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 109.06 million TEUs, up 6.0% (2017: 102.90 million TEUs)
- Throughput of bulk cargoes handled reached 502 million tonnes, down 1.0% (2017: 507 million tonnes)
- Revenue reached HK$10,160 million, up 16.9% (2017: HK$8,692 million)
- Profit attributable to equity holders of the Company amounted to HK$7,245 million, up 20.2% (2017: HK$6,028 million)
- Recurrent profit attributable to equity holders of the Company
  - √ HK$4,294 million, down 21.8% (2017: HK$5,492 million)
  - √ HK$5,716 million, down 4.9%, from ports operation (2017: HK$6,010 million)
- Basic earnings per share totaled 219.54 HK cents, up 19.4% (2017: 183.90 HK cents)
- Final dividend of 73 HK cents per share (2017: 59 HK cents per share)

2018 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 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**2018** *HK$'million*	**2017** *HK$'million*
Revenue	2	10,160	8,692
Cost of sales		(5,771)	(5,251)
Gross profit		4,389	3,441
Other income and other gains, net	4	3,391	870
Administrative expenses		(1,766)	(1,170)
Finance income	5	319	135
Finance costs	5	(1,909)	(1,303)
Finance costs, net	5	(1,590)	(1,168)
Share of profits less losses of			
Associates		4,323	5,087
Joint ventures		503	385
		4,826	5,472
Profit before taxation		9,250	7,445
Taxation	6	(1,295)	(744)
Profit for the year	7	7,955	6,701
Attributable to:			
Equity holders of the Company		7,245	6,028
Non-controlling interests		710	673
Profit for the year		7,955	6,701
Dividends	8	3,162	6,914
Earnings per share for profit attributable to equity holders of the Company	9		
Basic and diluted (HK cents)		219.54	183.90

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	HK$'million	*HK$'million*
Profit for the year	7,955	6,701
Other comprehensive (expense)/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	(3,808)	5,406
Release of reserves upon disposal of subsidiaries	(98)	(57)
Increase in fair value of available-for-sale financial assets, net of deferred taxation	—	530
Share of investment revaluation reserve of associates	—	448
Share of other reserve of a joint venture	(7)	—
Release of reserve upon disposal of an available-for-sale financial asset, net of deferred taxation	—	(276)
Items that will not be reclassified subsequently to profit or loss:		
Net actuarial (loss)/gain on defined benefit plans of subsidiaries	(24)	26
Increase in fair value of equity instruments at fair value through other comprehensive income ("FVTOCI"), net of deferred taxation	120	—
Share of other reserves of associates	(139)	(241)
Share of net actuarial gain on defined benefit plans of associates and joint ventures	1	89
Total other comprehensive (expense)/income for the year, net of tax	(3,955)	5,925
Total comprehensive income for the year	4,000	12,626
Total comprehensive income attributable to:		
Equity holders of the Company	3,653	11,090
Non-controlling interests	347	1,536
	4,000	12,626

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	**2018**	**2017**
		HK$'million	*HK$'million*
ASSETS			
Non-current assets			
Goodwill		7,922	3,628
Intangible assets		11,132	5,925
Property, plant and equipment		29,212	30,880
Investment properties		8,332	8,411
Land use rights		10,973	12,851
Interests in associates		45,821	43,314
Interests in joint ventures		11,959	9,750
Other financial assets		3,399	3,689
Other non-current assets		328	400
Deferred tax assets		60	51
		129,138	118,899
Current assets			
Inventories		108	99
Debtors, deposits and prepayments	10	3,377	3,705
Taxation recoverable		7	1
Cash and bank balances		7,175	9,247
		10,667	13,052
Non-current assets held for sale		132	—
		10,799	13,052
Total assets		139,937	131,951

	Note	2018	2017
		HK$'million	HK$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		39,070	38,207
Reserves		33,820	33,306
Proposed dividend	8	2,431	1,934
		75,321	73,447
Non-controlling interests		12,683	16,194
Total equity		88,004	89,641
LIABILITIES			
Non-current liabilities			
Bank and other borrowings		33,622	22,292
Other non-current liabilities		5,806	1,851
Deferred tax liabilities		3,354	2,638
		42,782	26,781
Current liabilities			
Creditors and accruals	11	3,684	8,999
Bank and other borrowings		5,234	6,268
Taxation payable		233	262
		9,151	15,529
Total liabilities		51,933	42,310
Total equity and liabilities		139,937	131,951
Net current assets/(liabilities)		1,648	(2,477)
Total assets less current liabilities		130,786	116,422

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, available-for-sale financial assets, financial assets at fair value through profit or loss ("**FVTPL**"), equity instruments at FVTOCI and financial liabilities at FVTPL 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 2018 and 2017 included in this preliminary announcement of annual results 2018 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 2017 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 2018 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 new and amendments to HKFRSs and an interpretation issued by the HKICPA. Except as disclosed below, the adoption of these new and amendments to HKFRSs and an interpretation has had no material effect on the amounts reported in or disclosures set out in this consolidated financial information.

Impacts and changes in accounting policies on application of HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Terminal handling charge, representing loading of cargos and containers on and off vessels at the Group's port terminals, stevedoring and the auxiliary services; and

- Warehousing services income, representing temporary storage of cargos and containers, customs clearance services and the auxiliary services

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The directors of the Company assessed that the application of HKFRS 15 has no material impact on the timing and amounts of revenue recognised.

Impacts and changes in accounting policies on application of HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities and (ii) expected credit losses for financial assets.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Other financial assets			Reserves	
	Available-for-sale financial assets	Financial assets at FVTPL required by HKFRS 9	Equity instruments at FVTOCI	Other reserves	Retained earnings
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
At 31 December 2017 - HKAS 39	3,689	N/A	N/A	6,978	28,262
Reclassification:					
From available-for-sale financial assets (Note)	(3,689)	3,557	132	—	—
Transfer from reserves	—	—	—	(1,935)	1,935
At 1 January 2018	—	3,557	132	5,043	30,197

Note:

Available-for-sale financial assets

From available-for-sale financial assets to equity instruments at FVTOCI

The Group elected to present in other comprehensive income for the fair value changes of its equity investments previously classified as available-for-sale financial assets amounting to HK$132 million as at 31 December 2017, and measured at fair value. These investments are not held for trading and not expected to be sold in the foreseeable future. The fair value changes relating to those investments previously carried at fair value continued to accumulate in other reserves. There is no material impact on current and deferred tax and non-controlling interests upon these changes.

From available-for-sale financial assets to financial assets at FVTPL

At the date of initial application of HKFRS 9, the Group's equity investments of HK$3,557 million were reclassified from available-for-sale financial assets to financial assets at FVTPL. The fair value changes relating to those investments previously carried at fair value were transferred from other reserves to opening retained earnings. There is no material impact on current and deferred tax and non-controlling interests upon these 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.

	2018	2017
	HK$'million	*HK$'million*
Terminal handling charge, representing loading of cargos and containers on and off vessels at the Group's port terminals, stevedoring and the auxiliary services	9,544	8,185
Warehousing services income, representing temporary storage of cargos and containers, customs clearance services and the auxiliary services	459	410
Revenue from contracts with customers	10,003	8,595
Gross rental income from investment properties (Note)	157	97
	10,160	8,692

Note: Direct operating expenses incurred for gross rental income from investment properties amounted to HK$68 million (2017: HK$54 million) during the year ended 31 December 2018.

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.

The Group's reportable segments of the ports operation are 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, during the year ended 31 December 2017 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.

During the current year, one customer has accounted for over 10% of the Group's total revenue amounting to HK$1,231 million (2017: no single customer accounted for over 10% of the Group's total revenue).

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**	
	2018	**2017**	**2018**	**2017**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
Mainland China, Hong Kong and Taiwan	6,530	6,952	82,562	83,813
Other locations	3,630	1,740	43,117	31,246
	10,160	8,692	125,679	115,059

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

	For the year ended 31 December 2018										
	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*
Revenue	4,945	—	83	886	3,630	9,544	459	157	—	157	10,160
Earnings/(losses) before finance costs, net, taxation and share of profits less losses of associates and joint ventures	6,139	(1,095)	(68)	52	1,158	6,186	109	413	(694)	(281)	6,014
Share of profits less losses of											
– Associates	146	3,061	134	17	562	3,920	21	382	—	382	4,323
– Joint ventures	—	122	233	(42)	190	503	—	—	—	—	503
	6,285	2,088	299	27	1,910	10,609	130	795	(694)	101	10,840
Finance costs, net	(4)	—	1	1	(373)	(375)	(37)	(46)	(1,132)	(1,178)	(1,590)
Taxation	(924)	(52)	(15)	(22)	(112)	(1,125)	(18)	(152)	—	(152)	(1,295)
Profit/(loss) for the year	5,357	2,036	285	6	1,425	9,109	75	597	(1,826)	(1,229)	(7,955)
Non-controlling interests	(371)	—	—	(50)	(280)	(701)	(9)	—	—	—	(710)
Profit/(loss) attributable to equity holders of the Company	4,986	2,036	285	(44)	1,145	8,408	66	597	(1,826)	(1,229)	7,245
Other information:											
Depreciation and amortisation	701	—	2	321	828	1,852	95	3	20	23	1,970
Capital expenditure	551	—	—	788	1,012	2,351	220	6	7	13	2,584

An analysis of the Group's segment revenue, 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 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*
Revenue	5,844	–	77	524	1,740	8,185	410	–	97	–	97	8,692
Earnings/(losses) before finance costs, net, taxation and share of profits less losses of associates and joint ventures	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

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 2018										
	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)	16,921	1,611	916	10,686	36,855	66,989	2,766	8,151	4,052	12,203	81,958
Interests in associates	2,545	25,775	3,657	269	6,879	39,125	384	6,312	–	6,312	45,821
Interests in joint ventures	3	931	2,844	2,631	5,516	11,925	5	29	–	29	11,959
Non-current assets held for sale	–	–	–	132	–	132	–	–	–	–	132
Total segment assets	19,469	28,317	7,417	13,718	49,250	118,171	3,155	14,492	4,052	18,544	139,870
Taxation recoverable											7
Deferred tax assets											60
Total assets											139,937
LIABILITIES											
Segment liabilities	(1,203)	–	(37)	(2,172)	(12,372)	(15,784)	(921)	(1,169)	(30,472)	(31,641)	(48,346)
Taxation payable											(233)
Deferred tax liabilities											(3,354)
Total liabilities											(51,933)

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

	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)

4 Other income and other gains, net

	2018	2017
	HK$'million	*HK$'million*
Dividend income from equity investments	54	85
Gain on deemed disposal of interest in an associate	—	3
Gain on disposal of an available-for-sale financial asset	—	307
Gain/(loss) on disposal of property, plant and equipment	15	(1)
Gain on disposal of a subsidiary	4,400	813
Increase in fair value of investment properties	376	247
Impairment loss of interest in an associate	—	(739)
Decrease in fair value of financial assets at FVTPL	(1,113)	—
Increase in fair value of financial liabilities at FVTPL	(149)	—
Net exchange (losses)/gains	(277)	86
Others	85	69
	3,391	870

5 Finance income and costs

	2018	2017
	HK$'million	*HK$'million*
Finance income from:		
Interest income from bank deposits	214	118
Interest income from advance to a joint venture	41	—
Interest income from amount due from a related party	61	8
Others	3	9
	319	135
Interest expense on:		
Bank loans	(748)	(489)
Listed notes payable	(842)	(559)
Unlisted notes payable	(185)	(158)
Loans from:		
– a non-controlling equity holder of a subsidiary	(20)	(21)
– a fellow subsidiary	(52)	(50)
– the ultimate holding company and an intermediate holding company	(5)	(15)
– an associate	(29)	(3)
Others	(73)	(42)
Total borrowing costs incurred	(1,954)	(1,337)
Less: amount capitalised on qualifying assets (Note)	45	34
Finance costs	(1,909)	(1,303)
Finance costs, net	(1,590)	(1,168)

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 5.97% per annum (2017: 4.35% 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% (2017: 16.5%) on the estimated assessable profit for the year.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime under The Inland Revenue (Amendments) (No. 7) Bill 2017 as insignificant to the consolidated financial statements.

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 enjoy the preferential tax rate of 15% upon the fulfilment of the criteria of the PRC tax laws or are exempted from PRC corporate income tax in the first three profit making years and followed by a 50% reduction in PRC corporate income tax for the next three years thereafter. 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:

	2018	2017
	HK$'million	*HK$'million*
Current taxation		
Hong Kong Profits Tax	3	3
PRC corporate income tax (Note)	906	309
Overseas profits tax	57	2
Withholding income tax	169	245
Deferred taxation		
Origination and reversal of temporary differences	160	185
	1,295	744

Note: Included in the amount for the current year is the PRC corporate income tax of HK$630 million levied on the Group for the gain on disposal of Shenzhen Chiwan Wharf Holdings Limited ("**Shenzhen Chiwan**") and its subsidiaries during the year.

7 Profit for the year

	2018	2017
	HK$'million	*HK$'million*
Profit for the year has been arrived at after charging:		
Staff costs (including Directors' emoluments)	1,932	1,675
Depreciation of property, plant and equipment	1,434	1,197
Amortisation of intangible assets and land use rights	536	360
Auditor's remuneration (including fees for non-audit services)	18	17
Operating lease rentals in respect of		
– land and buildings	203	246
– plant and machinery	34	37

8 Dividends

	2018	2017
	HK$'million	*HK$'million*
Interim, paid, of 22 HK cents (2017: 22 HK cents) per ordinary share	731	698
Special interim dividend for 2017, paid, of 135 HK cents per ordinary share	—	4,282
Final, proposed, of 73 HK cents (2017: 59 HK cents) per ordinary share	2,431	1,934
	3,162	6,914

At a meeting held on 29 March 2019, the Board proposed a final dividend of 73 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 the consolidated financial statements.

The amount of proposed final dividend for 2018 was based on 3,329,849,550 (2017: 3,277,619,310) shares in issue as at 29 March 2019.

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:

	2018	2017
Basic and diluted		
Profit attributable to equity holders of the Company (HK$'million)	7,245	6,028
Weighted average number of ordinary shares in issue (Note)	3,299,845,627	3,277,619,310
Basic and diluted earnings per share (HK cents)	219.54	183.90

Note:

The weighted average number of ordinary shares in issue for the purposes of basic and diluted earnings per share for the year ended 31 December 2018 and 2017 included the ordinary shares of the Company in issue during each year. The number for the year ended 31 December 2017 also included 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 for the year ended 31 December 2017.

10 Debtors, deposits and prepayments

Debtors, deposits and prepayments balance includes trade debtors of HK$1,011 million (2017: HK$1,042 million).

The Group has a credit policy of allowing an average credit period of 90 days (2017: 90 days) to its trade debtors. The ageing analysis of trade debtors, based on the invoice date, net of allowance for credit losses of trade debtors, is as follows:

	2018	**2017**
	HK$'million	*HK$'million*
0 - 90 days	938	862
91 - 180 days	48	149
181 - 365 days	15	23
Over 365 days	10	8
	1,011	1,042

11 Creditors and accruals

Creditors and accruals balance includes trade creditors of HK$396 million (2017: HK$397 million). The ageing analysis of the trade creditors, based on invoice date, is as follows:

	2018	**2017**
	HK$'million	*HK$'million*
0 - 90 days	296	246
91 - 180 days	19	24
181 - 365 days	10	43
Over 365 days	71	84
	396	397

PROPOSED FINAL DIVIDEND AND SCRIP DIVIDEND SCHEME

The Directors have resolved to recommend the payment of a final scrip dividend of 73 HK cents per share, totalling HK$2,431 million for the year ended 31 December 2018 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 (2017: scrip dividend of 59 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 18 July 2019 to Shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 11 June 2019 (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 3 June 2019, a circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to shareholders on or around 14 June 2019. 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 18 July 2019.

CLOSURE OF REGISTER

To ascertain Shareholders' entitlement to attend and vote at the AGM, the Register of Members will be closed from 27 May 2019 to 3 June 2019 (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 Friday, 24 May 2019.

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 Tuesday, 11 June 2019. 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 Tuesday, 11 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

General overview

In 2018, the global economy continued to grow at a moderate pace, but there were obvious divergences among different economies. The growth rates of major economies almost reached the peak, while certain emerging markets and countries were facing financial instability. Despite the increasing downside risks faced by the global economy, including the entrance of the last stage of U.S. economic expansion and the slowdown of recovery in Europe, the overall development in the Asia-Pacific region remained stable with only certain countries showing increased financial vulnerability. The major economies in Latin America showed lacklustre performance with decelerating recovery momentum, while Africa achieved a positive yet weakening economic growth. Currently, with the setback in the multilateral trading system and painstaking efforts of the World Trade Organisation for reforms, the landscape of international trade is restructuring and regional trade agreements has developed rapidly. According to the statistics set out in the "World Economic Outlook" update report published by the International Monetary Fund ("**IMF**") in January 2019, the global economic growth rate of 2018 was expected to be 3.7%, down by 0.1 percentage point as compared to 3.8% in 2017, among which, developed economies and emerging markets and developing economies grew at 2.3% and 4.6% respectively, both down by 0.1 percentage point as compared to those of 2017. Total global trade volume (including goods and services) was predicted to grow by 4.0%, representing a decrease of 1.3 percentage points as compared to that of 2017.

In 2018, China's GDP growth was 6.6%, representing a decrease of 0.2 percentage point over last year. Due to the tightened social credit as a result of the deleveraging policies and the deteriorated expectation arising from the continuous escalation of US-China trade frictions, there was increasing pressure for the growth of Chinese economy to slow down. Despite the complicated international environment, China insisted on the economic objective of pursuing progress while maintaining stability, and the overall economic development remained stable within a reasonable range. The Chinese economy has shifted from the phase of rapid growth to quality development with the driving force of innovation further increased and the upgrade and development of consumption and industry structures progressed at a faster pace. Amid the general growth of global trade, China's total foreign trade of import and export value amounted to US$4.62 trillion in 2018, representing a year-on-year increase of 12.6%, among which the export value was US$2.48 trillion, representing an increase of 9.9% year-on-year; while import value was US$2.14 trillion, representing an increase of 15.8% year-on-year.

Since the second quarter of 2018, affected by the escalating US-China trade frictions, the growth of global economy showed a declining trend from the peak and global trade weakened, resulting in a slowdown in the growth of seaborne freight volume of containers and global ports throughput in general. The growth of business volume of ports in China was also squeezed under the influence of the external environment and policies. According to the data published by National Bureau of Statistics of China, the container throughput handled by Chinese ports of significant scale totalled 250 million TEUs in 2018, representing an increase of 5.2% year-on-year and a decrease of 3.1 percentage points as compared to last year.

In 2018, the Group's ports handled a total container throughput of 109.06 million TEUs, representing a growth of 6.0% as compared with last year, and bulk cargo volume of 502 million tonnes, representing a decrease of 1.0% as compared with last year. As of 31 December 2018, the Group's revenue amounted to HK$10,160 million, representing an increase of 16.9% over last year. Profit attributable to equity holders of the Company amounted to HK$7,245 million, representing an increase of 20.2% over last year.

Business review

Ports operation

In 2018, the Group's ports handled a total container throughput of 109.06 million TEUs, up by 6.0% year-on-year, among which the Group's ports in Mainland China contributed container throughput of 80.73 million TEUs, indicating an increase of 4.7% year-on-year, which was mainly driven by the steady recovery of the economy and the growth of import and export in Mainland China. The Group's operations in Hong Kong and Taiwan contributed an aggregate container throughput of 7.67 million TEUs, representing a growth of 2.5% as compared with 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 12.9% year-on-year to 20.66 million TEUs. Bulk cargo volume handled by the Group's ports decreased by 1.0% year-on-year to 502 million tonnes, within which the Group's ports in Mainland China handled a total bulk cargo volume of 497 million tonnes, representing a decrease of 1.0% year-on-year.

Pearl River Delta region

In the Pearl River Delta region, the Group's terminals in West Shenzhen Port Zone handled a container throughput of 10.69 million TEUs, down by 4.4% year-on-year, of which international container throughput totalled 10.06 million TEUs, down by 2.4% year-on-year, which was mainly due to the disposal of the Group's entire equity interest in China Merchants Port Group Co., Ltd. (formerly known as Shenzhen Chiwan Wharf Holdings Limited) ("**Shenzhen Chiwan**") during the year. Chu Kong River Trade Terminal Co., Ltd. handled a total container throughput of 1.17 million TEUs, down by 13.3% year-on-year. Affected by the decrease in business volume as a result of the upgrade and transformation project of Shenzhen Haixing Harbour Development Co., Ltd. ("**Haixing Port**") and the disposal of equity interest in Shenzhen Chiwan, bulk cargo volume handled by the West Shenzhen Port Zone amounted to 13.62 million tonnes, down by 37.5% year-on-year, while Dongguan Machong Terminal handled bulk cargo volume of 5.48 million tonnes during the year, representing a decrease of 57.2% year-on-year. The overall container throughput handled by ports in Hong Kong decreased by 5.7% year-on-year, of which the container throughput handled by the ports in Kwai Tsing area decreased by 4.7% year-on-year. Modern Terminals Limited and China Merchants Container Services Limited delivered an aggregate container throughput of 5.93 million TEUs, up by 2.5% year-on-year, which outperformed the overall market of Hong Kong.

Yangtze River Delta region

Shanghai International Port (Group) Co., Ltd. ("**SIPG**") handled a container throughput of 42.01 million TEUs, up by 4.4% year-on-year, which was mainly driven by the increase in the number of shipping routes due to the reorganisation of shipping alliances, and the release of handling capacity since the commencement of operation of Yangshan Phase IV, SIPG's fully automated terminal, in December 2017. Bulk cargo volume handled during the year decreased by 8.3% year-on-year to 150 million tonnes, mainly attributed to the decrease in the amount of coal handled upon the adjustments on the structure of bulk cargo sources made by SIPG. Ningbo Daxie China Merchants International Terminals Co., Ltd. handled a container throughput of 3.16 million TEUs, representing an increase of 5.1% year-on-year, which was mainly benefitted from the adjustment of certain shipping routes.

Bohai Rim region

Dalian Port (PDA) Company Limited handled a total container throughput of 11.11 million TEUs and bulk cargo volume of 135 million tonnes, representing an increase of 3.3% and 4.3% year-on-year respectively. Qingdao Qianwan United Container Terminal Co., Ltd. handled a total container throughput of 6.93 million TEUs, representing an increase of 11.1% year-on-year. Qingdao Qianwan West Port United Terminal Co., Ltd. handled bulk cargo volume of 15.54 million tonnes, representing an increase of 18.4% year-on-year. Qingdao Port Dongjiakou Ore Terminal Co., Ltd. handled bulk cargo volume of 57.36 million tonnes, indicating an increase of 3.6% year-on-year. Tianjin Five Continents International Container Terminals Co., Ltd. handled a total container throughput of 2.72 million TEUs, representing an increase of 3.4% 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 0.46 million TEUs, increased by 13.9% year-on-year, which was mainly benefitted from the increase in domestic shipping routes. With the recovery of the production activities of wood processing and iron ore sand industries in the hinterland of ZCMP, bulk cargo volume handled by ZCMP amounted to 14.32 million tonnes, up by 37.4% year-on-year. Shantou China Merchants Port Group Co., Ltd., in which the capital injection was completed in August 2017, handled a container throughput of 1.29 million TEUs and bulk cargo volume of 9.23 million tonnes.

South-West region of Mainland China

Zhanjiang Port (Group) Co., Ltd. handled a total container throughput of 0.98 million TEUs, up by 9.7% year-on-year; and a total bulk cargo volume of 91.87 million tonnes, up by 1.8% year-on-year.

Taiwan

Kao Ming Container Terminal Corporation in Kaohsiung handled a total container throughput of 1.75 million TEUs, representing an increase of 2.8% year-on-year.

Overseas operation

In 2018, a total container throughput handled by the Group's overseas operations increased by 12.9% year-on-year to 20.66 million TEUs, among which container throughput handled by CICT in Sri Lanka rose by 12.0% year-on-year to 2.68 million TEUs. Container throughput handled by LCT in Togo increased by 18.3% year-on-year to 1.05 million TEUs. Container throughput handled by Tin-Can Island Container Terminal Limited in Nigeria was 0.48 million TEUs, representing an increase of 2.4% year-on-year. Container throughput handled by Port de Djibouti S.A. in Djibouti amounted to 0.86 million TEUs, down by 7.5% year-on-year, mainly attributed to the decrease in transhipment volume to Ethiopia. Terminal Link SAS, which acquired Thessaloniki Port Authority SA in Greece at the beginning of the year, handled container throughput of 13.64 million TEUs, representing an increase of 8.6% year-on-year. Container throughput handled by Kumport in Turkey increased by 18.3% year-on-year to 1.26 million TEUs. TCP Participações S.A. ("**TCP**") in Brazil, the transaction of which was officially completed in February 2018, contributed a container throughput of 0.69 million TEUs from March to December.

Strategic deployments in the ports operation

In 2018, moving towards its core vision of "to be a world's leading comprehensive port service provider", the Group has adhered to the working philosophy of "enhancing core capability, insisting on both quality and efficiency, capitalising on opportunities of this era and striving to become a world's leading enterprise". Driven by its strategies, the Group achieved key breakthroughs in the development of homebase port, port consolidation, overseas expansion, comprehensive development and business innovation over the past year and at the same time actively implemented key tasks, maintaining steady growth in the core business and operating results of the Group's ports.

Regarding the development of its homebase ports, the Group proactively promoted resources consolidation and made steady progress in various fundamental works. Tonggu Channel project in West Shenzhen Port Zone was completed and successfully served mega vessels of 200,000 deadweight tonnage. Moreover, the transformation project of Haixing Port progressed as scheduled, while the construction plan of smart port has been proved and already entered into the implementation stage. With the idea of "achieving strong synergies under a large logistics scope", the Group has facilitated the cooperation between West Shenzhen Port Zone and river terminals in Pearl River Delta, which achieved preliminary results.

In terms of port consolidation, through the strategic restructuring, the Group has established a strategic layout with a focus on "developing in Guangdong-Hong Kong-Macao Greater Bay Area, connecting regions along the Belt and Road with a broad global network coverage", which served as the development and management platform for the overseas ports of China Merchants Group.

As for overseas expansion, by seizing the opportunities arising from the Belt and Road Initiative and international industries migration, the Group has successfully grasped the investment opportunities in ports, logistics and related infrastructure, and further improved its global port network. With respect to the expansion of overseas ports network, the Group completed the acquisitions of TCP in Brazil, South America and Port of Newcastle in Australia, Oceania in 2018, realising its full coverage on six continents and further optimising its global port network.

In terms of comprehensive development, the Group has also taken a major step forward in the implementation of the "Port-Park-City" model. Djibouti International Free Trade Zone was officially opened in July 2018 and received positive responses. While pursuing the development planning of the Hambantota port project in Sri Lanka, Hambantota port actively developed the wheeled and bulk cargo business, which achieved results exceeding expectation.

With regard to innovative development, the Group pushed forward the "digitalisation strategy" and explored the construction of port ecosystem in the direction of "bringing influence through technology innovation, facilitating expansion by business innovation, enhancing quality and efficiency by integration innovation, and seeking future development with mechanism innovation". In 2018, the Group completed the construction of "E-port" project, "RTG Remote Control" project and "PRD NETWORK" project in West Shenzhen Port Zone with the utilisation of digital port technology, automated terminal technology, application of artificial intelligence and application of big data analytics. On the basis of promoting the successful implementation of a series of projects, the Group initiated the preparation work to establish China Ports Venture Capital, coordinated with the influential domestic port groups to innovate integrated cooperation model and explore new technologies, models and mechanisms for developing port ecosystem, and thereby achieving collaboration and resource matching between various port groups and the invested industries.

Bonded logistics operation

In 2018, the Group's bonded logistics business continued to pursue the development direction of diverse integrated services business. On one hand, the Group put more efforts in marketing and enhanced the utilisation rate of resources at the existing warehouses and yards so as to response to market changes. The utilisation rate of the warehouses of China Merchants Bonded Logistics Co., Ltd. ("**CMBL**") in Shenzhen reached 98%, resulting from the active exploration of new clients and operating models. China Merchants International Terminal (Qingdao) Co., Ltd. made full use of its resources to develop self-operated business and the warehouse utilisation rate was 99%. Tianjin Haitian Bonded Logistics Co., Ltd., which is an associate of the Group, recorded an utilisation rate of 75% of its warehouses. On the other hand, the Group also actively expanded its overseas projects, striving to maintain a balanced business layout. The bonded warehouse in Djibouti, which was invested and constructed by the Group, will commence operation in the near term.

In 2018, the total cargo volume handled at the three major air cargo terminals in Hong Kong amounted to 4.33 million tonnes, flat with last year. Asia Airfreight Terminal Company Limited, which is an associate of the Group, handled a total cargo volume of 0.86 million tonnes, representing an increase of 45.9% year-on-year and a market share of 19.8%, increased by 6.3 percentage points as compared with last year.

FINANCIAL REVIEW

As of 31 December 2018, the Group's revenue recorded HK$10,160 million, representing an increase of 16.9% over last year as a result of the new acquisition projects and a rise in business volume. Profit attributable to equity holders of the Company amounted to HK$7,245 million, up 20.2% over last year, which included a gain of HK$3,733 million (net of tax) recognised from the disposal of the Group's equity interest in Shenzhen Chiwan during the year, but the fair value of financial assets at FVTPL, net of deferred tax, decreased approximately HK$1,008 million under new accounting standards for financial instrument.

As at 31 December 2018, total assets of the Group increased by 6.1% from HK$131,951 million as at 31 December 2017 to HK$139,937 million, which was mainly attributed to the completion of acquisition of TCP during the year. The Group issued fixed-rate listed notes of US$1,500 million during the year, resulted in an increase by 22.7% in the Group's total liabilities of HK$51,933 million as at 31 December 2018 from HK$42,310 million as at 31 December 2017. Net assets attributable to equity holders of the Company was HK$75,321 million as at 31 December 2018, representing a slight increase of 2.6% from that as at 31 December 2017.

The financial statements of the Group's foreign investments are in Renminbi, Euro, United States dollar or Brazilian Real 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.

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 2018 was HK$6,222 million, an increase of 8.2% year-on-year. As of 31 December 2018, due to the fact that capital expenditure on business acquisitions increased significantly as compared to last year, the Group has net cash outflow of HK$15,354 million from investment activities, as compared to a net cash inflow of HK$525 million last year. At the same time, the Group's net cash inflow from financing activities amounted to HK$5,349 million for the year ended 31 December 2018, as compared to a net cash outflow of HK$902 million last year.

LIQUIDITY AND TREASURY POLICIES

As at 31 December 2018, the Group had approximately HK$7,175 million in cash, 1.7% of which was denominated in Hong Kong dollars, 20.7% in United States dollars, 62.4% in Renminbi, 5.7% in Euro, 8.6% in Brazilian Real and 0.9% 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$6,222 million in total.

During the year, the Group incurred capital expenditure amounted to HK$2,584 million while the Group adopted 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-term to long-term loans, the Group, supported by adequate undrawn bilateral bank 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 2018, the Company had 3,329,849,550 shares in issue. The Company issued 52,230,240 shares under the Company's scrip dividend scheme during the year.

As at 31 December 2018, the Group's net gearing ratio [Note 1] was approximately 36.0%.

During the year, the Company issued fixed-rate unlisted note maturing in 2021 for the amount of RMB500 million, and a wholly-owned subsidiary of the Company issued two tranches of fixed-rate listed notes, including a US$900 million note maturing in 2023 and a US$600 million note maturing in 2028, to finance the Group's working capital.

The Group had aggregate bank loans and listed notes payable of HK$28,828 million as at 31 December 2018 that contained customary cross default provisions.

As at 31 December 2018, the Group's outstanding interest bearing debts are analysed as below:

	2018	**2017**
	HK$'million	*HK$'million*
Floating-rate bank loans which are repayable as follows (Note):		
Within 1 year	4,114	1,045
Between 1 and 2 years	2,347	1,811
Between 2 and 5 years	4,158	5,242
More than 5 years	1,216	2,033
	11,835	10,131
Fixed-rate bank loans which are repayable as follows:		
Within 1 year	364	586
Between 1 and 2 years	4	—
Between 2 and 5 years	48	—
More than 5 years	29	30
	445	616

Note: All bank loans are unsecured except for HK$3,646 million (2017: HK$4,284 million).

Note 1 Net interest-bearing debt divided by total equity.

	2018	2017
	HK$'million	*HK$'million*
Floating-rate listed notes payable which are repayable:		
In 2022	817	—
Fixed-rate listed notes payable which are repayable:		
In 2018	—	1,562
In 2020	1,563	1,558
In 2022	3,890	3,877
In 2023	6,992	—
In 2025	3,897	3,888
In 2028	4,637	—
	20,979	10,885
Fixed-rate unlisted notes payable which are repayable:		
In 2018	—	418
In 2019	—	358
In 2021	571	—
In 2022	2,853	2,991
	3,424	3,767
Loans from an intermediate holding company which are repayable as follows:		
Within 1 year	—	120
Between 1 and 2 years	—	59
	—	179

	2018	2017
	HK$'million	*HK$'million*
Loans from a fellow subsidiary which are repayable as follows:		
Within 1 year	480	2,261
Between 2 and 5 years	63	—
More than 5 years	91	—
	634	2,261
Loan from an associate		
Repayable within 1 year	276	276
Loan from a non-controlling equity holder of a subsidiary		
Repayable more than 5 years	446	445

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 a fellow subsidiary	Loan from an associate	Loan from a non-controlling equity holder of a subsidiary	Total
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
As at 31 December 2018								
HKD & USD	4,454	20,979	—	—	—	276	—	25,709
RMB	4,876	—	3,424	—	634	—	—	8,934
EURO	1,667	—	—	—	—	—	446	2,113
Brazilian Reals	1,283	817	—	—	—	—	—	2,100
	12,280	21,796	3,424	—	634	276	446	38,856
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

ASSETS CHARGE

As at 31 December 2018, bank loans of HK$217 million (2017: HK$120 million) borrowed by subsidiaries of the Company were secured by property, plant and equipment with carrying value of HK$413 million (2017: HK$369 million) and land use rights with carrying value of HK$184 million (2017: HK$197 million). In addition, the entire shareholdings in two subsidiaries owned by the Company and its subsidiaries were pledged to various banks for bank loans of HK$3,429 million (2017: HK$4,164 million).

EMPLOYEES AND REMUNERATION

As at 31 December 2018, the Group employed 9,149 full time staff, of which 232 worked in Hong Kong, 6,666 worked in Mainland China, and the remaining 2,251 worked overseas. The remuneration paid by the Group for the year amounted to HK$1,932 million, representing 25.6% 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 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 its community in a healthier and sustainable direction.

In 2018, 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 also promoted and extended the application of successful cases such as "Substitution of Fuel-Powered Equipment with Electricity-Powered Equipment (油改電)", "RTG Remote Control" project 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 actively participating in various community and charitable activities. In 2018, the Group organised various charitable activities with the theme of "Shaping Blue Dreams Together (共鑄藍色夢想)", which concerned the ocean and humanities. These activities included the donation of education and living materials that worthed US$21,000 to the poor local areas in Hambantota, Sri Lanka. Moreover, CMBL and other five subsidiaries of the Group 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)". The Group also continued to organise the advanced-level port and shipping training programme called "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)", which adopted an education model that combined theoretical courses with researches and investigations, providing training for overseas trainees to acquire professional knowledge and enhance operational capability, and thus at the same time promoting the economic development and social progress of countries along the Belt and Road Initiative on a continuous basis.

FUTURE PROSPECTS

Looking into 2019, the global economy faces the risk of growth deceleration after a strong recovery in the past two years. As more developed countries begin to slowly tighten their monetary policies, the global financial cycle will enter into a downward phase. At the same time, trade protectionism will lead to increasing trade frictions, while geopolitical factors will continue to affect the recovery of the global economy. The combined effect of the weakening marginal utility of stimulation policies and the sustained increase in interest rate will result in growing pressure on the debts and financial strengths of the United States. The European economies will continue to experience a slow recovery with the existing uncertainties from political risks. The growth trend of emerging markets will further diverge amid the slowdown of global economy, trade protectionism and geopolitical factors. IMF expects that the growth of global economy will drop to 3.5% in 2019, down 0.2 percentage point as compared to that of 2018. In particular, the developed economies will grow at 2.0%, down 0.3 percentage point as compared to that of 2018; and the emerging markets and developing economies will grow at 4.5%, down 0.1 percentage point as compared to that of 2018. Global trade volume (including goods and services) will grow by 4.0%, which will remain the same as compared with that of 2018. The Organisation for Economic Co-operation and Development believes that the global economy will maintain a healthy growth momentum in 2019, but the growth momentum has already reached its peak and will weaken gradually. Risks including trade protectionism, the tightening of the financial environment, geopolitical risks and volatility of financial markets are worthy of attention. Global trade frictions have suddenly intensified in 2018, and its negative effects will be further revealed in 2019. Developed economies are expected to resume to monetary policy normalisation in 2019, while the global financial environment and liquidity will be tightened accordingly, resulting in further downward movement in the financial cycle.

In 2019, the Chinese economy will face a more complicated situation. The Chinese economy has shifted from the phase of rapid growth to quality development, and the enhanced financial strength is expected to promote gradual stabilisation of infrastructure investment. Moreover, the reform of personal income tax will help stabilise consumption, while the continuous implementation of policies supporting private enterprises will restore confidence of corporates. Depreciation of RMB and the phased easing of US-China trade frictions will help buffer the decline in external demand to some extent, thereby posing a positive effect on economic and trade growth. According to the IMF's forecast, the Chinese economy is expected to grow at 6.2% in 2019, down 0.4 percentage point from 2018.

In 2019, the international container shipping market will still undergo recovery and adjustment, and the balance between supply and demand is expected to improve, but still faces great pressure of excess capacity. The freight rate of intra-region routes may be higher than that of the major routes. Moreover, the transpacific routes are affected by US-China trade frictions and hence the market has front-loaded large-scale transportation demand. Under the influence of the slowdown of European economies, the overall freight rate of the Asia-European routes are under pressure. As Southeast Asian economies have begun to undertake part of industries migration, the development of intra-Asia routes could become a brightspot in the future.

Based on the above analysis and judgment, in 2019, upholding the strategic principle of "leveraging on its long-term strategy, tapping the current edges, driving through technology and embracing changes", the Group will firmly adhere to the main theme of maintaining a steady growth and at the same time achieving improvement. It will take the "Project of Improving Quality and Efficiency" as a means to promote enhancement of both quality and efficiency. Key emphasis will be placed on system construction to strengthen risk prevention. The Group will also target to achieve high-quality development by accelerating technology-driven and innovation-oriented development, striving to "be a world's leading comprehensive port service provider".

Regarding the development of homebase port, the Group will take world-class leading port as its benchmark. The Group will push forward the dredging and deepening project of the channel in West Shenzhen Port Zone and the completion and acceptance of the Tonggu Channel project as soon as possible so as to offer protection to the mega vessels to call at West Shenzhen Port Zone. Meanwhile, the Group will strengthen the construction of intelligent port, facilitate the construction of "PRD NETWORK" platform, expand the network and data matching within the Pearl River Delta, enhance the transformation of the smart safety monitoring and on-shore smart container identification system in West Shenzhen Port Zone, and apply various technologies, such as LBS system, Internet of Things, big data, etc., to contribute to the construction of an intelligent port. In addition, the Group will accelerate the promotion of innovative applications and implement the results of innovation projects, including "System of Safety Protection and Operation Support for Container Gantry Cranes" and "RTG Remote Control", which will improve operational efficiency, reduce operating costs, strengthen trade facilitation and improve the overall competitiveness of the homebase port. The Group is committed to developing the CICT and Hambantota Port in Sri Lanka into regional leading ports, thereby promoting the development of the international shipping economy through its port operations. On one hand, CICT will continue to strengthen the development as the overseas strategic fulcrum of the Group, and leveraging on the construction of the international shipping centre in South Asia to establish a base of talents, knowledge and innovative initiatives in Sri Lanka. On the other hand, Hambantota Port will focus on regional strategic planning, strengthening resource utilisation and promoting implementation of port strategies, thereby maintaining a sustainable profitability.

As for overseas expansion, the Group aims at achieving world-class standard. By conducting in-depth study in overseas expansion, including clarifying the evaluation dimensions and principles for overseas port projects, as well as project priorities, the Group will conduct research regarding overseas network along the "East-West route, South-North route, regions along the Belt and Road Initiative". In addition, the Group strives to strengthen the research effort on various regional markets around the world, establish research databases, target fast-growing regions and focus on gateway ports so as to actively grasp the investment opportunities in overseas emerging markets. Moreover, based on the research of global port expansion strategy, the Group will continue to seek opportunities for gateway ports in mature market.

In respect of comprehensive development, the Group aims at establishing world-class standard by leveraging on the opportunities brought by the "China+" industries migration and stepping up efforts in promoting the "Port-Park-City" development model. Regarding the Djibouti comprehensive development project, the Group will continue to make efforts for the construction and development of the Djibouti International Free Trade Zone; while for the Togo comprehensive development project, the Group will actively push forward the relevant comprehensive development and cooperation projects. Regarding the Hambantota Port project, the Group will facilitate the preliminary work in relation to the induction of investment, while refining the proposed planning for the port's logistics park. Capitalising on the opportunities arising from the development of the Guangdong-Hong Kong-Macao Greater Bay Area, the Group will proactively push forward the restructuring project of its land located in the Qianhai-Shekou Free Trade Zone, and participate in the general development of the Qianhai-Shekou Free Trade Zone.

Regarding innovative development, the Group will strive to maintain its world-class status by continuing to enhance information technology development, upgrade and promote its core IT products, the "TOS" series. Taking "E-Port" as a pivot, the Group will step up the efforts in the establishment of a leading port platform for providing excellent customer services. The Group will further reinforce the unique role and fundamental position of technology-driven and innovation-oriented development, and create a leading port ecosystem for innovation. Capitalising on technological innovation, the Company will gradually achieve intelligent upgrading of its controlling terminals. The Group will learn from the experience of implementing "RTG Remote Control" project in an in-depth manner to formulate an implementation plan for "RTG Remote Control" with the Group's own features, so as to support the transformation of Haixing Port and intelligent upgrading of various terminals in the future.

Regarding operation management, the Group will work aggressively towards world-class level by formulating systematic implementation plan for the "Project of Improving Quality and Efficiency" in 2019, aiming at optimising the internal procedures and mechanisms. The Group will also enhance the operation and management level of the controlling terminals, realise the full coverage of all subsidiaries, and be committed in supervision, coordination and facilitation. The Group will optimise the overall management system to facilitate the operational compatibility between the mechanism and operation of projects. The Group will also enhance investment management standard, streamline the investment management relationship, update the systems and optimise operation processes.

With regard to marketing and commerce, the Group will benchmark with world-class standards by adhering to the client-oriented approach to strengthen external marketing and internal coordination, so as to intensify its efforts in the promotion and marketing of global commerce. Also, the Group will conduct market research for the new era, aiming to provide more professional market analysis for decision-making. By benchmarking with international port operators, the Group will continuously improve the working standard of marketing and commerce. Moreover, the Group will also enhance the communication with the shipping companies and promote further exploration of strategic alliances between terminals and shipping companies.

In 2019, despite the increasing downward pressure on the global economic and trade development and relevant risk factors encountered, the booming emerging markets will provide opportunities for port expansion and development. Moreover, the transformation of technology and techniques will also enhance the operational efficiency of the port. The Group will capture the opportunities of this era, enhance its core competencies as well as maintain its strategic strength. 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 2018 and the 2018 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, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the year.

The Board resolved to appoint Mr. Su Jian as Executive Director of the Company with effect from 12 October 2017 to fill a casual vacancy. However, Mr. Su Jain was not subject to re-election at the first general meeting of the Company after his appointment (being the extraordinary general meeting of the Company held on 19 March 2018) in accordance with Code Provision A.4.2 set out in the Corporate Governance Code (the "**Corporate Governance Code**') contained in Appendix 14 to the Listing Rules and was only subject to re-election at the annual general meeting of the Company held on 1 June 2018 (and Mr. Su Jian was re-elected as Executive Director of the Company by the shareholders of the Company at such general meeting). Save as disclosed, in the opinion of the Directors, the Company has complied with the rest of code provisions set out in the Corporate Governance Code throughout the year ended 31 December 2018.

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 1 June 2018 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 2018 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 2019

As at the date of this announcement, the Board comprises Mr. Fu Gangfeng, Mr. Su Jian, Mr. Xiong Xianliang, Mr. Bai Jingtao, Mr. Wang Zhixian and Mr. Zheng Shaoping 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.