招商局港口控股有限公司
CHINA MERCHANTS PORT HOLDINGS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 00144)

- Throughput of containers handled reached 102.90 million TEUs, up 7.4% (2016: 95.77 million TEUs)
- Throughput of bulk cargoes handled reached 507 million tonnes, up 10.3% (2016: 460 million tonnes)
- Profit attributable to equity holders of the Company amounted to HK$6,028 million, up 9.7% (2016: HK$5,494 million)
- Recurrent profit attributable to equity holders of the Company
  - √ HK$5,492 million, up 19.9% (2016: HK$4,581 million)
  - √ HK$6,010 million, up 19.2%, from ports operation (2016: HK$5,043 million)
- Basic earnings per share totaled 183.90 HK cents, up 4.7% (2016: 175.58 HK cents)
- Final dividend of 59 HK cents per share (2016: 65 HK cents per share)

2017 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") of China Merchants Port Holdings Company Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	**2017** *HK$'million*	**2016** *HK$'million*
Revenue	2	8,692	7,976
Cost of sales		(5,251)	(4,621)
Gross profit		3,441	3,355
Other income and other gains, net	4	870	1,561
Administrative expenses		(1,170)	(1,019)
Operating profit		3,141	3,897
Finance income	5	135	60
Finance costs	5	(1,303)	(960)
Finance costs, net	5	(1,168)	(900)
Share of profits less losses of			
Associates		5,087	3,389
Joint ventures		385	297
		5,472	3,686
Profit before taxation		7,445	6,683
Taxation	6	(744)	(477)
Profit for the year	7	6,701	6,206
Attributable to:			
Equity holders of the Company		6,028	5,494
Non-controlling interests		673	712
Profit for the year		6,701	6,206
Dividends	8	6,914	2,282
Earnings per share for profit attributable to equity holders of the Company	9		
Basic (HK cents)		183.90	175.58
Diluted (HK cents)		183.90	175.58

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	HK$'million	*HK$'million*
Profit for the year	6,701	6,206
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	5,406	(4,187)
Release of reserves upon disposal of a subsidiary	(57)	—
Increase/(decrease) in fair value of available-for-sale financial assets, net of deferred taxation	530	(1,616)
Share of investment revaluation reserve of associates	448	(495)
Release of reserve upon disposal of an available-for-sale financial asset, net of deferred taxation	(276)	(461)
Items that will not be reclassified subsequently to profit or loss:		
Net actuarial gain on defined benefit plans of subsidiaries	26	—
Share of other reserves of associates	(241)	38
Share of net actuarial gain/(loss) on defined benefit plans of associates and a joint venture	89	(28)
Total other comprehensive income/(expense) for the year, net of tax	5,925	(6,749)
Total comprehensive income/(expense) for the year	12,626	(543)
Total comprehensive income/(expense) attributable to:		
Equity holders of the Company	11,090	(738)
Non-controlling interests	1,536	195
	12,626	(543)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	**2017** *HK$'million*	**2016** *HK$'million*
ASSETS			
Non-current assets			
Goodwill		3,628	2,791
Intangible assets		5,925	5,407
Property, plant and equipment		30,880	18,459
Investment properties		8,411	7,455
Land use rights		12,851	7,265
Interests in associates		43,314	43,020
Interests in joint ventures		9,750	8,909
Other financial assets		3,689	3,350
Other non-current assets		400	395
Deferred tax assets		51	49
		118,899	97,100
Current assets			
Inventories		99	77
Debtors, deposits and prepayments	10	3,705	2,296
Taxation recoverable		1	3
Cash and bank balances		9,247	3,637
		13,052	6,013
Total assets		131,951	103,113

	Note	2017	2016
		HK$'million	*HK$'million*
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		38,207	19,548
Mandatory convertible securities		—	15,219
Reserves		33,306	29,434
Proposed dividend	8	1,934	1,707
		73,447	65,908
Non-controlling interests		16,194	7,830
Total equity		89,641	73,738
LIABILITIES			
Non-current liabilities			
Loans from shareholders		59	279
Other financial liabilities		22,233	16,793
Other non-current liabilities		1,851	1,186
Deferred tax liabilities		2,638	1,973
		26,781	20,231
Current liabilities			
Creditors and accruals	11	8,999	3,497
Loans from shareholders		120	399
Other financial liabilities		6,148	4,963
Taxation payable		262	285
		15,529	9,144
Total liabilities		42,310	29,375
Total equity and liabilities		131,951	103,113
Net current liabilities		(2,477)	(3,131)
Total assets less current liabilities		116,422	93,969

NOTES:

1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the Hong Kong Companies Ordinance (Cap. 622) ("**HKCO**"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

The financial information relating to the years ended 31 December 2017 and 2016 included in this preliminary announcement of annual results 2017 do not constitute the Company's statutory consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the HKCO is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the HKCO and will deliver the consolidated financial statements for the year ended 31 December 2017 in due course.

The Company's auditor has reported on these consolidated financial statements for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under section 406(2), 407(2) or (3) of the HKCO.

During the year, the Group has applied, for the first time, certain amendments to HKFRSs issued by the HKICPA. Amendments to HKAS 7 "Disclosure Initiative" require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

2 Revenue

The principal activities of the Group comprise ports operation, bonded logistics operation and property investment. The following is an analysis of the Group's revenue from its major services offered during the year.

	2017	**2016**
	HK$'million	*HK$'million*
Ports service, transportation income, container service and container yard management income	8,185	7,570
Logistics services income	410	405
Gross rental income from investment properties (Note)	97	1
	8,692	7,976

Note: Direct operating expenses incurred for gross rental income from investment properties amounted to HK$54 million (2016: HK$13 million) during the year ended 31 December 2017.

3 Segment information

The key management team of the Company is regarded as the chief operating decision-maker ("**CODM**"), who reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments. The CODM manages the Group's operations by divisions from both business and geographic perspectives.

Individual operating segments for which discrete financial information is available are identified by the CODM and are operated by their respective management teams. These individual operating segments are aggregated in arriving at the reportable segments of the Group.

From business and financial perspectives, management assesses the performance of the Group's business operations including ports operation, bonded logistics operation, port-related manufacturing operation and other operations.

(i) Ports operation includes container terminal operation, bulk and general cargo terminal operation operated by the Group and its associates and joint ventures. In prior years, ports operation was evaluated on a geographic basis, including Pearl River Delta excluding Hong Kong, Hong Kong, Yangtze River Delta, other regions in Mainland China, Hong Kong and Taiwan, and other locations outside of Mainland China, Hong Kong and Taiwan. To better reflect the expansions of the Group's ports operation and assessment of performance across different operating units and allocations of resources thereto, the CODM modified the geographical setting in the Group's internal reports to Pearl River Delta, Yangtze River Delta, Bohai Rim and other regions in Mainland China, Hong Kong and Taiwan, and other locations outside of Mainland China, Hong Kong and Taiwan. This led to a change in the segment reporting for all comparable periods.

The Group's reportable segments of the ports operation are therefore modified as follows:

(a) Mainland China, Hong Kong and Taiwan

- Pearl River Delta
- Yangtze River Delta
- Bohai Rim
- Others

(b) Other locations outside of Mainland China, Hong Kong and Taiwan

(ii) Bonded logistics operation includes logistics park operation, ports transportation and airport cargo handling operated by the Group and its associates.

(iii) Port-related manufacturing operation represents container manufacturing operated by the Group's associate. Following the disposal of its entire interest in Soares Limited, a wholly-owned subsidiary of the Company whose principal asset was the Group's entire interest in an associate engaging in the port-related manufacturing operation, the segment information in this segment reported to the Group's CODM is up to the date of such disposal.

(iv) Other operations mainly include property development and investment and construction of modular housing operated by the Group's associate, property investment operated by the Group and corporate function.

Each of the segments under ports operation include the operations of a number of ports in various locations within the geographic locations, each of which is considered as a separate operating segment by the CODM. For the purpose of segment reporting, these individual operating segments have been aggregated into reportable segments on geographic basis in order to present a more systematic and structured segment information. To give details of each of the operating segments, in the opinion of the directors of the Company, would result in particulars of excessive length.

Bonded logistics operation and other operations include a number of different operations, each of which is considered as a separate but insignificant operating segment by the CODM. For segment reporting, these individual operating segments have been aggregated according to the natures of their operations to give rise to more meaningful presentation.

There are no material sales or other transactions between the segments.

There was no single customer who accounted for over 10% of the Group's total revenue in any of the years ended 31 December 2017 and 2016.

The Group's revenue by geographical areas of operations and information about its non-current assets other than financial instruments and deferred tax assets presented based on the geographical areas in which the assets are located are as follows:

	Revenue		**Non-current assets**	
	2017	**2016**	**2017**	**2016**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
Mainland China, Hong Kong and Taiwan	6,952	6,747	83,813	74,650
Other locations	1,740	1,229	31,246	19,051
	8,692	7,976	115,059	93,701

The amounts labelled as "Company and subsidiaries" below represent the Group's revenue. The amounts labelled as "Share of associates" and "Share of joint ventures" below represent the Group's share of revenue of associates and joint ventures respectively. An analysis of the Group's revenue by segments is as follows:

	REVENUE									
	Ports operation						Bonded logistics operation	Port-related manufacturing operation	Other operations	Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others						
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
For the year ended 31 December 2017										
Company and subsidiaries	5,844	—	77	524	1,740	8,185	410	—	97	8,692
Share of associates	924	11,189	2,193	17	1,202	15,525	182	9,265	6,672	31,644
Share of joint ventures	9	401	1,180	1,182	374	3,146	—	—	2	3,148
Total segment revenue	6,777	11,590	3,450	1,723	3,316	26,856	592	9,265	6,771	43,484
For the year ended 31 December 2016 (restated)										
Company and subsidiaries	5,873	—	106	362	1,229	7,570	405	—	1	7,976
Share of associates	920	9,080	3,151	—	1,057	14,208	207	14,115	4,974	33,504
Share of joint ventures	12	368	1,087	1,094	167	2,728	—	—	13	2,741
Total segment revenue	6,805	9,448	4,344	1,456	2,453	24,506	612	14,115	4,988	44,221

An analysis of the Group's operating profit/(loss), share of profits less losses of associates and joint ventures by segments is as follows:

	For the year ended 31 December 2017											
	Ports operation						Bonded logistics operation	Port-related manufacturing operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others								
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Operating profit/(loss)	1,860	390	(702)	(20)	764	2,292	132	813	304	(400)	(96)	3,141
Share of profits less losses of												
– Associates	205	3,462	122	10	610	4,409	(4)	187	495	–	495	5,087
– Joint ventures	–	111	240	(35)	86	402	–	–	(17)	–	(17)	385
	2,065	3,963	(340)	(45)	1,460	7,103	128	1,000	782	(400)	382	8,613
Finance costs, net	(1)	1	–	(24)	(239)	(263)	(40)	–	(45)	(820)	(865)	(1,168)
Taxation	(335)	(195)	(16)	(4)	(64)	(614)	(26)	(17)	(87)	–	(87)	(744)
Profit/(loss) for the year	1,729	3,769	(356)	(73)	1,157	6,226	62	983	650	(1,220)	(570)	6,701
Non-controlling interests	(481)	–	–	6	(200)	(675)	(2)	–	4	–	4	(673)
Profit/(loss) attributable to equity holders of the Company	1,248	3,769	(356)	(67)	957	5,551	60	983	654	(1,220)	(566)	6,028
Other information:												
Depreciation and amortisation	813	–	2	193	435	1,443	94	–	2	18	20	1,557
Capital expenditure	1,365	–	1	649	14	2,029	6	–	1	41	42	2,077

An analysis of the Group's operating profit/(loss), share of profits less losses of associates and joint ventures by segments is as follows: (continued)

	For the year ended 31 December 2016 (restated)											
	Ports operation						Bonded logistics operation	Port-related manufacturing operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others								
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Operating profit/(loss)	2,134	548	36	90	824	3,632	153	(1)	497	(384)	113	3,897
Share of profits less losses of												
– Associates	180	2,040	123	—	561	2,904	(1)	156	330	—	330	3,389
– Joint ventures	—	112	210	(45)	20	297	—	—	—	—	—	297
	2,314	2,700	369	45	1,405	6,833	152	155	827	(384)	443	7,583
Finance costs, net	(38)	—	—	(31)	(206)	(275)	(30)	—	(4)	(591)	(595)	(900)
Taxation	(482)	328	(20)	(12)	(104)	(290)	(21)	(14)	(150)	(2)	(152)	(477)
Profit/(loss) for the year	1,794	3,028	349	2	1,095	6,268	101	141	673	(977)	(304)	6,206
Non-controlling interests	(558)	—	—	(16)	(136)	(710)	(2)	—	—	—	—	(712)
Profit/(loss) attributable to equity holders of the Company	1,236	3,028	349	(14)	959	5,558	99	141	673	(977)	(304)	5,494
Other information:												
Depreciation and amortisation	822	—	1	121	388	1,332	91	—	—	15	15	1,438
Capital expenditure	604	—	2	185	206	997	80	—	6,259	296	6,555	7,632

For the purposes of monitoring segment performances and allocating resources between segments, all assets other than taxation recoverable and deferred tax assets are allocated to reportable segments, and all liabilities other than taxation payable and deferred tax liabilities are allocated to reportable segments.

An analysis of the Group's assets and liabilities by segments is as follows:

	As at 31 December 2017										
	Ports operation						Bonded logistics operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total		Other investments	Corporate function	Sub-total	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others							
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
ASSETS											
Segment assets (excluding interests in associates and joint ventures)	23,519	2,988	1,008	11,407	23,095	62,017	2,756	8,191	5,871	14,062	78,835
Interests in associates	2,987	24,555	3,814	286	6,727	38,369	395	4,550	—	4,550	43,314
Interests in joint ventures	3	944	2,926	2,804	3,043	9,720	—	30	—	30	9,750
Total segment assets	26,509	28,487	7,748	14,497	32,865	110,106	3,151	12,771	5,871	18,642	131,899
Taxation recoverable											1
Deferred tax assets											51
Total assets											131,951
LIABILITIES											
Segment liabilities	(3,279)	—	(37)	(2,536)	(11,915)	(17,767)	(1,126)	(1,203)	(19,314)	(20,517)	(39,410)
Taxation payable											(262)
Deferred tax liabilities											(2,638)
Total liabilities											(42,310)

An analysis of the Group's assets and liabilities by segments is as follows: (continued)

	As at 31 December 2016 (restated)											
	Ports operation						Bonded logistics operation	Port-related manufacturing operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total			Other investments	Corporate function	Sub-total	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others								
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
ASSETS												
Segment assets (excluding interests in associates and joint ventures)	21,647	3,311	751	3,084	11,156	39,949	2,499	–	7,394	1,290	8,684	51,132
Interests in associates	2,823	18,103	4,187	1	5,934	31,048	388	7,864	3,720	–	3,720	43,020
Interests in joint ventures	7	861	2,338	2,648	3,010	8,864	–	–	45	–	45	8,909
Total segment assets	24,477	22,275	7,276	5,733	20,100	79,861	2,887	7,864	11,159	1,290	12,449	103,061
Taxation recoverable												3
Deferred tax assets												49
Total assets												103,113
LIABILITIES												
Segment liabilities	(2,454)	–	(42)	(1,273)	(6,367)	(10,136)	(1,153)	–	(3,086)	(12,742)	(15,828)	(27,117)
Taxation payable												(285)
Deferred tax liabilities												(1,973)
Total liabilities												(29,375)

4 Other income and other gains, net

	2017	2016
	HK$'million	*HK$'million*
Dividend income from available-for-sale financial assets	85	111
Gain on deemed disposal of interest in an associate	3	6
Gain on disposal of an available-for-sale financial asset	307	512
(Loss)/gain on disposal of property, plant and equipment	(1)	3
Gain on disposal of a subsidiary	813	—
Increase in fair value of investment properties	247	594
Indemnification from related parties (Note)	—	442
Impairment loss of interest in an associate	(739)	—
Net exchange gains/(losses)	86	(204)
Others	69	97
	870	1,561

Note: Amount being the indemnification from the holding companies of a non-controlling shareholder of a subsidiary in connection with the operation of the relevant subsidiary.

5 Finance income and costs

	2017	2016
	HK$'million	*HK$'million*
Finance income from:		
Interest income from bank deposits	118	43
Others	17	17
	135	60
Interest expense on:		
Bank loans	(489)	(303)
Listed notes payable	(559)	(556)
Unlisted notes payable	(158)	(46)
Loans from:		
– non-controlling equity holders of subsidiaries	(21)	(19)
– a fellow subsidiary	(50)	—
– shareholders	(15)	(44)
– an associate	(3)	—
Others	(42)	(35)
Total borrowing costs incurred	(1,337)	(1,003)
Less: amount capitalised on qualifying assets (Note)	34	43
Finance costs	(1,303)	(960)
Finance costs, net	(1,168)	(900)

Note: Apart from the interest expenses incurred on borrowings specifically for the purposes of obtaining qualifying assets, those incurred from the general borrowing pool used for the purpose of obtaining qualifying assets are also capitalised in the consolidated statement of financial position. Capitalisation rate of 4.35% per annum (2016: 4.96% per annum) was applied, representing the weighted average rate of the costs of borrowings used to finance the qualifying assets.

6 Taxation

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year.

The Group's operations in Mainland China are subject to corporate income tax law of the People's Republic of China (the "**PRC**") ("**PRC corporate income tax**"). The standard PRC corporate income tax rate is 25%. Certain of the Group's subsidiaries are exempted from PRC corporate income tax in the first five profit making years and followed by a 50% reduction in PRC corporate income tax for the next five years thereafter, commencing from the earlier of the first profitable year after offsetting all unexpired tax losses carried forward from the previous years or 1 January 2008. Certain of the Group's subsidiaries enjoy the preferential tax rate of 15% upon the fulfilment of the criteria of the PRC tax laws. Further, 10% withholding income tax is generally imposed on dividends relating to any profits earned commencing from 2008 to foreign investors, while for some PRC entities held by companies incorporated in certain places, including Hong Kong and Singapore, preferential tax rate of 5% will be applied according to PRC tax regulations if such companies are the beneficial owner of over 25% of these PRC entities.

Taxation outside of Hong Kong and Mainland China 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. Certain of the Group's overseas subsidiaries are exempted from the corporate income tax in the relevant countries.

The amount of taxation charged to the consolidated statement of profit or loss represents:

	2017	**2016**
	HK$'million	*HK$'million*
Current taxation		
Hong Kong Profits Tax	3	2
PRC corporate income tax	309	492
Overseas profits tax	2	1
Withholding income tax	245	89
Deferred taxation		
Origination and reversal of temporary differences	185	207
Deferred taxation on PRC withholding income tax arising from change in tax rate (Note)	—	(314)
	744	477

Note: During the year ended 31 December 2016, the Group's shareholding in one of the Group's associates established in the PRC increased to over 25%, enabling the Group to enjoy the 5% preferential tax rate on its dividend receivable from the relevant associate one year following the shareholding herein be more than 25%, and, accordingly an amount of HK$314 million for deferred taxation provided in previous year was reversed for the year ended 31 December 2016 for the Group's share of earnings of this investment which payment is yet to be declared.

7 Profit for the year

	2017	2016
	HK$'million	*HK$'million*
Profit for the year has been arrived at after charging:		
Staff costs (including Directors' emoluments)	1,675	1,558
Depreciation of property, plant and equipment	1,197	1,122
Amortisation of intangible assets and land use rights	360	316
Auditor's remuneration (including fees for non-audit services)	17	20
Operating lease rentals in respect of		
– land and buildings	246	220
– plant and machinery	37	32

8 Dividends

	2017	2016
	HK$'million	*HK$'million*
Interim, paid, of 22 HK cents (2016: 22 HK cents) per ordinary share	698	575
Special interim dividend, paid, of 135 HK cents (2016: nil) per ordinary share	4,282	—
Final, proposed, of 59 HK cents (2016: 65 HK cents) per ordinary share	1,934	1,707
	6,914	2,282

At a meeting held on 29 March 2018, the Board proposed a final dividend of 59 HK cents per ordinary share, which will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to shareholders to elect to receive such final dividend (or part thereof) in cash in lieu of such allotment. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements.

The amount of proposed final dividend for 2017 was based on 3,277,619,310 (2016: 2,625,735,562) shares in issue as at 29 March 2018.

9 Earnings per share

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	2017	2016
Basic		
Profit attributable to equity holders of the Company (HK$'million)	6,028	5,494
Weighted average number of ordinary shares in issue (Note (a))	3,277,619,310	3,129,068,494
Basic earnings per share (HK cents)	183.90	175.58
Diluted		
Profit attributable to equity holders of the Company (HK$'million)	6,028	5,494
Weighted average number of ordinary shares in issue (Note (a))	3,277,619,310	3,129,068,494
Effect of dilutive potential ordinary shares:		
Adjustment for share options (Note (b))	—	499
Weighted average number of ordinary shares for diluted earnings per share	3,277,619,310	3,129,068,993
Diluted earnings per share (HK cents)	183.90	175.58

Notes:

(a) The weighted average number of ordinary shares in issue for the purposes of basic and diluted earnings per shares included (i) the ordinary shares of the Company in issue during the year and (ii) the ordinary shares issued upon conversion of the Mandatory Convertible Securities ("MCS") from the issue date as the MCS are mandatorily convertible instruments.

The directors are of the opinion, based on the best information available thereto, including the terms of the MCS and the identities of its holders, that the MCS are substantially the same as ordinary shares of the Company, and accordingly, the MCS before and after its conversion to ordinary shares have been taken into account in the calculation of the basic and diluted earnings per share above.

(b) Adjustment represented the additional number of ordinary shares in issue on the assumption of exercise of all outstanding share options except for those with exercise price higher than the average market price of the Company's shares for the year ended 31 December 2016. Calculation to determine the number of shares that could had been acquired at fair value (determined as the average annual market share price of the Company's shares during the year) was based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options. All outstanding share options had expired in 2016 and there was no outstanding share option in the current year.

10 Debtors, deposits and prepayments

Debtors, deposits and prepayments balance includes trade debtors of HK$1,042 million (2016: HK$810 million).

The Group has a credit policy of allowing an average credit period of 90 days (2016: 90 days) to its trade customers. The ageing analysis of trade debtors, based on the invoice date, net of provision for impairment of trade debtors, is as follows:

	2017	**2016**
	HK$'million	*HK$'million*
0 - 90 days	862	742
91 - 180 days	149	47
181 - 365 days	23	17
Over 365 days	8	4
	1,042	810

11 Creditors and accruals

Creditors and accruals balance includes trade creditors of HK$397 million (2016: HK$275 million). The ageing analysis of the trade creditors, based on invoice date, is as follows:

	2017	**2016**
	HK$'million	*HK$'million*
0 - 90 days	246	199
91 - 180 days	24	9
181 - 365 days	43	7
Over 365 days	84	60
	397	275

PROPOSED FINAL DIVIDEND AND SCRIP DIVIDEND SCHEME

The Directors have resolved to recommend the payment of a final scrip dividend of 59 HK cents per share, totalling HK$1,934 million for the year ended 31 December 2017 by way of an issue of new shares with an alternative to the shareholders of the Company (the "**Shareholders**") to elect to receive the final dividend (or part thereof) in cash in lieu of such allotment (2016: scrip dividend of 65 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 17 July 2018 to Shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 8 June 2018 (the "**Scrip Dividend Scheme**").

Subject to the approval by the Shareholders at the annual general meeting of the Company (the "**AGM**") to be held on 1 June 2018, a circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to shareholders on or around 13 June 2018. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") of the listing of and permission to deal in the new shares to be issued pursuant thereto. It is expected that the final dividend warrants and certificates for the new shares will be despatched to Shareholders on or around 17 July 2018.

CLOSURE OF REGISTER

To ascertain Shareholders' entitlement to attend and vote at the AGM, the Register of Members will be closed from 25 May 2018 to 1 June 2018 (both days inclusive), during which no transfer of shares will be registered. In order to qualify to attend and vote at the AGM, all transfers and the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on 24 May 2018.

Subject to the approval of the Shareholders at the AGM, the proposed final dividend will be despatched to Shareholders whose names appear on the Register of Members after the close of business at 4:30 p.m. on Friday, 8 June 2018. In order to qualify for the proposed final dividend, all transfers and the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at the above address not later than 4:30 p.m. on Friday, 8 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

General overview

In 2017, the global economy entered into a relatively strong recovery trajectory. Since mid-2016, driven by cyclical factors, plus enhancement of internal production growth momentum, improvement of environment in financial sector and continuous recovery of market demand, the trend of cyclical upswing in 2017 continued to strengthen, and about 120 economies, accounting for three quarters of the global Gross Domestic Product ("**GDP**"), have seen a pickup in growth in year-on-year terms, which was the broadest synchronised upsurge of global growth since 2010. The growth rates of developed economies, notably in Germany, Japan, Korea and the United States, and major emerging markets and developing economies, including Brazil, China and South Africa, were generally higher than expected. Supported by investment sentiment rebound, appetite among developed economies, and the growth of manufacturing output in Asia, global trade witnessed a strong growth in 2017. According to the "World Economic Outlook" report published by the International Monetary Fund ("**IMF**") on 19 January 2018, the global economic growth rate of 2017 was expected to be 3.7%, up 0.5 percentage point as compared to that of 2016, within which developed economies grew at 2.3%, up 0.6 percentage point as compared to that of 2016; and emerging markets and developing economies were projected at 4.7%, up 0.3 percentage point as compared to that of 2016. Total global trade volume (including goods and services) was predicted to grow by 4.7%, representing an increase of 2.2 percentage points as compared to that of 2016.

In 2017, China's GDP growth was 6.9%, higher than expected target of 6.5%. The Chinese government has made efforts to promote supply-side structural reform, persisted in innovation and improved macroeconomic regulation and control, and vigorously fostered the development of innovative industries. China's economy had shifted from the phase of high-speed growth to high-quality development, the leading role of innovation has been further strengthened, and consumption structure and industrial structure have accelerated the upgrades and development. Amid the overall global trade growth, China's total foreign trade import and export value amounted to US$4.10 trillion in 2017, representing a year-on-year increase of 11.4%, among which the total export value was US$2.26 trillion, indicating a 7.9% year-on-year increase, while total import value was US$1.84 trillion, reflecting a year-on-year increase of 15.9%.

Driven by the growth of global economy and trade, global ports business generally showed a recovering growth in 2017, while Chinese ports business growth also demonstrated a relatively high growth rate. Data published by the Ministry of Transport of China revealed that container throughput handled by Chinese ports of significant scale totalled 237 million TEUs in 2017, representing an increase of 8.3% year-on-year and an increase of 4.7 percentage points as compared to the growth rate of previous year.

In 2017, the Group's ports handled a total container throughput of 102.90 million TEUs, grew by 7.4% as compared with last year. Bulk cargo volume handled by the Group's ports was 507 million tonnes, representing an increase of 10.3% as compared with last year. As of 31 December 2017, profit attributable to equity holders of the Company amounted to HK$6,028 million, representing an increase of 9.7% over last year. Recurrent profit [Note 1] was HK$5,492 million, up by 19.9% as compared to last year. EBITDA[Note 2] derived from the Group's core ports operation amounted to HK$12,693 million, up by 10.0% as compared to last year, contributing 82.8% of the Group's total EBITDA.

Note 1 Profit attributable to equity holders of the Company net of non-recurrent gains after tax. Non-recurrent gains include: for 2017, gain on disposal of a subsidiary, gain on disposal of an available-for-sale financial asset, gain on deemed disposal of interest in an associate, impairment loss of interest in an associate and change in fair value of investment properties; while for 2016, gain on disposal of an available-for-sale financial asset, gain on deemed disposal of interest in an associate and change in fair value of investment properties.

Note 2 Earnings before net interest expenses, taxation, depreciation and amortisation but excluding unallocated income less expenses and profit attributable to non-controlling interests ("Defined Earnings") of the Company, its subsidiaries and its share of Defined Earnings of associates and joint ventures.

Business review

Ports operation

In 2017, the Group's ports handled a total container throughput of 102.90 million TEUs, up by 7.4% year-on-year, among which the Group's ports in Mainland China contributed container throughput of 77.12 million TEUs, indicating an increase of 7.2% year-on-year, which was mainly driven by steady recovery of the Mainland China's economy and improvement of import and export trade. The Group's operations in Hong Kong and Taiwan contributed an aggregate container throughput of 7.48 million TEUs, representing a growth of 8.8% over last year. Benefitted from the rapid growth of the ports operation of Colombo International Container Terminals Limited ("**CICT**") in Sri Lanka, Lomé Container Terminal S.A. ("**LCT**") in Togo and Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi ("**Kumport**") in Turkey, a total container throughput handled by the Group's overseas ports grew by 7.9% year-on-year to 18.30 million TEUs. Bulk cargo volume handled by the Group's ports increased by 10.3% year-on-year to 507 million tonnes, within which the Group's ports in Mainland China handled a total bulk cargo volume of 502 million tonnes, representing an increase of 10.7% year-on-year.

<u>Pearl River Delta region</u>

In the Pearl River Delta region, the Group's terminals in West Shenzhen Port Zone handled a container throughput of 11.18 million TEUs, up by 2.0% year-on-year, of which international container throughput totalled 10.31 million TEUs, up by 1.9% year-on-year. Chu Kong River Trade Terminal Co., Ltd. handled a total container throughput of 1.35 million TEUs, down by 2.6% year-on-year. Bulk cargo volume handled by the West Shenzhen Port Zone amounted to 21.80 million tonnes, up by 14.7% year-on-year, mainly driven by recovering growth of grain business. Dongguan Machong Terminal, aided by further release of production capacity, handled bulk cargo volume of 12.80 million tonnes during the year, representing an increase of 4.5% year-on-year. The overall container throughput handled by ports in Hong Kong increased by 4.8% year-on-year, of which the container throughput handled by the ports in Kwai Tsing area increased by 6.8% year-on-year. Modern Terminals Limited and China Merchants Container Services Limited delivered an aggregate container throughput of 5.79 million TEUs, up by 12.4% year-on-year, which outperformed the overall growth of Hong Kong.

Yangtze River Delta region

Shanghai International Port (Group) Co., Ltd. ("**SIPG**") handled a container throughput of 40.23 million TEUs, up by 8.3% year-on-year. Bulk cargo volume handled during the year increased by 11.4% year-on-year to 164 million tonnes, which was mainly driven by the increase in import and export volume benefitted from recovery of trade and the increase in number of shipping routes due to reorganisation of shipping alliances. Ningbo Daxie China Merchants International Terminals Co., Ltd. handled a container throughput of 3.01 million TEUs, representing an increase of 13.4% year-on-year, which was mainly benefitted from the adjustment of certain shipping routes.

Bohai Rim region

Dalian Port (PDA) Company Limited handled a container throughput of 10.75 million TEUs, representing an increase of 11.2% year-on-year, and handled bulk cargo volume of 130 million tonnes, representing an increase of 20.8% year-on-year. Qingdao Qianwan United Container Terminal Co., Ltd. handled a container throughput of 6.24 million TEUs, representing a decrease of 4.1% year-on-year. Qingdao Qianwan West Port United Terminal Co., Ltd. handled bulk cargo volume of 13.12 million tonnes, representing a decrease of 11.2% year-on-year, mainly affected by reduction of bulk cargo business. Qingdao Port Dongjiakou Ore Terminal Co., Ltd. handled bulk cargo volume of 55.36 million tonnes, indicating a decrease of 2.8% year-on-year. Tianjin Five Continents International Container Terminals Co., Ltd. handled a total container throughput of 2.63 million TEUs, indicating an increase of 2.3% year-on-year.

South-East region of Mainland China

Zhangzhou China Merchants Port Co., Ltd. ("**ZCMP**"), located in Xiamen Bay Economic Zone, handled a container throughput of 0.40 million TEUs, increased by 19.0% year-on-year, which was mainly benefitted from the increase in domestic shipping routes. With the recovery of wood processing and aquaculture industries in the hinterland of ZCMP, bulk cargo volume handled by ZCMP amounted to 10.43 million tonnes, up by 5.3% year-on-year. In August

2017, the Group completed the capital injection in Shantou China Merchants Port Group Co., Ltd. ("**Shantou Port**") which handled a container throughput of 0.37 million TEUs and bulk cargo volume of 3.22 million tonnes, for the period from August to December.

South-West region of Mainland China

Zhanjiang Port (Group) Co., Ltd. handled a total container throughput of 0.90 million TEUs, up by 24.3% year-on-year; and a total bulk cargo volume of 90.27 million tonnes, up by 6.1% year-on-year.

Taiwan

Kao Ming Container Terminal Corporation in Kaohsiung handled a total container throughput of 1.70 million TEUs, reflecting a slight decrease of 1.8% year-on-year.

Overseas operation

In 2017, a total container throughput handled by the Group's overseas operations increased by 7.9% year-on-year to 18.30 million TEUs, among which container throughput handled by CICT in Sri Lanka rose significantly by 18.5% year-on-year to 2.39 million TEUs. Container throughput handled by LCT in Togo increased significantly by 67.5% year-on-year to 0.89 million TEUs. Container throughput handled by Tin-Can Island Container Terminal Limited in Nigeria was 0.47 million TEUs, representing an increase of 14.0% year-on-year. Container throughput handled by Port de Djibouti S.A. in Djibouti amounted to 0.93 million TEUs, down by 6.0% year-on-year. Although Terminal Link SAS disposed its 20% equity interest in Xinhaida project in Xiamen at the beginning of the year, it handled a total container throughput of 12.56 million TEUs, up by 1.8% year-on-year. Container throughput handled by Kumport in Turkey increased by 59.8% year-on-year to 1.06 million TEUs.

Strategic deployments in the ports operation

In 2017, moving towards its core vision of "to be a world's leading comprehensive port service provider", the Group proposed the operation philosophy of "enhancing capability, improving quality and efficiency, striving for self-improvement and integrating to achieve mutual benefits". The Group continued to strengthen its strategic management and control, and constantly optimised and refined its strategic planning and strategy research with a focus on strengthening the implementation of strategic operation and further enhancing the target management at all levels. It also stepped up its efforts in decomposition and evaluation of strategic performance indicators to highlight the weight attributable to evaluation of strategic planning and all-round control, thereby establishing a top-down system that can effectively break down tasks and allocate responsibilities. Meanwhile, the Group effectively facilitated strategy research on various aspects, including the comprehensive development model of "Port-Park-City", "Port-Shipping Integration", comprehensive port ecosystem, regional ports consolidation and Guangdong-Hong Kong-Macao Bay Area.

Regarding the development of its West Shenzhen homebase port, the Group proactively promoted resources consolidation and made steady progress in various fundamental works. As for the upgrade of hardware of West Shenzhen Port Zone, phase II of Tonggu Channel and Western Public Channel have commenced substantial construction, while the "Mawan smart ports" project has been officially launched. With respect to the optimisation of its cargo collection-distribution system, a cooperative agreement was signed for the complex port project. As for strengthening the intelligent management of its West Shenzhen homebase port, the "E-port" project has been making satisfactory progress. The construction of phase II was well underway, and the preliminary research on extending the "E-port" project to financial services has been carried out in an orderly manner. The development of the "Comprehensive Service Platform", which aims at improving and enhancing the environment for the customs clearance service in the bonded logistics park, has been officially established and progressing in an orderly manner. The construction of "EDI" platform has also commenced, and deployment tests have been conducted on Tencent's cloud platform. Various payment methods including WeChat and Alipay have been introduced and launched officially on the online and offline platforms of "ePay". The Qianhai Sub-platform of International Trade "Single Window", which helps trade facilitation, was officially put into operation, and the acceptance inspections were conducted by the Ministry of Transport for the sea-rail intermodal transportations project.

As for overseas expansion, by seizing the development opportunities arising from the "Belt and Road" initiative promoted by China, the Group reviewed its development strategy for its overseas projects and that of key overseas regions with a view to optimising the layout of its overseas operation. On 24 May 2017, the Djibouti project Doraleh Multi-Purpose Port Phase I was put into operation and the work in relation to the transformation of old ports was commenced. On 4 September 2017, an equity acquisition agreement for the TCP Participações S.A. project in Paranaguá, Brazil was signed and the transaction was completed in February 2018. In December 2017, the Hambantota port project was officially delivered, which further pushed ahead the construction of the overseas homebase port in Sri Lanka. On 6 February 2018, the Company entered into an acquisition agreement in relation to acquisition of 50% interest of Port of Newcastle in Australia, which is the World's largest thermal coal export port. Upon completion, the Group's ports layout will achieve its coverage in six continents.

With respect to the Chinese port market, the Group continued to capture the opportunities arising from the ports consolidation in China, so as to optimise the structure of domestic ports resources and ports network. It has also designed a multi-beneficial cooperation model based on the port condition of different regions and resources available in various hinterlands. On 10 April 2017, the Group entered into a subscription agreement to acquire 60% equity interest in Shantou Port, which will further strengthen the Group's ports network in Southern China. On 5 February 2018, the Group entered into two share purchase agreements in relation to disposal of its approximately 34% equity interest of Shenzhen Chiwan Wharf Holdings Limited in order to honour its undertaking to resolve the completion issue.

With regard to innovative development, the Group promoted the "Internet + Port" business model in an innovative and orderly manner in 2017. The Group also formed a special working team for innovations to focus on promoting the establishment of a comprehensive port ecosystem on the foundation of ports operation, and enhanced the synergy and cooperation between the relevant involved parties in port business and strengthened its ability in creating values for customers through innovation of business models and cross-sector integration, which would facilitate its business expansion towards the high end of the ports value chain, thereby realising the transformation from a terminal operator to a comprehensive port service provider. Key projects included smart ports construction, which integrated port-related businesses such as customs, port and trade via "E-Port" unified customer service platform. It launched the global intelligent container project and built container cargo status analysis platform based on big data. The Group signed a batch of letter of intent for strategic cooperation on data, trade and technological innovation such as Yingkou port financing project and digital port project, in order to promote the implementation of port AI project and commence deep cooperation in the fields of port big data and intelligent hardware and software by focusing on the direction of "Smart Port". The Group has built a comprehensive port ecosystem and has developed a highly vertical ecosystem for port and port-related industries.

Bonded logistics operation

In 2017, the Group's bonded logistics business performed differently. The utilisation rate of the warehouses of China Merchants Bonded Logistics Co., Ltd. in Shenzhen increased to 88.5% year-on-year, gradually recovered from the impact of the change of customs policies. China Merchants International Terminal (Qingdao) Co., Ltd. made full use of its resources to develop self-operated business and the warehouse utilisation rate was 100%. Tianjin Haitian Bonded Logistics Co., Ltd., an associate of the Group, recorded an utilisation rate of 60.0% of its warehouses, representing a decrease attributable to the impact brought by the Tianjian Port Explosion and relevant customs policies in respect of cross-border e-commerce.

In 2017, the total cargo volume handled at the three major air cargo terminals in Hong Kong amounted to 4.33 million tonnes, representing an increase of 8.0% year-on-year. Asia Airfreight Terminal Company Limited, in which the Group has interest, handled a total cargo volume of 0.59 million tonnes, representing an increase of 0.8% year-on-year and a market share of 13.5%, down by 1.0 percentage point as compared with last year.

Financial review

For the year ended 31 December 2017, the Group's revenue[Note 3] recorded HK$43,484 million, representing a slight decrease of 1.7% over last year. During the year, revenue from the core ports operation increased by 9.6% over last year to HK$26,856 million, as a result of a rise in business volume. Profit attributable to equity holders of the Company amounted to HK$6,028 million, up 9.7% over last year, of which the Group completed the disposal of equity interest in China International Marine Containers (Group) Co., Ltd. ("**CIMC**") during the year and recognised disposal gain of approximately HK$813 million. Due to an impairment provision of HK$739 million for the investment in an associate with ports operation, profit attributable to equity holders of the Company derived from the core ports operation amounted to HK$5,551 million, basically flat with last year.

As at 31 December 2017, total assets of the Group increased by 28.0% from HK$103,113 million as at 31 December 2016 to HK$131,951 million, mainly due to completion of acquisition of Shantou Port and the Hambantota port project during the year. Net assets attributable to equity holders of the Company was HK$73,447 million as at 31 December 2017, representing an increase of 11.4% from that as at 31 December 2016, mainly resulted from the issue of shares under scrip dividend scheme and exchange differences from retranslation of foreign investments.

In general, the Group's ports operation continued to yield stable cash inflow. The Group's total net cash inflow from operating activities for the year ended 31 December 2017 was HK$5,757 million, an increase of 3.7% year on year. Due to an amount of HK$8,739 million received from disposal of CIMC during the year and the fact that capital expenditure on business acquisitions was slightly lower than that of last year, the Group has generated net cash inflow of HK$525 million from investment activities for the year ended 31 December 2017, as compared to a net cash outflow of HK$10,856 million in the last year. The Group's net cash outflow from financing activities amounted to HK$902 million for the year ended 31 December 2017, as compared to a net cash outflow of HK$1,143 million in the last year.

Note 3 Include revenue of the Company and its subsidiaries, and its share of revenue of associates and joint ventures.

Liquidity and treasury policies

As at 31 December 2017, the Group had approximately HK$9,247 million in cash, 30.2% of which was denominated in Hong Kong dollars, 10.3% in US dollars, 56.4% in Renminbi and 3.1% in other currencies.

The Group mainly derived its funding sources from its operating activities related to ports operation, bonded logistics operation and property investment, and investment returns received from associates and joint ventures, which amounted to HK$5,757 million in total.

During the year, the Group incurred capital expenditure amounted of HK$2,077 million while the Group adhered to a prudent financial policy and to maintain a sound financial position. In addition, as a significant portion of the Group's bank loans were medium - to long-term loans, the Group, supported by adequate undrawn bilateral facilities, does not anticipate any difficulty in refinancing its short-term loans while the pressure for repaying the short-term loans is limited.

Share capital and financial resources

As at 31 December 2017, the Company had 3,277,619,310 shares in issue. During the year, the Company issued 148,751,483 shares under the Company's scrip dividend scheme and 503,135,602 new shares upon conversion of the MCS. The market capitalisation of the Company was HK$67,027 million (based on the closing price) as at 29 December 2017, indicating a significant increase of 32.7% as compared to its market capitalisation of HK$50,519 million (based on the closing price) as at 30 December 2016.

As at 31 December 2017, the Group's net gearing ratio [Note 4] was approximately 21.5%.

Note 4 Net interest-bearing debts divided by total equity.

The financial statements of the Group's foreign investments are in Renminbi, Euro or United States dollars and any exchange difference so arising from retranslation of these financial statements have been dealt with in the reserve of the Group. The Group will keep monitoring market changes and explore on the use of forward exchange contracts, where deemed necessary, in order to hedge foreign exchange risk and to optimise its overall exposure to maintain foreign exchange risk at a manageable level.

During the year, the Company issued fixed-rate unlisted note maturing in 2022 for the amount of RMB2,500 million to finance the Group's working capital. A non-wholly-owned subsidiary of the Company issued fixed-rate unlisted note maturing in 2018 for the amount of RMB100 million to finance its working capital.

The Group had aggregate bank loans and listed notes payable of HK$16,571 million as at 31 December 2017 that contain customary cross default provisions.

As at 31 December 2017, the Group's outstanding interest bearing debts are analysed as below:

	2017	**2016**
	HK$'million	*HK$'million*
Floating-rate bank loans which are repayable as follows (Note):		
Within 1 year	1,045	2,225
Between 1 and 2 years	1,811	516
Between 2 and 5 years	5,242	2,455
More than 5 years	2,033	2,304
	10,131	7,500
Fixed-rate bank loans which are repayable as follows:		
Within 1 year	586	732
More than 5 years	30	28
	616	760

Note: All bank loans are unsecured except for HK$4,284 million (2016: HK$4,209 million).

	2017	2016
	HK$'million	*HK$'million*
Fixed-rate listed notes payable which are repayable:		
In 2018	1,562	1,546
In 2020	1,558	1,544
In 2022	3,877	3,839
In 2025	3,888	3,855
	10,885	10,784
Fixed-rate unlisted notes payable which are repayable:		
In 2017	—	1,962
In 2018	418	—
In 2019	358	334
In 2022	2,991	—
	3,767	2,296
Loans from the ultimate holding company		
Repayable within 1 year	—	336
Loans from an intermediate holding company which are repayable as follows:		
Within 1 year	120	63
Between 1 and 2 years	59	223
Between 2 and 5 years	—	56
	179	342

	2017	2016
	HK$'million	*HK$'million*
Loans from a fellow subsidiary		
Repayable within 1 year	2,261	—
Loan from an associate		
Repayable within 1 year	276	—
Loans from non-controlling equity holders of subsidiaries which are repayable as follows:		
Within 1 year	—	44
More than 5 years	445	372
	445	416

The interest bearing debts are denominated in the following currencies:

	Bank loans	Listed notes payable	Unlisted notes payable	Loans from an intermediate holding company	Loans from the ultimate holding company	Loans from a fellow subsidiary	Loan from an associate	Loans from non-controlling equity holders of subsidiaries	Total
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
As at 31 December 2017									
USD	2,200	10,885	—	—	—	—	276	—	13,361
RMB	6,583	—	3,767	179	—	2,261	—	—	12,790
EURO	1,964	—	—	—	—	—	—	445	2,409
	10,747	10,885	3,767	179	—	2,261	276	445	28,560
As at 31 December 2016									
USD	2,569	10,784	—	—	—	—	—	44	13,397
RMB	3,803	—	2,296	342	336	—	—	—	6,777
EURO	1,888	—	—	—	—	—	—	372	2,260
	8,260	10,784	2,296	342	336	—	—	416	22,434

Assets charge

As at 31 December 2017, bank loans of HK$120 million (2016: Nil) borrowed by subsidiaries of the Company were secured by property, plant and equipment with carrying value of HK$369 million (2016: Nil) and land use rights with carrying value of HK$197 million (2016: Nil). In addition, the entire shareholdings in two subsidiaries owned by the Company and its subsidiary were pledged to various banks for bank loans of HK$4,164 million (2016: HK$4,209 million).

Employees and remuneration

As at 31 December 2017, the Group employed 8,040 full time staff, of which 194 worked in Hong Kong, 6,811 worked in Mainland China, and the remaining 1,035 worked overseas. The remuneration paid by the Group for the year amounted to HK$1,675 million, representing 26.1% of the total operating expenses of the Group. The remuneration policy of the Group is reviewed every year and appropriate adjustments are made to an individual's remuneration with reference to the Group's performance, individual's performance, conditions of the human resources market and general economy.

The Group also provides internal training to its staff to enable them to achieve self-improvement and to enhance job-related skills. Moreover, the Group offers discretionary year-end bonus as a reward to its staff for their efforts and contribution to the Company. The Group also operates a share option scheme, under which qualified staff may exercise their options at an agreed price to subscribe for shares of the Company. The remuneration of directors has been determined with reference to individual's duties and responsibilities in the Company, experience and the prevailing market conditions.

The Group has at all times strived to maintain a good relationship with its employees and is committed to complying with the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to the occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees.

Corporate social responsibility

While striving to continuously improve its operating results and generate return for shareholders, the Group also places emphasis on its social responsibilities towards its employees, the community and the environment, by contributing to the evolution of our community in a healthier and more sustainable direction.

Aiming at "energy conservation and efficiency enhancement" with "technological innovations" as the means while fulfilling the corporate social responsibility of "conserving energy, reducing emission and carbon footprint, and protecting the environment", the Group has continued its efforts in promoting the building of low-carbon green port. The Group encouraged its ports to actively carry out energy conservation management and to reduce energy consumption and control emission of greenhouse gas, such as carbon dioxide, through special operation management model and research and development of innovative energy conservation and emission reduction technologies. The Group continued to develop new process and technologies such as "Upgrade of Automated Track Crane (軌道吊自動化改造)" and "Container Intelligent Positioning System (箱智能選位系統)". It also promoted and extended the application of successful cases such as "substitution of fuel-powered equipment with electricity-powered equipment (油改電)" and "shore-powered supply for vessels (船舶岸基供電)" at its ports so as to further expand the application of new energy conservation technologies and products with a view to establishing a new and modern container port zone that is green, efficient, eco-friendly and sustainable with the use of clean energy and green power.

The Group is committed to integrating its corporate core values into the community by participating actively in various community and charitable activities. In 2017, the Group's charitable activities adhered to the theme of "Shaping Blue Dreams Together (共鑄藍色夢想)", which concerns the ocean and humanities. The Group's South China Container Terminal once again organised the public welfare activity named "Shaping Blue Dreams Together - Summer Camp for Caring of Left-behind Children (共鑄藍色夢想 — 關愛留守兒童夏令營)", donated over RMB40 million to the Kashgar Prefecture of Xinjiang for the support of construction of a comprehensive bonded zone in Kashgar, and donated cash of RMB350,000 and emergency aid of batches of food to flooded areas in Sri Lanka; donated US$25,000 to earthquake-stricken areas in Hambantota, Sri Lanka to support local home reconstruction and fisheries recovery after disaster. It also continued to run the "Shaping Blue Dreams Together — C Blue Restore Sight Project (共鑄藍色夢想 — 招商局一帶一路光明行)", providing free surgeries for patients who were poor and suffered from eye diseases in Hambantota, Sri Lanka and the surrounding areas. During the year, the Group also organised the advanced-level port and shipping training programme named "Shaping Blue Dreams Together — C Blue Training Programme in the 21st Century (共鑄藍色夢想 — 21世紀海上絲綢之路優才計劃)". The programme adopted an education model that combines theoretical courses with researches and investigations, which can provide training for overseas trainees to acquire professional knowledge and enhance operational capability, at the same time promoting the economic development and social progress of countries along the "Belt and Road" on a continuous basis.

Future prospects

Looking into 2018, it is expected that the strong growth in 2017 will continue. The favourable global financial environment and the strong market sentiment will help to maintain the rapid growth of demand, especially the demand in investment, which will have a significant impact on the growth of economies with large export volume. It is expected that the tax reform and related fiscal stimulus measures in the United States will temporarily lift the growth rate of the United States and will have a positive spillover effect on the demand of the trade partners of the United States, especially Canada and Mexico during this period. IMF expected that the global economy will grow a 3.9% in 2018, up 0.2 percentage point as compared to that of 2017. In particular, the developed economies will grow at 2.3%, which will remain the same as compared to that of 2017; and the emerging markets and developing economies will grow at 4.9%, up 0.2 percentage point as compared to that of 2017. Global trade volume (including goods and services) will grow by 4.6%, down 0.1 percentage point as compared with that of 2017. However, IMF also indicated that there will still be downside risk in the medium term. A significant threat to growth is the tightening of global financing conditions from the current loose condition, both in the near future and afterwards. In terms of downside risks, the response of the investment from the United States to changes in tax policy is more modest than the benchmark and brings an accompanying reaction to the strong external demands for the major United States trading partners. If the financial conditions remain easy, potential financial vulnerabilities will accumulate, and the widening of external imbalances of some countries may increase the pressure on the inward-looking policies, coupled with non-economic factors such as political uncertainties, may bring obvious downside risk.

China's economy is expected to sustain a steady pace of growth. The forecast published by the IMF suggested that the Chinese economy will grow by 6.6% in 2018, down 0.2 percentage point as compared to that in 2017. The shift of China's economy from high speed growth stage to high quality development stage as well as the implementation of strategies such as deepening of the supply-side reform, "Belt and Road" initiative and collaboration over international production capacity will be further promoted, which are expected to have positive effect on the growth of trade and economies.

Driven by continued recovery of global economy and trade, demand in the shipping industry has picked up. The tax reduction policy of the United States will boost the export demand for container shipping with reasonable shrink of the supply side of dry bulk shipping, as such, the industry will continue to improve and the port industry will benefit from the overall recovery of shipping industry.

Based on the aforementioned analysis and considerations, in 2018, the Group will focus its work on "enhancing core capability, insisting on both quality and efficiency, capitalising on opportunities of this era and striving to become a world's leading enterprise" as the main direction. The Group will also, with "enhancing capability, improving quality and efficiency" as a pivot, push forward balanced development in terms of regions, businesses and stages, and continue to deepen, optimise, refine and strengthen the Group's strategies, thereby gradually realising its strategic goal of "to be a world's leading comprehensive port service provider" with its best endeavours.

Regarding the development of homebase port, the Group will dedicate efforts to promote construction of West Shenzhen homebase port ancillary facilities. The Group will focus on promoting the Tonggu Channel dredging and widening project and actively win over new routes from shipping alliance, especially striving to enable mega vessels to call at West Shenzhen Port Zone, while simultaneously completing the waterway dredging and widening project of the public channel and related waters at West Shenzhen Port Zone. The Group will strengthen the construction of a fully automated and intelligent port, with key projects including "E-port" Phase II and Phase III, "EDI" platform system, call centre, big data platform and visualised platform. By connecting the external customer service to the internal intelligent automated terminal operations and compounded by the use of various technologies such as LBS system, Internet of Things, big data, etc., the Group will construct an intelligent port. The Group will accelerate the application of innovative projects and implement innovative projects including "Container Storage Yard Operation Safety System" and "RTG Storage Capacity Control".

With respect to ports consolidation, by paying continuous attention to and seizing the opportunities arising from the supply-side reform and the restructuring of regional ports, the Group will leverage on its own advantages in brand and resources of being the world's leading comprehensive port service provider to maintain the cooperation with major port groups along the coastal regions and fully leverage the positive role of domestic ports consolidation, with a view to enhancing synergies within the Group's domestic port network and its resources and thus further elevating the Group's influence in the domestic and foreign port market.

As for overseas expansion, led by projects and with projects as the entry point, the Group will establish and improve the regional market database for the East Africa, West Africa and South Asia. The Group will conduct studies on the overseas network along the "East-West route, South-North route, regions along Belt and Road Initiatives" with a view to continuously optimising expansion strategies and implementation routes for overseas projects and improving the security system for providing support to business. The Group will pursue business transformation from the single core business of port loading and unloading to comprehensive business development by promoting the development model of "Port-Park-City". It will also consolidate resources and seize opportunities to promote comprehensive regional development and construction with a focus on ports operations in an effort to promoting collaboration between logistics parks and adjacent ports, thereby enhancing the comprehensive servicing capability of its ports and promoting the market development on a global scale.

With regards to innovative development, the Group will promote the construction of fully automated port projects and play a leading role in the industry in the field of core business technology. The Group will persist in taking the core business as the foundation and selectively expand cross-sector industries in order to promote gradual establishment of the comprehensive port ecosystem. The Group will promote technological innovation while at the same time continuing to take follow-up actions on "RTG remote control", digital port and other technology innovation projects and continue to explore more room for cooperation in innovation.

In 2018, although the global trade and economic growth will face potential adverse effects, such as the accumulation of financial vulnerability, inward-looking policy pressure, and political uncertainties, it is still highly possible to see steady growth and that the ports industry is on course to continue the recovery trend. In facing the opportunities and that challenges brought by the changing ports operation, the Group will, through clearly visualising the prevailing conditions and endeavouring to steadily progress, navigate its business operations and adjust operational strategies by following the strategic guidance. As always, the Group will endeavour to maximise shareholder value while enhancing profitability, thereby delivering better returns for its shareholders.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "**Audit Committee**") comprises all of the five independent non-executive directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial report matters including the review of the audited financial statements for the year ended 31 December 2017 and the 2017 annual results.

CORPORATE GOVERNANCE

The Board is committed to upholding a high standard of corporate governance practices and business ethics with the firm belief that they are essential for maintaining and promoting investors' confidence and maximising shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code during the year.

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code ("**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules which sets out the corporate governance principles and code provisions with which listed issuers are expected to follow and comply throughout the year ended 31 December 2017, except the following: -

In respect of Code Provision E.1.2 under the Corporate Governance Code, Mr. Li Xiaopeng, the then Chairman of the Board, did not attend the annual general meeting of the Company held on 2 June 2017 due to business trip. Mr.Hu Jianhua, the Vice Chairman took the chair of the annual general meeting according to the Company's Articles of Association.

In order to ensure effective communication with the shareholders, chairmen of the Audit, Remuneration and Nomination Committees and the external auditor were present at the annual general meeting of the Company held on 2 June 2017 to answer shareholders' questions.

The current practices of the Company will be reviewed and updated regularly to reflect as much as possible the latest best practices in corporate governance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company and its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities during the year.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2017 annual report will be despatched to Shareholders and published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cmport.com.hk in due course.

By order of the Board
China Merchants Port Holdings Company Limited
Fu Gangfeng
Chairman

Hong Kong, 29 March 2018

As at the date of this announcement, the Board comprises Mr. Fu Gangfeng, Mr. Hu Jianhua, Mr. Wang Hong, Mr. Su Jian, Mr. Bai Jingtao, Mr. Wang Zhixian, Mr. Zheng Shaoping and Ms. Shi Wei as executive directors; and Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Kwok Heem John, Mr. Li Ka Fai David and Mr. Bong Shu Ying Francis as independent non-executive directors.