**656,473**	264,221
Between two and five years	**1,008,372**	1,372,437
Over five years	**777,150**	463,766
	2,668,646	2,329,381
Loan from other financial institution		
Between one and two years	**1,839**	1,720
Between two and five years	**5,027**	5,178
Over five years	**–**	1,244
	6,866	8,142
Notes (note b)		
Between two and five years	**299,431**	299,098
	2,974,943	2,636,621

(b) Details of the notes as at 31 December 2020 and 2019 are as follows:

	2020 US$'000	2019 US$'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	**1,770**	1,611
– notes issuance cost	**1,951**	1,777
	299,431	299,098

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 arrears 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.

21 Borrowings (Continued)

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

	Less than 1 year US$'000	**1 to 5 years** US$'000	**Over 5 years** US$'000	**Total** US$'000
At 31 December 2020				
Total borrowings	**226,651**	**1,971,142**	**777,150**	**2,974,943**
At 31 December 2019				
Total borrowings	228,957	1,942,654	465,010	2,636,621

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

	2020 **US$'000**	2019 US$'000
US dollar	**1,119,283**	1,163,246
Renminbi	**763,015**	577,486
Euro	**881,667**	829,024
Hong Kong dollar	**283,776**	346,694
	3,047,741	2,916,450

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

	2020				2019			
	US$	**RMB**	**Euro**	**HK$**	US$	RMB	Euro	HK$
Bank loans and loans from other financial institutions	**2.3%**	**4.3%**	**1.9%**	**3.5%**	3.7%	4.6%	1.8%	3.5%
Notes	**4.4%**	**N/A**	**N/A**	**N/A**	4.4%	N/A	N/A	N/A

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

	Carrying amounts		**Fair values**	
	2020 **US$'000**	2019 US$'000	**2020** **US$'000**	2019 US$'000
Bank loans and loans from other financial institution	**2,448,861**	2,108,566	**2,409,949**	2,101,450
Notes	**299,431**	299,098	**299,142**	298,713
	2,748,292	2,407,664	**2,709,091**	2,400,163

The fair values of the Group's non-current borrowings are determined based on cash flows discounted using a weighted average borrowing rate of 1.0% to 4.7% (2019: 1.0% to 4.4%) per annum.

21 Borrowings (Continued)

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

(g) As at 31 December 2020, bank loans and a loan from other financial institution, namely COSCO SHIPPING Finance Co., Ltd ("COSCO SHIPPING Finance"), a fellow subsidiary of the Group, of US$1,052,879,000 (2019: US$990,140,000) granted to subsidiaries of the Company were secured by certain other property, plant and equipment of the Group (note 7(a)), certain concession and land use rights of the Group (note 9(a)(ii)), the Company's interests in subsidiaries and a financial asset at FVOCI (note 13(b)(iii)).

(h) As at 31 December 2020, the Group had bank borrowings of US$22,138,000 (2019: US$20,166,000) with US$23,702,000 (2019: US$23,301,000) pledged as restricted deposits as security.

(i) As at 31 December 2020, loan from other financial institution included a loan from COSCO SHIPPING Finance of US$6,866,000 (2019: US$8,142,000), which is secured, bears interest at 4.21% per annum and repayable in 2025.

22 Loans from non-controlling shareholders of a subsidiary

As at 31 December 2020, balance of US$737,000 (2019: US$484,000) was unsecured, bore interest at 3% (2019: 3%) above the 6 months EURIBOR, and repayable on or before July 2023.

23 Other long term liabilities

	2020 **US$'000**	2019 US$'000
Deferred income	**45,410**	29,107
Others	**5,653**	5,928
	51,063	35,035

24 Trade and other payables and contract liabilities

	2020 US$'000	2019 US$'000
Trade payables (note a)		
– third parties	**55,639**	47,191
– fellow subsidiaries (note b)	**2,476**	3,474
– non-controlling shareholders of subsidiaries (note b)	**3,179**	1,456
– joint ventures (note b)	**185**	146
– an associate (note b)	**–**	103
– related companies (note b)	**1,430**	2,474
	62,909	54,844
Accruals	**34,342**	32,518
Other payables	**229,440**	266,784
Contract liabilities (note c)	**11,789**	11,369
Dividend payable	**7**	11
Loans from a joint venture (note d)	**34,483**	32,253
Loan from an associate (note f)	**–**	17,201
Loans from non-controlling shareholders of subsidiaries (note e)	**84,266**	92,684
Amounts due to (note b)		
– fellow subsidiaries	**2,162**	1,870
– non-controlling shareholders of subsidiaries	**77,247**	76,376
– joint ventures	**245**	1,047
– an associate	**–**	6
	536,890	586,963

Notes:

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

	2020 US$'000	2019 US$'000
Within 30 days	**37,068**	36,662
31-60 days	**9,387**	4,958
61-90 days	**5,172**	3,034
Over 90 days	**11,282**	10,190
	62,909	54,844

(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.

24 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:

	2020 US$'000	2019 US$'000
Contract liabilities		
– expected volume discounts	**4,950**	2,874
– receipts in advance from customers	**6,839**	8,495
	11,789	11,369

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.

	2020 US$'000	2019 US$'000
Revenues recognised that were included in the contract liabilities balance at the beginning of the year	**9,207**	4,653

(d) Loans from a joint venture of US$34,483,000 (2019: US$32,253,000) are unsecured, bear interest at 2.30% 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$45,952,000 (2019: US$49,681,000) is interest free. Balance of US$38,314,000 (2019: US$43,003,000) bears interest at 3.92% per annum (2019: 4.35% per annum).

(f) As at 31 December 2019, loan from an associate of US$17,201,000 was unsecured, bear interest at 2.30% per annum and repayable within twelve months. The loan has been settled in 2020.

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

	2020 US$'000	2019 US$'000
US dollar	**81,060**	86,390
Renminbi	**275,970**	293,591
Euro	**110,737**	94,589
Hong Kong dollar	**21,769**	21,913
Other currencies	**47,354**	90,480
	536,890	586,963

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

25 Put option liability

A put option liability was recognised in relation to the put option granted to the non-controlling shareholder of COSCO SHIPPING Ports Chancay Peru S.A. ("CSP Chancay Terminal") to sell 40% interests in CSP Chancay Terminal to the Group. Such put option is exercisable any time during a 5-year period from the commercial operation date at the lower of fair market value and price caps set for each of the 5 consecutive years after the commencement of the terminal operation.

The exercise price of the put option is determined using market approach with key inputs applied including the projected financial position and EBITDA of CSP Chancay Terminal using management's business plans and market multiples. As at 31 December 2020, the carrying amount of the put option liability is US$225,679,000 (2019: US$217,711,000).

26 Derivative financial instruments

	2020 **US$'000**	2019 US$'000
Interest rate swaps	**11,461**	12,087
Less: non-current portion	**(7,752)**	(8,878)
Current portion	**3,709**	3,209

At 31 December 2020, the Group had interest rate swap agreements in place with a total notional amount of US$301,933,000 (2019: US$272,523,000). 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% (2019: 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 2019	(444)
Add: Change in fair value of cash flow hedge recognised in OCI, net of tax	(273)
Share of OCI of an associate	(157)
At 31 December 2019	(874)
Add: Change in fair value of cash flow hedge recognised in OCI, net of tax	(109)
Share of OCI of an associate	161
At 31 December 2020	(822)

27 Other operating income

	2020 US$'000	2019 US$'000
Management fee and other service income	**7,431**	7,410
Dividend income from a listed financial asset at FVPL	**–**	1,149
Dividends income from listed and unlisted financial assets at FVOCI	**2,321**	2,008
Reversal of provision for impairment of trade receivables	**–**	525
Rental income from		
– investment properties	**729**	815
– buildings	**54**	57
Gain on disposal of property, plant and equipment	**428**	172
Gain on disposal of a subsidiary and an associate	**–**	28,299
Gain on disposal of subsidiaries (Note 18)	**71,150**	–
Gain on disposal of an associate	**9,951**	–
Gain on remeasurement of equity investments	**9,896**	6,861
Government subsidies	**10,079**	10,473
Exchange gain, net	**16,125**	920
Fair value gain on financial asset at FVPL	**–**	24,383
Others	**6,719**	11,273
	134,883	94,345

28 Operating profit

Operating profit is stated after charging the followings:

	2020 US$'000	2019 US$'000
Charging:		
Amortisation of intangible assets (note a)	**23,190**	21,602
Depreciation		
– right-of-use assets	**36,337**	37,330
– property, plant and equipment	**140,917**	131,128
Loss on disposal of property, plant and equipment	**3,212**	1,583
Loss on deemed disposal of an associate	**–**	22,553
Auditor's remuneration		
– current year	**1,282**	1,376
– (over)/under provision in prior year	**(1)**	2
Provision for inventories	**105**	396
Provision for impairment of trade receivables	**413**	–
Provision for impairment of construction in progress	**891**	–
Rental expenses under leases of		
– land and buildings leased from third parties	**372**	694
– land and buildings leased from non-controlling shareholders of subsidiaries	**2,579**	2,734
– plant and machinery leased from third parties	**2,057**	2,606
– concession from a fellow subsidiary (note b)	**60,286**	60,315
– concession from third parties (note b)	**8,211**	9,065
– concession from a non-controlling shareholder of a subsidiary (note b)	**2,511**	–
Total staff costs (including directors' emoluments and retirement benefit costs)		
– wages, salaries and other benefits	**294,239**	310,961
– share option expenses (note c)	**1,889**	2,282
	296,128	313,243

Notes:

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

(b) The amounts represent variable lease payments linked to revenues/throughput.

(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. Details of the share options are set out in note 20 to the consolidated financial statements.

29 Finance income and costs

	2020 US$'000	2019 US$'000
Finance income		
Interest income on		
– bank balances and deposits	**5,945**	5,816
– deposits with other financial institution	**3,112**	1,929
– loans to joint ventures and associates	**4,419**	4,670
– loans to a former subsidiary	**1,214**	–
	14,690	12,415
Finance costs		
Interest expenses on		
– bank loans	**(70,193)**	(79,288)
– notes wholly repayable within five years	**(13,125)**	(13,125)
– loans from other financial institutions	**(440)**	(1,397)
– loans from non-controlling shareholders of subsidiaries (note 22 and note 24(e))	**(1,539)**	(3,737)
– loans from a joint venture (note 24(d))	**(761)**	(761)
– loan from an associate (note 24(f))	**(353)**	(334)
– lease liabilities	**(28,352)**	(26,749)
Amortised amount of		
– discount on issue of notes	**(119)**	(175)
– transaction costs on bank loans and notes	**(3,177)**	(2,941)
	(118,059)	(128,507)
Less: amount capitalised in construction in progress (note 7(c))	**5,945**	22,598
	(112,114)	(105,909)
Other incidental borrowing costs and charges	**(2,536)**	(2,954)
	(114,650)	(108,863)
Net finance costs	**(99,960)**	(96,448)

30 Taxation

	2020 US$'000	2019 US$'000
Current taxation		
– Hong Kong profits tax	**(9,891)**	(2,030)
– Mainland China taxation	**(38,108)**	(39,144)
– Overseas taxation	**(11,462)**	(12,224)
– Over provision in prior years	**1,249**	2,367
	(58,212)	(51,031)
Deferred taxation credit	**23,245**	17,465
	(34,967)	(33,566)

Hong Kong profits tax was provided at a rate of 16.5% (2019: 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.

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

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

	2020 US$'000	2019 US$'000
Profit before taxation	**408,577**	383,516
Less: Share of profits less losses of joint ventures and associates	**(272,720)**	(267,454)
	135,857	116,062
Aggregate tax at domestic rates applicable to profits in respective territories concerned	**44,798**	47,554
Income not subject to taxation	**(1,476)**	(4,664)
Expenses not deductible for taxation purposes	**864**	1,614
Over provision in prior years	**(1,249)**	(2,367)
Utilisation of previously unrecognised tax losses	**(63)**	(524)
Effect on deferred tax balance resulting from a change in tax rate	**–**	357
Tax losses not recognised	**2,080**	4,718
Release of withholding income tax upon distribution of profits and payment of interest	**(6,664)**	(13,156)
Recognition of temporary difference previously unrecognised	**(2,806)**	–
Others	**(517)**	34
Taxation charged	**34,967**	33,566

Except for the taxation of US$6,084,000 (2019: US$1,163,000) relating to the deferred tax reversed on the fair value loss on financial assets at FVOCI in 2020, and US$419,000 (2019: US$447,000) deferred tax asset relating to the cash flow hedges, there was no taxation relating to components of OCI for the year ended 31 December 2020 and 2019.

31 Earnings per share

(a) BASIC

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

	2020	2019
Profit attributable to equity holders of the Company	**US$347,474,000**	US$308,017,000
Weighted average number of ordinary shares in issue	**3,213,469,814**	3,135,085,181
Basic earnings per share	**US10.81 cents**	US9.82 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 2020, 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.

32 Dividends

	2020 US$'000	2019 US$'000
Interim dividend paid of US2.068 cents (2019: US1.900 cents) per ordinary share	**67,135**	60,069
Second interim dividend, declared of US2.256 cents (2019: final dividend of US2.028 cents) per ordinary share	**74,793**	64,125
	141,928	124,194

Note:

At a meeting held on 30 March 2021, the directors declared a second interim dividend (in lieu of a final dividend) of HK17.5 cent (equivalent to US2.256 cents) per ordinary share. The dividend will be payable in cash. The second interim dividend declared is not reflected as dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained profits for the year ending 31 December 2021.

33 Retirement benefit costs

The retirement benefit costs charged to the consolidated income statement represent contributions payable by the Group to the retirement benefit schemes and amounted to US$13,648,000 (2019: US$22,096,000). Contributions totalling US$2,097,000 (2019: US$1,066,000) were payable to the retirement benefit schemes as at 31 December 2020 and were included in trade and other payables. No forfeited contributions were available as at 31 December 2020 and 2019 to reduce future contributions.

34 Directors' and management's emoluments

(a) DIRECTORS' EMOLUMENTS

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

	2020 US$'000	2019 US$'000
Fees	**240**	216
Salaries, housing and other allowances	**2,117**	2,107
Bonuses	**392**	573
Contributions to retirement benefit schemes	**2**	2
	2,751	2,898

Directors' fees disclosed above include US$240,000 (2019: US$216,000) paid to independent non-executive directors. The fees comprises, among others, an annual fee of US$36,000 (2019: US$33,000) paid to each independent non-executive director and fees paid to them for acting as chairman or members of the committees established under the Board (as applicable).

As at 31 December 2020, three directors (2019: three directors) of the Company had 3,600,000 (2019: 3,600,000) 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.

For the year ended 31 December 2020, no share option was exercised (2019: Nil).

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

The directors' emoluments are analysed as follows:

		Year ended 31 December 2020								
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. FENG Boming	i	–	749	39	20	–	–	–	–	808
Mr. ZHANG Dayu	ii	–	675	122	20	–	–	–	–	817
Mr. DENG Huangjun		–	255	123	20	–	–	–	–	398
Mr. ZHANG Wei (張煒)		–	–	–	–	–	–	–	–	–
Mr. CHEN Dong		–	–	–	–	–	–	–	–	–
Dr. WONG Tin Yau, Kelvin		–	356	108	22	–	2	–	–	488
Dr. FAN HSU Lai Tai, Rita		53	–	–	–	–	–	–	–	53
Mr. Adrian David LI Man Kiu		59	–	–	–	–	–	–	–	59
Mr. LAM Yiu Kin		43	–	–	–	–	–	–	–	43
Prof. CHAN Ka Lok		40	–	–	–	–	–	–	–	40
Mr. WANG Haimin	v	–	–	–	–	–	–	–	–	–
Mr. FAN Ergang	vi	18	–	–	–	–	–	–	–	18
Mr. YANG Liang Yee, Philip	vii	27	–	–	–	–	–	–	–	27
		240	2,035	392	82	–	2	–	–	2,751

34 Directors' and management's emoluments (Continued)

(a) DIRECTORS' EMOLUMENTS (CONTINUED)

The directors' emoluments are analysed as follows: (Continued)

		Year ended 31 December 2019								
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. FENG Boming	i	–	223	–	9	–	–	–	–	232
Mr. ZHANG Dayu	ii	–	379	113	21	–	–	–	–	513
Mr. DENG Huangjun		–	261	115	21	–	–	–	–	397
Mr. ZHANG Wei (張煒)		–	–	–	–	–	–	–	–	–
Mr. CHEN Dong		–	–	–	–	–	–	–	–	–
Dr. WONG Tin Yau, Kelvin		–	353	102	22	–	2	–	–	479
Dr. FAN HSU Lai Tai, Rita		50	–	–	–	–	–	–	–	50
Mr. Adrian David LI Man Kiu		56	–	–	–	–	–	–	–	56
Mr. LAM Yiu Kin		40	–	–	–	–	–	–	–	40
Prof. CHAN Ka Lok		37	–	–	–	–	–	–	–	37
Mr. HUANG Xiaowen	iii	–	–	–	–	–	–	–	–	–
Mr. ZHANG Wei (張為)	iv	–	521	122	10	–	–	–	–	653
Mr. FANG Meng	iii	–	280	121	7	–	–	–	–	408
Mr. WANG Haimin	v	–	–	–	–	–	–	–	–	–
Mr. FAN Ergang	vi	33	–	–	–	–	–	–	–	33
		216	2,017	573	90	–	2	–	–	2,898

Note:

(i) Re-designated from a Non-executive Director to an Executive Director and appointed as Chairman of the Board on 13 September 2019

(ii) Appointed as an Executive Director and Managing Director on 13 September 2019

(iii) Resigned on 25 April 2019

(iv) Resigned on 13 September 2019

(v) Resigned on 13 March 2020

(vi) Resigned on 20 March 2020

(vii) Appointed as an Independent Non-executive Director on 29 April 2020

The above analysis includes four (2019: four) directors whose emoluments were among the five highest in the Group.

34 Directors' and management's emoluments (Continued)

(b) MANAGEMENT'S EMOLUMENTS

Details of the aggregate emoluments paid to one (2019: one) individual whose emoluments were the highest in the Group and have not been included in the directors' emoluments above are set out below:

	2020 US$'000	2019 US$'000
Salaries, share options, and other allowances	**322**	319
Bonuses	**109**	103
Contributions to retirement benefit schemes	**2**	2
	433	424

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

	Number of individuals 2020	2019
Emolument bands		
US$386,623-US$451,061 (HK$3,000,001-HK$3,500,000)	**1**	1

(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, no directors waived or agreed to waive any 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.

35 Capital commitments

The Group has the following significant capital commitments as at 31 December 2020 and 2019:

	2020 US$'000	2019 US$'000
Contracted but not provided for		
– Investments (note)	**362,437**	337,742
– Other property, plant and equipment	**328,776**	300,068
	691,213	637,810

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

	2020 US$'000	2019 US$'000
Contracted but not provided for	**4,296**	5,179

Note:

The capital commitments in respect of investments of the Group as at 31 December 2020 and 2019 are as follows:

	2020 US$'000	2019 US$'000
Contracted but not provided for		
Investments in:		
– Antwerp Gateway NV	**56,796**	50,384
– Tianjin Port Euroasia International Container Terminal Co., Ltd.	**107,588**	100,629
– Vado	**14,906**	13,578
– Others	**116,917**	111,205
	296,207	275,796
Terminal projects in:		
– Shanghai Yangshan Port Phase II	**61,304**	57,338
– Others	**4,926**	4,608
	66,230	61,946
	362,437	337,742

36 Operating lease arrangements

As at 31 December 2020 and 2019, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	2020 US$'000	2019 US$'000
Buildings, leasehold land and land use rights		
– not later than one year	**1,364**	358
– between 1 and 2 years	**117**	153
– between 2 and 3 years	**117**	109
– between 3 and 4 years	**6**	107
– between 4 and 5 years	**4**	6
– later than five years	**16**	18
	1,624	751
Investment properties		
– not later than one year	**104**	486
– between 1 and 2 years	**4**	288
– between 2 and 3 years	**–**	288
– between 3 and 4 years	**–**	288
– between 4 and 5 years	**–**	288
– later than five years	**–**	7,083
	108	8,721
Plant and machinery		
– not later than one year	**77**	1,425
– between 1 and 2 years	**–**	1,427
– between 2 and 3 years	**–**	1,427
– between 3 and 4 years	**–**	1,427
– between 4 and 5 years	**–**	1,427
– later than five years	**–**	20,948
	77	28,081
	1,809	37,553

37 Notes to the consolidated cash flow statement

(a) RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2020 US$'000	2019 US$'000
Profit before taxation	**408,577**	383,516
Amortised amount of		
– discount on issue of notes	**119**	175
– transaction costs on bank loans and notes	**3,177**	2,941
Depreciation and amortisation	**200,444**	190,060
Dividends income from a listed financial assets at FVPL	**–**	(1,149)
Dividends income from listed and unlisted financial assets at FVOCI	**(2,321)**	(2,008)
Fair value gain on a financial asset at FVPL	**–**	(24,383)
Gain on disposal of a subsidiary and an associate	**–**	(28,299)
Gain on disposal of subsidiaries	**(71,150)**	–
Gain on disposal of an associate	**(9,951)**	–
Gain on remeasurement of equity investments	**(9,896)**	(6,861)
Interest expenses	**108,818**	102,793
Interest income	**(14,690)**	(12,415)
Loss on deemed disposal of an associate	**–**	22,553
Loss on disposal of property, plant and equipment, net	**2,784**	1,411
Other incidental borrowing costs and charges	**2,536**	2,954
Provision for impairment of trade receivables	**413**	38
Provision for impairment of construction in progress	**891**	–
Provision for inventories	**105**	396
Receivables written off during the year as uncollectible	**(654)**	–
Share-based payment expense	**1,889**	2,282
Share of profits less losses of		
– joint ventures	**(78,219)**	(86,359)
– associates	**(194,501)**	(181,095)
Write back of provision of impairment for trade receivables	**(137)**	(1,353)
Operating profit before working capital changes	**348,234**	365,197
(Increase)/decrease in inventories	**(2,610)**	310
(Increase)/decrease in trade and other receivables	**(14,974)**	22,766
(Increase)/decrease in amounts due from fellow subsidiaries	**(464)**	3,593
(Increase)/decrease in amounts due from associates	**(3,040)**	634
Decrease/(increase) in amounts due from joint ventures	**1,644**	(4,889)
(Increase)/decrease in amounts due from non-controlling shareholders of subsidiaries	**(43)**	2,011
Decrease in amount due from a related company	**–**	99
Increase in trade and other payables and contract liabilities	**19,599**	7,157
Increase/(decrease) in amounts due to fellow subsidiaries	**295**	(2,483)
Increase/(decrease) in amounts due to non-controlling shareholders of subsidiaries	**3,450**	(5,401)
Increase/(decrease) in other long term liabilities	**2,167**	(799)
Cash generated from operations	**354,258**	388,195

37 Notes to the consolidated cash flow statement (Continued)

(b) MAJOR NON-CASH TRANSACTIONS

	2020 US$'000	2019 US$'000
Acquisition of 26% equity interests in an associate by contribution of 40% equity interests in another associate (note 12(b))	**389,063**	–
Acquisition of 16.01% equity interests in an associate by contribution of 24.5% equity interests and 31.073% equity interests in two associates respectively (note 12(b))	**–**	81,181
Addition of right-of-use assets (note 9)	**22,686**	74,169

(c) ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2020 US$'000	2019 US$'000
Total time deposits, bank balances and cash (note i)	**1,341,513**	957,479
Restricted bank deposits included in current assets	**(31,224)**	(30,285)
	1,310,289	927,194
Representing:		
Time deposits with original maturity of three months or less	**579,539**	231,344
Bank balances and cash	**304,081**	343,454
Balances placed with other financial institution (note iii)	**426,669**	352,396
	1,310,289	927,194

Notes:

(i) As at 31 December 2020, cash and cash equivalents of US$484,305,000 (2019: US$503,392,000) of the Group denominated in Renminbi and US dollar with bank and other financial institution 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:

	2020 US$'000	2019 US$'000
US dollar	**711,844**	458,648
Renminbi	**362,196**	302,102
Euro	**178,840**	152,552
Hong Kong dollar	**51,910**	11,253
Other currencies	**5,499**	2,639
	1,310,289	927,194

(iii) Balances placed with other financial institution, namely COSCO SHIPPING Finance bear interest at prevailing market rates.

37 Notes to the consolidated cash flow statement (Continued)

(d) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings	Loans from non-controlling shareholders of a subsidiary	Loans from a joint venture and an associate	Lease liabilities	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Balance as at 1 January 2020	2,916,450	93,168	49,454	770,373	3,829,445
Changes from financing cash flows					
Loans drawn down	744,277	–	–	–	744,277
Loans repaid	(740,932)	–	–	–	(740,932)
Repayment of loans from non-controlling shareholder of a subsidiary	–	(10,984)	–	–	(10,984)
Loans from a joint venture and an associate	–	–	50,659	–	50,659
Repayment of loans from a joint venture and an associate	–	–	(68,841)	–	(68,841)
Principal elements of lease payment	–	–	–	(25,294)	(25,294)
Payment of lease interest	–	–	–	(14,358)	(14,358)
Other changes					
Addition of lease liabilities	–	–	–	21,116	21,116
Finance cost of lease liabilities	–	–	–	28,352	28,352
Foreign exchange adjustments	124,538	2,819	3,211	48,503	179,071
Other non-cash movements	3,408	–	–	(2,356)	1,052
	131,291	(8,165)	(14,971)	55,963	164,118
Balance as at 31 December 2020	3,047,741	85,003	34,483	826,336	3,993,563

37 Notes to the consolidated cash flow statement (Continued)

(d) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	Borrowings	Loans from non-controlling shareholders of subsidiaries	Loans from a joint venture and an associate	Lease liabilities	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Balance as at 1 January 2019	2,479,903	139,870	47,354	–	2,667,127
Adoption of HKFRS 16	(719)	–	–	705,004	704,285
Restated balance as at 1 January 2019	2,479,184	139,870	47,354	705,004	3,371,412
Changes from financing cash flows					
Loans drawn down	771,075	–	–	–	771,075
Loans repaid	(309,344)	–	–	–	(309,344)
Loans from a non-controlling shareholder of a subsidiary	–	43,711	–	–	43,711
Repayment of loans from non-controlling shareholders of subsidiaries	–	(98,014)	–	–	(98,014)
Loan from a joint venture	–	–	17,412	–	17,412
Repayment of loans from a joint venture	–	–	(14,510)	–	(14,510)
Principal elements of lease payment	–	–	–	(19,110)	(19,110)
Payment of lease interest	–	–	–	(18,617)	(18,617)
Other changes					
Addition of lease liabilities	–	–	–	73,102	73,102
Acquisition of subsidiaries (note 39)	–	–	–	14,580	14,580
Transfer to assets classified as for sale	–	–	–	(4,066)	(4,066)
Finance cost of lease liabilities	–	–	–	26,749	26,749
Foreign exchange adjustments	(22,802)	7,601	(802)	(9,164)	(25,167)
Other non-cash movements	(1,663)	–	–	1,895	232
	437,266	(46,702)	2,100	65,369	458,033
Balance as at 31 December 2019	2,916,450	93,168	49,454	770,373	3,829,445

38 Related party transaction

The Group is controlled by COSCO SHIPPING Holdings which owns 50.23% of the Company's shares as at 31 December 2020. The parent company of COSCO SHIPPING Holdings is COSCO, and the parent company of COSCO is COSCO SHIPPING.

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

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

38 Related party transaction (Continued)

(a) SALES/PURCHASES OF GOODS, SERVICES AND INVESTMENTS

	2020 US$'000	2019 US$'000
Management fee and service fee income from (note i)		
– joint ventures	**5,223**	5,165
– associates	**1,267**	1,342
– an investee company	**213**	191
Terminal handling and storage income received from (note ii, xii)		
– fellow subsidiaries	**268,409**	231,488
– non-controlling shareholders of subsidiaries	**89,242**	96,999
Container handling and logistics service fees to non-controlling shareholders of subsidiaries (note iii, xii)	**(3,180)**	(5,776)
Electricity and fuel expenses paid to (note iv, xii)		
– fellow subsidiaries	**(6,059)**	(4,509)
– non-controlling shareholders of subsidiaries	**(4,931)**	(9,497)
Handling, storage and maintenance expenses to (note v, xii)		
– fellow subsidiaries	**(4,172)**	(5,396)
– non-controlling shareholders of subsidiaries	**(3,541)**	(4,186)
Rental expenses paid to a non-controlling shareholder of a subsidiary (note vi, xii)	**(2,823)**	(3,455)
Rental income received from a non-controlling shareholder of a subsidiary (note vii)	**316**	2,545
Purchase of materials from fellow subsidiaries (note viii, xii)	**(1,638)**	(196)
Insurance expenses paid to a fellow subsidiary (note ix)	**(749)**	(873)
Concession fee to a fellow subsidiary (note x, xii)	**(60,286)**	(60,315)
Payments of lease liabilities to (note xi, xii)		
– fellow subsidiaries	**(16,510)**	(18,680)
– non-controlling shareholders of subsidiaries	**(2,474)**	(2,930)
Proceeds from partial disposal of a subsidiary to an associate (note xiii)	**59,276**	–

38 Related party transaction (Continued)

(a) SALES/PURCHASES OF GOODS, SERVICES AND INVESTMENTS (CONTINUED)

Notes:

(i) 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$22,121,000 (equivalent to US$2,851,000) (2019: HK$22,078,000 (equivalent to US$2,817,000)) 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.

(ii) The terminal related service income received from fellow subsidiaries and non-controlling shareholders of subsidiaries in relation to the cargoes shipped from/to 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 terminal related service income received from fellow subsidiaries in relation to the cargoes shipped from/to Piraeus Ports, Zeebrugge, Spain and Abu Dhabi were charged at rates as mutually agreed.

(iii) The fees paid to non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

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

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

(vi) Rental expenses for short-term and low value leases paid to non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(vii) Rental income received from a non-controlling shareholder of a subsidiary were charged at rates as mutually agreed.

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

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

(x) Concession fee paid to a fellow subsidiary was charged and mutually agreed at a variable annual concession fee based on the aggregate revenue of Piraeus Container Terminal Single Member S.A..

(xi) The payments of lease liabilities to fellow subsidiaries and non-controlling shareholders of subsidiaries were charged at rates as mutually agreed.

(xii) 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").

(xiii) On 23 April 2020, the Company sold 6,667 shares representing 33.335% equity interests in COSCO SHIPPING Ports (Abu Dhabi) Limited, a wholly owned subsidiary of the Company, to QPI, an associate of the Group, for a consideration of US$59,276,000.

38 Related party transactions (Continued)

(b) KEY MANAGEMENT COMPENSATION

	2020 US$'000	2019 US$'000
Salaries, bonuses and other allowances	**3,102**	3,647
Contributions to retirement benefit schemes	**5**	5
Share-based payments	**306**	574
	3,413	4,226

Key management includes directors of the Company and two (2019: three) senior management members of the Group.

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

	Number of individuals 2020	Number of individuals 2019
Emolument bands		
US$128,875-US$257,749 (HK$1,000,001-HK$2,000,000)	**1**	1
US$257,750-US$322,186 (HK$2,000,001-HK$2,500,000)	**–**	–
US$322,187-US$386,623 (HK$2,500,001-HK$3,000,000)	**–**	1
US$386,624-US$451,061 (HK$3,000,001-HK$3,500,000)	**1**	1
	2	3

39 Business combinations

(a) ACQUISITION OF A SUBSIDIARY – CSP CHANCAY TERMINAL

On 10 May 2019, the Group subscribed shares representing 60% equity interests in CSP Chancay Terminal, which is currently engaged in the design, development and construction of terminal at Port of Chancay and will be engaged in its operation and management after the completion of construction, for a consideration of US$225,000,000. US$56,250,000 of the subscription consideration was settled in cash upon completion and US$168,750,000 will be settled within 12 months. As at 31 December 2019, the Group has finalised the fair value of net assets and goodwill arising from the acquisition by an independent valuation.

Details of net asset acquired are as follows:

	US$'000
Purchase consideration	225,000
Fair value of net assets acquired shown as below	(184,926)
Goodwill	40,074

39 Business combinations (Continued)

(a) ACQUISITION OF A SUBSIDIARY – CSP CHANCAY TERMINAL (CONTINUED)

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

	Fair value US$'000
Property, plant and equipment	134,394
Right-of-use asset	3,379
Other non-current assets	2,495
Deferred tax assets	1,448
Other receivables	168,773
Cash and cash equivalents	57,274
Deferred tax liabilities	(43,204)
Loan from a shareholder	(11,888)
Lease liability	(3,786)
Trade and other payables	(675)
Total identifiable net assets acquired	308,210
Less: non-controlling interests	(123,284)
	184,926
Purchase consideration settled in cash	(56,250)
Cash and cash equivalents in acquired terminal operation	57,274
Net cash inflow on acquisition	1,024

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 CSP Chancay Terminal at its proportionate share of the acquired net identifiable assets.

(iv) Revenue and profit contribution

The acquired terminal operations contributed no revenue and net loss of approximately US$1,110,000 for the year ended 31 December 2019 since the date of acquisition. If the acquisitions had occurred on 1 January 2019, there is no impact on revenue whereas the Group's profit for the year ended 31 December 2019 would have decreased by approximately US$111,000.

(v) Acquisition-related costs

Acquisition-related costs of US$905,000 that were not directly attributable to the issue of acquisitions are included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

39 Business combinations (Continued)

(b) ACQUISITION OF A SUBSIDIARY – VERBRUGGE TERMINALS ZEEBRUGGE NV (NOW KNOWN AS CSP ZEEBRUGGE CFS NV) ("CSP ZEEBRUGGE CFS")

On 30 December 2019, the Group acquired 100% equity interests in CSP Zeebrugge CFS, a company engaged in terminal warehousing in Belgium, for a consideration of Euro13,757,213 (equivalent to approximately US$15,412,327).

Details of net assets acquired are as follows:

	US$'000
Purchase consideration	15,412
Fair value of net assets acquired shown as below	(15,412)
Goodwill	–

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	15,815
Right-of-use assets	10,803
Other receivables	11
Cash and cash equivalents	1,133
Lease liabilities	(10,794)
Deferred tax liabilities	(1,239)
Other payables	(297)
Current tax liabilities	(20)
Total identifiable net assets acquired	15,412
Purchase consideration settled in cash	(15,412)
Cash and cash equivalents in acquired terminal operation	1,133
Net cash outflow on acquisition	(14,279)

Notes:

(i) Acquired receivables

There are no acquired trade receivables.

(ii) Revenue and profit contribution

The acquired terminal operations contributed no revenue nor profit for the year ended 31 December 2019 since the date of acquisition. If the acquisitions had occurred on 1 January 2019, there is no impact on revenue whereas the Group's profit for the period ended 31 December 2019 would have increased by approximately US$49,000.

(iii) 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.

40 Events after balance sheet date

(a) ACQUISITION OF 20% SHARES IN RED SEA GATEWAY TERMINAL COMPANY LIMITED

On 27 January 2021, Sound Joyce Enterprises Limited (a wholly-owned subsidiary of the Company) (as purchaser), Saudi Industrial Services Company, City Island Holdings Limited, Xenel Industries Limited and Saudi Trade and Export Development Company Limited (together as Sellers), and Red Sea Ports Development Company entered into a share purchase agreement pursuant to which, the sellers have conditionally agreed to sell, and Sound Joyce Enterprises Limited has conditionally agreed to purchase shares which represent approximately 20.00% of the total issued share capital of Red Sea Gateway Terminal Company Limited ("RSGT") (the "RSGT Acquisition") at a consideration of US$140,000,000 in cash.

After completion of the RSGT Acquisition, RSGT will become an associate of the Company. As at the date of this report, the RSGT Acquisition was not completed.

(b) ACQUISITION OF 34.99% INTEREST IN TIANJIN PORT CONTAINER TERMINAL CO., LTD

On 26 February 2021, COSCO SHIPPING Ports (Tianjin) Limited (a wholly-owned subsidiary of the Company) (as purchaser), Tianjin Port Holdings Co., Ltd. (as seller) and the Company entered into an equity transfer agreement in relation to the acquisition of 34.99% equity interests in Tianjin Port Container Terminal Co., Ltd. ("Tianjin Container Terminal") (the "TCT Acquisition") at a consideration of RMB1,348,371,228.15 in cash. The final consideration for the TCT Acquisition shall be adjusted upon completion of the transaction.

Together with the 16.01% equity interests in Tianjin Container Terminal currently held by the Group, the Company will have 51% in Tianjin Container Terminal after completion of the TCT Acquisition and Tianjin Container Terminal will become a subsidiary of the Company. As at the date of this report, the TCT Acquisition was not completed.

41 Balance sheet and reserve movement of the Company

	Note	2020 US$'000	2019 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**2,655**	75
Subsidiaries		**5,223,807**	5,791,276
Amounts due from subsidiaries		**57,526**	178,046
		5,283,988	5,969,397
Current assets			
Other receivables		**733**	28,922
Amounts due from subsidiaries		**667,152**	531,965
Amount due from an intermediate holding company		**–**	1
Cash and cash equivalents		**730,586**	385,848
		1,398,471	946,736
Assets classified as held for sale		**–**	127,482
		1,398,471	1,074,218
Total assets		**6,682,459**	7,043,615

41 Balance sheet and reserve movement of the Company (Continued)

	Note	2020 US$'000	2019 US$'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**42,574**	40,596
Reserves	(a)	**4,571,663**	4,517,084
Total equity		**4,614,237**	4,557,680
LIABILITIES			
Non-current liabilities			
Long term borrowings		**950,643**	1,118,787
		950,643	1,118,787
Current liabilities			
Current portion of long term borrowings		**154,862**	–
Short term borrowing		**–**	120,000
Other payables		**23,996**	24,357
Current tax liabilities		**15,015**	3,086
Amounts due to subsidiaries		**923,706**	1,116,252
		1,117,579	1,263,695
Liabilities directly associated with assets classified as held for sale		**–**	103,453
		1,117,579	1,367,148
Total liabilities		**2,068,222**	2,485,935
Total equity and liabilities		**6,682,459**	7,043,615

On behalf of the Board

FENG Boming
Executive Director and Chairman of the Board

ZHANG Dayu
Executive Director and Managing Director

41 Balance sheet and reserve movement of the Company (Continued)

NOTE (a) RESERVE MOVEMENT OF THE COMPANY

	Share Premium US$'000	Contributed surplus (note) US$'000	Share option reserve US$'000	Retained profits US$'000	Total US$'000
At 1 January 2020	**1,838,778**	**414,214**	**3,467**	**2,260,625**	**4,517,084**
Profit for the year	**–**	**–**	**–**	**105,576**	**105,576**
Issue of shares on settlement of scrip dividends	**78,378**	**–**	**–**	**–**	**78,378**
Fair value of share options granted	**–**	**–**	**1,885**	**–**	**1,885**
Dividends paid to equity holders of the Company					
– 2019 final	**–**	**–**	**–**	**(64,125)**	**(64,125)**
– 2020 interim	**–**	**–**	**–**	**(67,135)**	**(67,135)**
At 31 December 2020	**1,917,156**	**414,214**	**5,352**	**2,234,941**	**4,571,663**
Representing:					
Reserves	**1,917,156**	**414,214**	**5,352**	**2,160,148**	**4,496,870**
2020 second interim dividend declared	**–**	**–**	**–**	**74,793**	**74,793**
At 31 December 2020	**1,917,156**	**414,214**	**5,352**	**2,234,941**	**4,571,663**
At 1 January 2019	1,792,882	414,214	1,185	2,329,112	4,537,393
Profit for the year	–	–	–	54,467	54,467
Issue of shares on settlement of scrip dividends	45,896	–	–	–	45,896
Fair value of share options granted	–	–	2,282	–	2,282
Dividends paid to equity holders of the Company					
– 2018 final	–	–	–	(62,885)	(62,885)
– 2019 interim	–	–	–	(60,069)	(60,069)
At 31 December 2019	1,838,778	414,214	3,467	2,260,625	4,517,084
Representing:					
Reserves	1,838,778	414,214	3,467	2,196,500	4,452,959
2019 final dividend proposed	–	–	–	64,125	64,125
At 31 December 2019	1,838,778	414,214	3,467	2,260,625	4,517,084

Note:

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

42 Details of subsidiaries

Details of the subsidiaries as at 31 December 2020 are as follows:

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2020	2019
2	Cheer Dragon Investment Limited	Hong Kong	Hong Kong	Investment holding	HK$3 divided into 3 ordinary shares	**66.67%**	66.67%
2, 3	China Shipping Terminal Development Co., Limited	PRC	PRC	Investment holding	RMB11,150,131,586	**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 (Nansha) Limited	British Virgin Islands	British Virgin Islands	Investment holding	10,000 ordinary shares of US$1 each	**66.10%**	66.10%
1, 2, 4	COSCO Ports (Yangzhou) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**–**	100.00%
5	COSCO SHIPPING Ports (Abu Dhabi) Limited	British Virgin Islands	Hong Kong	Investment holding	US$20,000 divided into 20,000 ordinary shares	**44.45%**	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	COSCO SHIPPING Ports (ACT) Limited	British Virgin Islands	Hong Kong	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
2	COSCO SHIPPING Ports (Antwerp) NV	Belgium	Belgium	Investment holding	Euro61,500 divided into 2 shares with no face value	**100.00%**	100.00%
1	COSCO SHIPPING Ports (Belgium) Limited	Hong Kong	Hong Kong	Investment holding	HK$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%**	100.00%
1, 2	COSCO SHIPPING Ports (CHT) Limited	British Virgin Islands	British Virgin Islands	Investment holding	2 ordinary shares of US$1 each	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Dalian) Limited	British Virgin Islands	British Virgin Islands	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Dalian RoRo) Limited	British Virgin Islands	British Virgin Islands	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%

42 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest	
						2020	2019
1	COSCO SHIPPING Ports (Fangchenggang) 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 (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 SHIPPING Ports (Istanbul) Limited	Hong Kong	Hong Kong	Investment holding	HK$1 divided into 1 ordinary share	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Jinjiang) Limited	British Virgin Islands	British Virgin Islands	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO SHIPPING Ports (Nansha) Supply Chain Company Limited	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 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, 2	COSCO SHIPPING Ports (Ningbo) Limited	British Virgin Islands	British Virgin Islands	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Port Said) Limited	British Virgin Islands	British Virgin Islands	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Pudong) Limited	British Virgin Islands	British Virgin Islands	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Quanzhou) Limited	British Virgin Islands	British Virgin Islands	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1	COSCO SHIPPING Ports (Rotterdam) Limited	Hong Kong	Hong Kong	Investment holding	HK$1 divided into 1 ordinary share	**100.00%**	100.00%

42 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2020	2019
1, 2	COSCO SHIPPING Ports (Singapore) Limited	British Virgin Islands	British Virgin Islands	Investment holding	1 ordinary share of US$1	**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%
	COSCO SHIPPING Ports (Spain) Holdings, S.L.	Spain	Spain	Investment holding	23,147,944 ordinary shares of Euro 1 each	**51.00%**	51.00%
	COSCO SHIPPING Ports (Spain) Terminals, S.L.U.	Spain	Spain	Investment holding	36,250,000 ordinary shares of Euro 1 each	**51.00%**	51.00%
1	COSCO SHIPPING Ports (Tianjin) Limited	British Virgin Islands	British Virgin Islands	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Tianjin Euroasia) Limited	British Virgin Islands	British Virgin Islands	Investment holding	1 ordinary share of US $1	**100.00%**	100.00%
1	COSCO SHIPPING Ports (Vado) Limited	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 ordinary shares	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Xiamen) Limited	British Virgin Islands	British Virgin Islands	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Yangshan) Limited	British Virgin Islands	British Virgin Islands	Inactive	1 ordinary share of US$1 each	**100.00%**	100.00%
1	COSCO SHIPPING Ports (Yantian) Limited	British Virgin Islands	British Virgin Islands	Investment holding	50,000 ordinary shares of US$1 each	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports (Yingkou) Limited	British Virgin Islands	British Virgin Islands	Investment holding	1 ordinary share of US$1	**100.00%**	100.00%

42 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2020	Group equity interest 2019
1	COSCO SHIPPING Ports (Zeebrugge CFS) Limited (formerly known as Rise Treasure Investment Limited)	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 ordinary shares	**100.00%**	100.00%
	COSCO SHIPPING Ports Chancay Peru S.A.	Peru	Peru	Operation of terminals	698,520,318 ordinary shares of Sol 1 each	**60.00%**	60.00%
1	COSCO 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%
1	COSCO SHIPPING Ports Finance (2013) Company Limited	British Virgin Islands	Hong Kong	Financing	1 ordinary share of US$1	**100.00%**	100.00%
1, 2	COSCO SHIPPING Ports Finance (2018) Company	British Virgin Islands	British Virgin Islands	Inactive	US$1 divided into 1 ordinary share	**100.00%**	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	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%**	100.00%
	CSP Abu Dhabi Terminal L.L.C.	Abu Dhabi, United Arab Emirates	Abu Dhabi, United Arab Emirates	Operation of terminals	150,000 ordinary shares of AED1 each	**40.00%**	90.00%
	CSP Guinea Terminal Management SARL	Guinea	Guinea	Provision of management services	GNF 100,000,000	**100.00%**	–
	CSP Iberian Billbao Terminal, S.L.	Spain	Spain	Operation of container	30,694,951 ordinary shares of Euro 0.43 each	**39.51%**	39.51%
	CSP Iberian Rail Services, S.L.U.	Spain	Spain	Provision of rail terminals services	7,160,000 ordinary shares of Euro 1 each	**51.00%**	51.00%
	CSP Iberian Valencia Terminal, S.A.U.	Spain	Spain	Operation of container terminals	170,912,783 ordinary shares of Euro 0.29 each	**51.00%**	51.00%
	CSP Iberian Zaragoza Rail Terminal, S.L.	Spain	Spain	Operation of rail terminals	3,000 ordinary shares of Euro 1 each	**30.60%**	30.60%

42 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2020	2019
	CSP Zeebrugge Terminal NV	Belgium	Belgium	Operation of container terminals	3,500,001 ordinary shares of Euro 10 each	**85.45%**	85.00%
	CSP Zeebrugge CFS NV	Belgium	Belgium	Operation of terminals	Euro4,062,000 divided into 81,895 ordinary shares	**100.00%**	100.00%
1	Golden Creation Development Limited	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 ordinary shares	**100.00%**	100.00%
2, 3	Guangzhou South China Oceangate Container Terminal Company Limited	PRC	PRC	Operation of container terminals	RMB1,928,293,400	**39.00%**	39.00%
2	Guangzhou Nansha CSP Supply Co., Ltd.	PRC	PRC	Logistics	RMB200,000,000	**100.00%**	100.00%
2, 3	Jinjiang Pacific Ports Development Co., Ltd.	PRC	PRC	Operation of terminals	US$49,900,000	**80.00%**	80.00%
2, 3	Jinzhou New Age Container Terminal Co., Ltd.	PRC	PRC	Operation of terminals	RMB320,843,634	**51.00%**	51.00%
2, 3	Lianyungang New Oriental International Terminals Co., Ltd.	PRC	PRC	Operation of terminals	RMB470,000,000	**55.00%**	55.00%
	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%
1	Navigator Investco Limited	Hong Kong	Hong Kong	Investment holding	HK$1,000 and US$80,605,443.36 divided into 2,000 ordinary shares	**51.00%**	51.00%
1	Nice Grand Development Limited	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 ordinary shares	**100.00%**	100.00%
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%**	51.00%
1	Piraeus Container Terminal Single Member S.A. (formerly known as Piraeus Container Terminal S.A.)	Greece	Greece	Operation of container	Euro77,299,800	**100.00%**	100.00%

42 Details of subsidiaries (Continued)

	Name	Place of incorporation/ establishment	Place of operation	Principal activities	Issued share capital/ paid-up capital	Group equity interest 2020	2019
2, 3	Quan Zhou Pacific Container Terminal Co., Ltd.	PRC	PRC	Operation of terminals	US$80,770,000	**82.35%**	82.35%
1	Sound Joyce Enterprises Limited	Hong Kong	Hong Kong	Investment holding	HK$1,000 divided into 1,000 ordinary shares	**100.00%**	100.00%
1	Sagtransinter, S.L.U	Spain	Spain	Inactive	13,631,405 ordinary shares of Euro 1 each	**51.00%**	51.00%
2, 3	Shanghai China Shipping Terminal Development Co., Ltd.	PRC	PRC	Investment holding	RMB7,322,000,000	**100.00%**	100.00%
1	Taicang Container Terminals Holdings Limited	British Virgin Islands	British Virgin Islands	Inactive	1 ordinary share of US$1	**100.00%**	–
1, 4	Win Hanverky Investments Limited	Hong Kong	Hong Kong	Investment holding	HK$100,000 divided into 10,000 ordinary shares	**–**	100.00%
2, 3	Wuhan CSP Terminal Company Limited	PRC	PRC	Operation of terminals	RMB280,000,000	**70.00%**	70.00%
2.3	Xiamen CSP Supply Chain Co., Limited	PRC	PRC	Logistics	RMB68,000,000	**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, 4	Yangzhou Yuanyang International Ports Co., Ltd.	PRC	PRC	Operation of terminals	US$73,800,000	**–**	55.59%
2, 3, 4	Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	PRC	PRC	Operation of container terminals	US$36,800,000	**–**	51.00%

Notes:

1 Shares held directly by the Company.

2 Subsidiaries not audited by PricewaterhouseCoopers.

3 China Shipping Terminal Development Co., Limited, COSCO SHIPPING Ports Investments (Shanghai) Co., Ltd. and Xiamen CSP Supply Chain 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 Subsidiaries sold during the year.

5 The directors of the Company considered that the Group has control over COSCO SHIPPING Ports (Abu Dhabi) Limited through its representatives on the board of directors of COSCO SHIPPING Ports (Abu Dhabi) Limited and therefore classified COSCO SHIPPING Ports (Abu Dhabi) Limited as a subsidiary as at 31 December 2020 and 2019.

43 Details of joint ventures

Details of the principal joint ventures as at 31 December 2020, 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 2020	2019
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 (note 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%
Guangxi Qinzhou International Container Terminal Co., Ltd. (note iii)	PRC	Operation of container terminals	RMB500,000,000	**–**	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%
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminals	RMB1,900,000,000	**30.00%**	30.00%
Tianjin Port Euroasia International Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB1,260,000,000	**30.00%/ 28.60%/ 30.00%**	30.00%/ 28.60%/ 30.00%
Xiamen Haicang Free Trade Port Zone Container Inspection Co., Ltd.	PRC	Container stevedoring, storage, inspection and auxiliary services	RMB10,000,000	**22.40%/ 33.33%/ 22.40%**	22.40%/ 33.33%/ 22.40%
Yingkou Container Terminals Company Limited	PRC	Operation of container terminals	RMB8,000,000	**50.00%/ 57.14%/ 50.00%**	50.00%/ 57.14%/ 50.00%
Yingkou New Century Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB40,000,000	**40.00%**	40.00%

Notes:

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

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

(iii) Guangxi Qinzhou International Container Terminal Co., Ltd. become a wholly owned subsidiary with Guangxi Beibu Gulf International Container Terminal Co., Ltd. during the year.

44 Details of associates

Details of the associates as at 31 December 2020, 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	
				2020	2019
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%
Beibu Gulf Port Co., Ltd. (note v)	PRC	Operation of terminals	RMB1,634,616,854	**10.65%**	10.65%
COSCO Shipping Terminals (USA) LLC	USA	Investment holding	US$200,000	**40.00%**	40.00%
Dalian Automobile Terminal Co., Ltd.	PRC	Construction and operation of automobile terminals	RMB320,000,000	**24.00%**	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 Euro 1 each and 35,000"B" shares of Euro 1 each	**35.00%**	35.00%
Fangchenggang Chista Terminal Co., Limited	PRC	Operation of container terminals	RMB10,000,000	**20.00%**	20.00%
Guangxi Beibu Gulf International Container Terminal Co., Ltd	PRC	Operation of container terminals	RMB2,371,600,000	**26.00%**	–
Guangxi New Corridor International Container Terminal Co., Ltd	PRC	Operation of container terminals	RMB10,000,000	**25.00%**	25.00%
Jiangsu Yantze Petrochemical Co., Ltd. (note vi)	PRC	Operation of bulk liquid storage	RMB219,635,926	**–**	30.40%
Kao Ming Container Terminal Corp. Taiwan	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%
Ningbo Meishan Bonded Port New Harbour 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	**19.79%**	18.46%
Qingdao Qianwan Intelligent Container Terminal Co., Ltd (note vii)	PRC	Operation of container terminals	RMB642,000,000	**–**	20.00%

44 Details of associates (Continued)

Name	Place of establishment operation	Principal activities	Issued share capital/ registered capital	Group equity interest 2020	2019
Qinhuangdao Port New Harbour 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 Port Container Terminal Co., Ltd (note iv)	PRC	Operation of container terminals	RMB2,408,312,700	**16.01%**	16.01%
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 2020 and 2019.

(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 2020 and 2019.

(iv) In August 2019, Tianjin Port Container Terminal Co., Ltd. merged with Tianjin Five Continents International Container Terminal Co., Ltd. and Tianjin Orient Container Terminals Co., Ltd.

(v) As at 31 December 2019, the Group has attained significant influence in Beibu Gulf Port Co., Ltd. and accounted it as a 10.65% associate, in which the transfer of title of 92,518,231 shares (representing 5.66% interest) registration was completed on 9 January 2020.

(vi) The associate was sold during the year.

(vii) The associate was dissolved during the year.