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 111.72 million TEUs, up 2.4% (2018: 109.06 million TEUs)
- Throughput of bulk cargoes handled reached 449 million tonnes, down 10.5% (2018: 502 million tonnes)
- Profit attributable to equity holders of the Company amounted to HK$8,362 million, up 15.4% (2018: HK$7,245 million)
- Recurrent profit attributable to equity holders of the Company
  - √ HK$4,163 million, down 3.1% (2018: HK$4,294 million)
  - √ HK$5,594 million, down 2.1%, from ports operation (2018: HK$5,716 million)
- Basic earnings per share totaled 247.84 HK cents, up 12.9% (2018: 219.54 HK cents)

ANNOUNCEMENT OF 2019 UNAUDITED ANNUAL RESULTS

The board of directors (the "**Board**") of China Merchants Port Holdings Company Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019. For the reasons explained in the paragraph headed "Review of Unaudited Annual Results" in this announcement, the audit process for the annual results of the Group for the year ended 31 December 2019 has not been completed.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	**Unaudited 2019** *HK$'million*	**Audited 2018** *HK$'million*
Revenue	2	8,898	10,160
Cost of sales		(5,182)	(5,771)
Gross profit		3,716	4,389
Other income and other gains, net	4	6,948	3,391
Administrative expenses		(1,421)	(1,766)
Finance income	5	214	319
Finance costs	5	(1,996)	(1,909)
Finance costs, net	5	(1,782)	(1,590)
Share of profits less losses of			
Associates		3,764	4,323
Joint ventures		531	503
		4,295	4,826
Profit before taxation		11,756	9,250
Taxation	6	(2,518)	(1,295)
Profit for the year	7	9,238	7,955
Attributable to:			
Equity holders of the Company		8,362	7,245
Non-controlling interests		876	710
Profit for the year		9,238	7,955
Earnings per share for profit attributable to equity holders of the Company	8		
Basic (HK cents)		247.84	219.54

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Unaudited 2019 *HK$'million*	Audited 2018 *HK$'million*
Profit for the year	9,238	7,955
Other comprehensive expense		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	(3,402)	(3,808)
Release of reserves upon disposal of subsidiaries	—	(98)
Share of other reserve of a joint venture	(26)	(7)
Items that will not be reclassified subsequently to profit or loss:		
Net actuarial loss on defined benefit plans of subsidiaries	(3)	(24)
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	47	(139)
Share of net actuarial (loss)/gain on defined benefit plans of associates and joint ventures	(30)	1
Total other comprehensive expense for the year, net of tax	(3,414)	(3,955)
Total comprehensive income for the year	5,824	4,000
Total comprehensive income attributable to:		
Equity holders of the Company	5,248	3,653
Non-controlling interests	576	347
	5,824	4,000

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Unaudited 2019 HK$'million	Audited 2018 HK$'million
ASSETS			
Non-current assets			
Goodwill		6,931	7,922
Intangible assets		10,244	11,132
Property, plant and equipment		23,870	29,212
Right-of-use assets		15,435	—
Investment properties		8,246	8,332
Land use rights		—	10,973
Interests in associates		58,052	45,821
Interests in joint ventures		9,648	11,959
Other financial assets		2,668	3,399
Other non-current assets		1,218	328
Deferred tax assets		260	60
		136,572	129,138
Current assets			
Inventories		125	108
Other financial assets		905	—
Debtors, deposits and prepayments	9	3,435	3,377
Taxation recoverable		35	7
Cash and bank balances		7,800	7,175
		12,300	10,667
Non-current assets held for sale		210	132
		12,510	10,799
Total assets		149,082	139,937

	Note	Unaudited 2019 HK$'million	Audited 2018 HK$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		40,614	39,070
Reserves		39,169	36,251
		79,783	75,321
Non-controlling interests		14,351	12,683
Total equity		94,134	88,004
LIABILITIES			
Non-current liabilities			
Bank and other borrowings		29,419	33,622
Lease liabilities		918	—
Other non-current liabilities		5,421	5,806
Deferred tax liabilities		3,668	3,354
		39,426	42,782
Current liabilities			
Creditors and accruals	10	4,707	3,684
Bank and other borrowings		8,995	5,234
Lease liabilities		84	—
Taxation payable		1,736	233
		15,522	9,151
Total liabilities		54,948	51,933
Total equity and liabilities		149,082	139,937
Net current (liabilities)/assets		(3,012)	1,648
Total assets less current liabilities		133,560	130,786

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, 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 two years ended 31 December 2019 and 2018 included in the preliminary announcement of annual results for 2019 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 31 December 2018, is derived from those financial statements. Further information relating to these consolidated financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The financial statements for the year ended 31 December 2019 have yet to be reported on by the Company's auditor and will be delivered to the Companies Registry in due course. The Company has delivered the consolidated financial statements for the year ended 31 December 2018 to the Companies Registry as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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.

Impact and changes in accounting policies on application of HKFRS 16 "Leases"

The Group has adopted HKFRS 16 from 1 January 2019, which superseded Hong Kong Accounting Standard ("**HKAS**") 17 and the related interpretations.

In accordance with the transition provisions of HKFRS 16, the Group has adopted the modified retrospective application for existing leases at 1 January 2019 with certain transition reliefs, and under which comparative figures are not restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(iii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The carrying amount of right-of-use assets amounting to HK$18,064 million as at 1 January 2019 comprises land use rights of HK$10,973 million and right-of-use assets of HK$7,091 million relating to operating leases recognised upon application of HKFRS 16 and reclassified from property, plant and equipment. The Group recognised additional lease liabilities of HK$1,098 million at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.26%.

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.

	2019	**2018**
	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	8,243	9,544
Warehousing services income, representing temporary storage of cargos and containers, customs clearance services and the auxiliary services	467	459
Revenue from contracts with customers	8,710	10,003
Gross rental income from investment properties	188	157
	8,898	10,160

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 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 and joint ventures.

(iii) 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 (2018: one) customer has accounted for over 10% of the Group's total revenue amounting to HK$1,313 million (2018: HK$1,231 million).

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**	
	2019	**2018**	**2019**	**2018**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
Mainland China, Hong Kong and Taiwan	5,227	6,530	87,513	82,562
Other locations	3,671	3,630	46,131	43,117
	8,898	10,160	133,644	125,679

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 2019										
	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	3,654	—	74	844	3,671	8,243	467	188	—	188	8,898
Earnings/(losses) before finance costs, net, taxation and share of profits less losses of associates and joint ventures	6,075	216	414	1,121	1,520	9,346	161	202	(466)	(264)	9,243
Share of profits less losses of											
– Associates	135	2,748	179	26	380	3,468	26	270	—	270	3,764
– Joint ventures	1	137	215	3	185	541	1	(11)	—	(11)	531
	6,211	3,101	808	1,150	2,085	13,355	188	461	(466)	(5)	13,538
Finance costs, net	18	—	1	(29)	(351)	(361)	(31)	(41)	(1,349)	(1,390)	(1,782)
Taxation	(1,831)	(151)	(104)	(245)	(105)	(2,436)	(36)	(45)	(1)	(46)	(2,518)
Profit/(loss) for the year	4,398	2,950	705	876	1,629	10,558	121	375	(1,816)	(1,441)	9,238
Non-controlling interests	(174)	—	—	(207)	(456)	(837)	(33)	(6)	—	(6)	(876)
Profit/(loss) attributable to equity holders of the Company	4,224	2,950	705	669	1,173	9,721	88	369	(1,816)	(1,447)	8,362
Other information:											
Depreciation and amortisation	649	—	2	313	903	1,867	105	1	23	24	1,996
Capital expenditure	1,130	—	—	624	813	2,567	283	19	20	39	2,889

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 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

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 2019										
	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)	16,916	1,845	1,185	10,964	36,170	67,080	2,870	8,250	2,677	10,927	80,877
Interests in associates	2,446	27,141	3,970	2,848	6,951	43,356	852	13,844	–	13,844	58,052
Interests in joint ventures	4	953	2,816	341	5,511	9,625	6	17	–	17	9,648
Non-current assets held for sale	–	–	–	210	–	210	–	–	–	–	210
Total segment assets	19,366	29,939	7,971	14,363	48,632	120,271	3,728	22,111	2,677	24,788	148,787
Taxation recoverable											35
Deferred tax assets											260
Total assets											149,082
LIABILITIES											
Segment liabilities	(2,410)	–	(38)	(2,264)	(12,392)	(17,104)	(843)	(972)	(30,625)	(31,597)	(49,544)
Taxation payable											(1,736)
Deferred tax liabilities											(3,668)
Total liabilities											(54,948)

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

	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)

4 Other income and other gains, net

	2019	2018
	HK$'million	*HK$'million*
Dividend income from equity investments	122	54
Increase in fair value of investment properties	105	376
Gain on disposal of subsidiaries	—	4,400
Gain on disposal of land parcels at Qianhai (Note (a))	4,820	—
Gain on disposal of land parcels at Shantou (Note (b))	688	—
Gain on disposal of property, plant and equipment	17	15
Net exchange losses	(29)	(277)
Gain on deemed disposal of interest in a joint venture	440	—
Indemnification from related parties (Note (c))	554	—
Increase/(decrease) in fair value of financial assets at FVTPL	513	(1,113)
Increase in fair value of financial liabilities at FVTPL	(414)	(149)
Others	132	85
	6,948	3,391

Notes:

(a) During the year ended 31 December 2019, the Group and certain members of China Merchants Group Limited and its subsidiaries disposed of certain land parcels at Qianhai, Shenzhen, the People's Republic of China (the "**PRC**") to Shenzhen Qianhai Shenzhen-Hong Kong Modern Services Commission, an authority established by the government of the PRC. The consideration for the disposal of the land parcels (excluding a piece of land at Dachan Bay Port Phase II, Shenzhen, the PRC, to be received by the Group as part of the consideration) at Qianhai held by the Group is RMB5,693 million (equivalent to approximately HK$6,457 million), resulting in a gain on the disposal of HK$4,820 million.

(b) Certain property, plant and equipment and land use rights located at Shantou, Guangdong Province, the PRC recognised as non-current assets held for sale as at 31 December 2018 was disposed of to Shantou Land Reserve Center, an authority established by the government of the PRC. The consideration for the disposal of the related assets at Shantou held by the Group is RMB205 million (equivalent to approximately HK$232 million), resulting in a gain on the disposal of HK$78 million.

During the year ended 31 December 2019, a non-wholly-owned subsidiary disposed of certain land use rights classified under right-of-use assets and property, plant and equipment at Shantou, Guangdong Province, the PRC to Shantou Land Reserve Center. The consideration for disposal of the related assets at Shantou held by the Group is RMB771 million (equivalent to approximately HK$875 million), resulting in a gain on the disposal of HK$610 million.

(c) 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

	2019	2018
	HK$'million	*HK$'million*
Finance income from:		
Interest income from bank and other deposits	118	214
Interest income from advance to a joint venture	71	41
Interest income from amount due from a related party	21	61
Others	4	3
	214	319
Interest expense on:		
Bank loans	(598)	(748)
Listed notes payable	(1,118)	(842)
Unlisted notes payable	(142)	(185)
Loans from:		
– a non-controlling equity holder of a subsidiary	(20)	(20)
– a fellow subsidiary	(33)	(52)
– immediate holding company	(1)	—
– an intermediate holding company	—	(5)
– an associate	(8)	(29)
Lease liabilities	(54)	—
Others	(44)	(73)
Total borrowing costs incurred	(2,018)	(1,954)
Less: amount capitalised on qualifying assets (Note)	22	45
Finance costs	(1,996)	(1,909)
Finance costs, net	(1,782)	(1,590)

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 5.03% per annum (2018: 5.97% 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% (2018: 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 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. 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:

	2019	2018
	HK$'million	*HK$'million*
Current taxation		
Hong Kong Profits Tax	5	3
PRC corporate income tax (Note (a))	2,021	906
Overseas profits tax	51	57
Withholding income tax	164	169
Deferred taxation		
Origination and reversal of temporary differences (Note (b))	277	160
	2,518	1,295

Notes:

(a) Included in the amount for the year ended 31 December 2019 is the PRC corporate income tax of HK$1,409 million levied on the Group for the gain on disposal of land parcels at Qianhai. Further details are set out in note 4. Included in the amount for the year ended 31 December 2018 was the PRC corporate income tax of HK$630 million levies on the Group for the gain on disposal of subsidiaries during the prior financial year.

(b) Included in the amount for the year ended 31 December 2019 is the withholding income tax arising from the unremitted earnings of the subsidiaries incurring the gain on disposal of land parcels at Qianhai and deferred tax on unrealised gain on disposal of land parcals at Qianhai amounting to HK$130 million.

7 Profit for the year

	2019	2018
	HK$'million	*HK$'million*
Profit for the year has been arrived at after charging:		
Staff costs (including Directors' emoluments)	1,777	1,932
Depreciation of property, plant and equipment	1,243	1,434
Depreciation of right-of-use assets	482	N/A
Amortisation of intangible assets and land use rights	271	536
Auditor's remuneration (including fees for non-audit services)	15	18
Operating lease rentals in respect of		
– land and buildings	N/A	203
– plant and machinery	N/A	34

8 Earnings per share

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

	2019	2018
Basic		
Profit attributable to equity holders of the Company (HK$'million)	8,362	7,245
Weighted average number of ordinary shares in issue	3,374,097,013	3,299,845,627

No diluted earnings per share for both 2019 and 2018 were presented as there were no potential ordinary shares in issue for both 2019 and 2018.

9 Debtors, deposits and prepayments

Debtors, deposits and prepayments balance includes trade debtors of HK$918 million (2018: HK$1,011 million).

The Group has a credit policy of allowing an average credit period of 90 days (2018: 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:

	2019	**2018**
	HK$'million	*HK$'million*
0 - 90 days	852	938
91 - 180 days	42	48
181 - 365 days	14	15
Over 365 days	10	10
	918	1,011

10 Creditors and accruals

Creditors and accruals balance includes trade creditors of HK$338 million (2018: HK$396 million). The ageing analysis of the trade creditors, based on invoice date, is as follows:

	2019	**2018**
	HK$'million	*HK$'million*
0 - 90 days	280	296
91 - 180 days	14	19
181 - 365 days	6	10
Over 365 days	38	71
	338	396

PROPOSED FINAL DIVIDEND

For the reasons explained in the paragraph headed "Review of Unaudited Annual Results" in this announcement, the audit process for the annual results of the Group for the year ended 31 December 2019 has not been completed. The determination of the proposed final dividend for the year ended 31 December 2019 is pending subject to the audited annual results of the Group for the year ended 31 December 2019. Accordingly, details of the proposed final dividend will be further announced by the Company upon completion of the audit process.

CLOSURE OF REGISTER

To ascertain Shareholders' entitlement to attend and vote at the annual general meeting, the Register of Members will be closed from 9 June 2020 to 15 June 2020 (both days inclusive), during which no transfer of shares will be registered. In order to qualify to attend and vote at the annual general meeting, 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 Monday, 8 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

General overview

In 2019, the global economy sustained a slow growth in general with a weakened momentum in the manufacturing industry and global trade. Throughout the year, the market sentiment has been volatile due to various factors, including, among others, the tariffs further imposed by the US on the imported products from China and China's countermeasures, concerns over the disruption of technology supply chain, uncertainties brought by the prolonged Brexit process, geopolitical tensions and changes in interest rate policies of central banks worldwide. Developed and emerging market economies almost simultaneously adopted the quantitative easing monetary policies in order to reduce the downside risks on economic growth and restrain expectations on inflation. According to the "World Economic Outlook" update report published by the International Monetary Fund ("**IMF**") in January 2020, the global economic growth rate of 2019 was expected to be 2.9%, down by 0.7 percentage point as compared to 3.6% in 2018, among which, developed economies grew by 1.7% while emerging markets and developing economies grew by 3.7%, down by 0.5 percentage point and 0.8 percentage point as compared to those of 2018 respectively. Total global trade volume (including goods and services) grew by 1.0%, representing a decrease of 2.7 percentage points as compared to that of 2018.

Despite the complex and challenging environment inside and outside China, the Chinese economy maintained steady growth in 2019 with the annual GDP growth of 6.1%, representing a decrease of 0.5 percentage point over the previous year. China's economic growth is under the "new normal" of gradual deceleration, yet the long-term positive trend remained unchanged. Facing the new normal of the economy, China continued to deepen the supply-side structural reform and strengthen the countercyclical adjustments to achieve high-quality economic development. In 2019, the economic development witnessed many positive changes thanks to continuous optimisation and upgrade of economic structure, material results achieved on the optimisation and adjustment of industrial structure, significant benefits brought by tax cut and fee reduction policies, as well as steady implementation of control targets of "stabilising land prices, housing prices and market expectations" in the real estate market. Meanwhile, the economic growth continued to be exposed to the relatively significant downward pressure, as affected by unfavourable factors, such as escalating US-China trade frictions, stable but slowing industry development, lacklustre investment demand and unstable consumption demand. According to the statistics published by the General Administration of Customs of China, China's total foreign trade of import and export value amounted to US$4.58 trillion in 2019, representing a year-on-year decrease of 1.0%, among which the total export value was US$2.50 trillion, representing an increase of 0.5% year-on-year; while the total import value was US$2.08 trillion, representing a decrease of 2.8% year-on-year. The growth rates of China's import and export with countries along the Belt and Road as well as emerging economies in Africa and Latin America were higher than the overall growth rate, which has become an important driver for the development of China's foreign trade.

Affected by the global economic and trading conditions, the growth of global ports throughput generally slowed down during 2019, and lower growth of throughput volume was recorded by ports in China. According to the data published by the Ministry of Transport of China, the container throughput handled by Chinese ports totalled 261 million TEUs in 2019, representing an increase of 4.4% year-on-year, of which, 231 million TEUs were handled by coastal ports, representing a year-on-year increase of 3.9%.

In 2019, the Group's ports handled a total container throughput of 111.72 million TEUs, up by 2.4% over the previous year, and bulk cargo volume of 449 million tonnes, down by 10.5% over the previous year. As at 31 December 2019, the Group's revenue amounted to HK$8,898 million, representing a decrease of 12.4% over the previous year. Profit attributable to equity holders of the Company amounted to HK$8,362 million, representing an increase of 15.4% over the previous year.

Business Review

Ports operation

In 2019, the Group's ports handled a total container throughput of 111.72 million TEUs, up by 2.4% year-on-year, among which the Group's ports in Mainland China handled a container throughput of 83.67 million TEUs, up by 3.6% year-on-year, which was mainly benefitted from the growth in container volume of the Group's ports in the Yangtze River Delta region in China, as well as its participation in the merger of container terminals in Tianjin. The Group's operations in Hong Kong and Taiwan handled an aggregate container throughput of

7.21 million TEUs, representing a decrease of 6.1% as compared with the previous year. A total container throughput handled by the Group's overseas ports grew by 0.9% year-on-year to 20.84 million TEUs, among which Colombo International Container Terminals Limited ("**CICT**") in Sri Lanka, TCP Participações S.A. ("**TCP**") in Brazil and Lomé Container Terminal S.A. ("**LCT**") in Togo recorded rapid growth in their throughput volume. Bulk cargo volume handled by the Group's ports decreased by 10.5% year-on-year to 449 million tonnes, within which the Group's ports in Mainland China handled a total bulk cargo volume of 443 million tonnes, representing a decrease of 10.9% year-on-year.

Pearl River Delta region

The Group's terminals in the West Shenzhen Port Zone handled a container throughput of 10.21 million TEUs and a bulk cargo volume of 7.81 million tonnes, down by 4.4% and 42.7% year-on-year respectively, mainly because the Group completed the disposal of the entire equity interest in China Merchants Port Group Co., Ltd. (formerly known as "Shenzhen Chiwan Wharf Holdings Limited", "**Shenzhen Chiwan**") in June 2018. Guangdong Yide Port Limited handled a container throughput of 0.30 million TEUs and a bulk cargo volume of 2.26 million tonnes, up by 33.5% and 55.7% year-on-year respectively. Chu Kong River Trade Terminal Co., Ltd. handled a total container throughput of 1.09 million TEUs and a bulk cargo volume of 3.53 million tonnes, down by 6.5% and up by 43.1% year-on-year respectively. Modern Terminals Limited and China Merchants Container Services Limited in Hong Kong delivered an aggregate container throughput of 5.57 million TEUs, down by 6.1% year-on-year.

Yangtze River Delta region

Shanghai International Port (Group) Co., Ltd. handled a container throughput of 43.30 million TEUs, up by 3.1% year-on-year, thanks to the faster ramping of Yangshan Phase IV. Bulk cargo volume handled declined by 23.4% year-on-year to 115 million tonnes, which was mainly affected by the strategic adjustments of its business structure. Benefitted from the adjustment of certain shipping routes, Ningbo Daxie China Merchants International Terminals Co., Ltd. handled a container throughput of 3.29 million TEUs, representing an increase of 4.1% year-on-year.

Bohai Rim region

Dalian Port (PDA) Company Limited handled a container throughput of 10.22 million TEUs, down by 8.0% year-on-year, which was mainly attributed to the decrease in the business volume of domestic containers as a result of the adjustment on its business structure; bulk cargo volume handled declined by 2.5% year-on-year to 132 million tonnes. Qingdao Qianwan United Container Terminal Co., Ltd. handled a container throughput of 7.92 million TEUs, representing an increase of 14.3% year-on-year, driven by the growth of containers from new international and domestic routes. Qingdao Qianwan West Port United Terminal Co., Ltd. handled bulk cargo volume of 15.59 million tonnes, representing an increase of 0.3% year-on-year. Qingdao Port Dongjiakou Ore Terminal Co., Ltd. handled bulk cargo volume of 59.90 million tonnes, indicating an increase of 4.4% year-on-year. Since the Group has participated in the merger of container terminals in Tianjin, Tianjin Five Continents International Container Terminals Co., Ltd. and Tianjin Port Container Terminal Co., Ltd. contributed a total container throughput of 4.47 million TEUs during the year, representing an increase of 64.5% year-on-year.

South-East region of Mainland China

Zhangzhou China Merchants Port Co., Ltd., located in Xiamen Bay Economic Zone, handled a container throughput of 0.42 million TEUs, decreased by 7.7% year-on-year, which was affected by the environmental policies and the African Swine Fever in the hinterland, while its bulk cargo volume handled decreased by 43.2% year-on-year to 8.14 million tonnes, due to the significant decrease in the production volume of sandstone, a major cargo type, affected by the environmental policies in the hinterland. In May 2019, Xia Men Bay China Merchants Terminals Co., Ltd. officially commenced operation and handled a bulk cargo volume of 0.27 million tonnes during the year. Shantou China Merchants Port Group Co., Ltd. handled a container throughput of 1.34 million TEUs, up by 3.5% year-on-year, and a bulk cargo volume of 7.09 million tonnes, down by 23.2% year-on-year, dragged down by the decrease in cargo volume of coal and river sand, the major cargo types, under the regulation of the environmental policies in the hinterland.

South-West region of Mainland China

Zhanjiang Port (Group) Co., Ltd. ("**Zhanjiang Port**") handled a container throughput of 1.11 million TEUs, up by 12.6% year-on-year, mainly attributable to the continuous expansion of new shipping routes and container trains of sea-rail intermodal transport. It also handled a bulk cargo volume of 91.17 million tonnes, down by 0.8% year-on-year.

Taiwan

Kao Ming Container Terminal Corp. in Kaohsiung handled a total container throughput of 1.64 million TEUs, representing a decrease of 6.3% year-on-year.

Overseas operation

In 2019, a total container throughput handled by the Group's overseas projects increased by 0.9% year-on-year to 20.84 million TEUs. In Sri Lanka, CICT handled a container throughput of 2.88 million TEUs, up by 7.4% year-on-year; and the wheeled and bulk cargo business in Hambantota International Port Group (Private) Limited ("**Hambantota Port**") progressed well with a RORO volume of 0.41 million vehicles, grew by 75.6% year-on-year, and a bulk cargo volume of 0.50 million tonnes, indicating a significant increase as compared to 0.18 million tonnes in 2018. Container throughput handled by LCT in Togo increased by 7.7% year-on-year to 1.13 million TEUs. Thanks to the active exploration of cargo in its hinterland after the acquisition was completed in February 2018, TCP in Brazil handled a container throughput of 0.92 million TEUs during the year, up by 32.0% year-on-year. Container throughput handled by Tin-Can Island Container Terminal Ltd. in Nigeria was 0.47 million TEUs, representing a decrease of 2.5% year-on-year. Port de Djibouti S.A. in Djibouti handled a container throughput of 0.92 million TEUs, up by 6.8% year-on-year, and a bulk cargo volume of 5.68 million tonnes, up by 20.2% year-on-year, driven by the increased import volume of raw materials for infrastructures and grains in Ethiopia. Container throughput handled by Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi in Turkey was 1.28 million TEUs, representing an increase of 1.9% year-on-year; while bulk cargo volume handled was 0.10 million tonnes, up by 19.8% year-on-year. Terminal Link SAS ("**Terminal Link**") handled a container throughput of 13.25 million TEUs, down by 2.8% year-on-year.

Strategic deployments in the ports operation

In 2019, the Group, with an unwavering aspiration, adhered to its strategic directives and the general operation 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", and shored up its foundation and made innovation with a pragmatic attitude. Striving for breakthroughs in six key aspects, namely the development of homebase port, overseas expansion, comprehensive development, innovative development, operation management, and marketing and commerce, the Group actively pushed forward various key tasks and optimised and upgraded its core ports operation over the past year, and successfully achieved various operational objectives.

Regarding the development of homebase port, the Group continued to transform by benchmarking against the world-class standard, striving to build globally leading ports. In the West Shenzhen homebase port, the Group persevered with enhancing the overall competitiveness through various measures. Various upgrading construction projects were advanced, such as channel dredging, berths upgrading and cranes heightening, to resolve the key historical bottleneck of the channels' navigation capacities and upgrade the hardware facilities and infrastructures. The Group also stepped up its efforts in pushing forward the integration of feeder services and customs clearance, and the information sharing between barges of two terminals and visualised operation for the entire process were substantially achieved with the scope of data exchange on the "PRD NETWORK" platform further expanded. Benefitted from the reforms of customs clearance, the time needed for the customs clearance of import laden containers was shortened while the working hour of the automatic check for customs transit of import and export containers was extended, which enhanced the efficiency of customs clearance in the West Shenzhen Port Zone. Besides, the Group pushed forward the construction of Haixing Intelligent Port project and strengthened innovative applications to develop an "intelligent port cluster". In the overseas homebase ports, the Group was committed to developing South Asia's regional leading ports and regional hub for international shipping in Sri Lanka, as well as establishing a South Asian port network centred on Sri Lanka. CICT played an active role in cultivating expat talents and formulating management systems. As a successful project of overseas operations, CICT accelerated the output of experience in overseas project management. Hambantota Port enhanced its comprehensive service capability, by carrying out the cooperation with shipping companies as planned for developing container terminal business with an aim to become a container hub port in South Asia, and successfully inducting an oil refining enterprise, well-positioned to become the vessel refuelling hub in South Asia. It also strengthened the collaborated development with CICT and launched logistics solutions for hinterland containers.

As for overseas expansion, by seizing the opportunities arising from China's significant Belt and Road Initiative and the international industries migration, the Group has proactively grasped the investment opportunities in ports, logistics and related infrastructure. During the year, based on identifying Southeast Asian and South Asian gateway ports as key investment targets, the Group actively pushed ahead the proposed investment project through Terminal Link to acquire up to 10 quality terminals under CMA CGM SA in Southeast Asia, South Asia, Europe and Caribbean Sea, etc., and initial closing of eight out of the 10 terminals took place on 26 March 2020, which will further complement the Group's global port network and hence enhance its core competitiveness and influence.

In respect of comprehensive development, the Group actively explored and promoted the "Port-Park-City" comprehensive development model and achieved staged progress. The Group has completed the revision on the overall planning for the future development of the Hambantota Port in Sri Lanka, clarifying the business development direction of the port zone. The one-stop service centre for induction of business and investment officially commenced operation with various tasks carried out steadily. Djibouti International Free Trade Zone was officially put into operation in early 2019 and recorded solid growth in business volume with promising momentum for expansion. As at the year-end, 78 enterprises were registered in the zone. Besides, the Group completed the transaction in relation to the land interest in Qianhai-Shekou Free Trade Zone in Shenzhen during the year.

With regard to innovative development, the Group pushed forward the "digitalisation strategy" by formulating and implementing the informationisation plans with a clear focus on developing "digital CMPort". Based on the application of "E-Port" of the West Shenzhen Port Zone, the Group further promoted the establishment of "CM ePort", an e-commerce platform for port and shipping industry in its subsidiary terminals. Haixing Intelligent Port project and the automatic loading and unloading project at Zhanjiang Port's bulk terminals to handle commodities were well underway. The West Shenzhen Port Zone issued the first B2B blockchain electronic invoice in China's port industry and launched the pilot program of its self-developed blockchain depository receipts of electronic delivery order and equipment interchange receipt on domestic container business. The Group led 11 enterprises to initiate and establish the "5G Intelligent Port Innovation Laboratory", and realised the first RTG remote control operation under 5G network at Mawan Container Terminal, which optimised and enhanced the informationisation level of its ports comprehensively. The Company officially established the "Research Institute of CMPort for Technological Innovation and Development", which marked the establishment of a technology-empowered platform for industry development. An industrial fund, which focuses on investment in innovation and development for ports, will be launched in the near term, which, centring on the development of a port ecosystem in the future, intends to invest in start-ups to facilitate the collaboration of resources between port groups and industries with the help from the financial platform. Leveraging on the opportunities arising from the rapid growth of emerging industries, the Group will be able to promote the transformation and upgrade of the port industry, enlarge rooms for development, and improve quality of development, bringing new vitality into the traditional core port operation.

Regarding operation management, the Group strived to develop an operation management system for sustainable value creation. Through benchmarking against the world-class enterprises, the Group analysed the key issues and weaknesses in operation management and formulated improvement measures with designated targets to gradually refine various operation management indicators, thereby promoting the establishment of a world-class operation management system. The Group put great efforts in facilitating the synergistic development of businesses among different regions and segments, fully capitalising on the value endowed by synergies of the network, to maximise the overall results. The Group also proactively improved management and control measures, reinforced the strategic leadership of the headquarters, and streamlined the relationships of management mandate among subsidiaries of different levels. On one hand, the Group has established a communication platform covering enterprises at all levels and all business scopes to gain better understandings and strengthen collaboration. On the other hand, the Group gave reasonable authorisation to enterprises at different levels based on the precondition of maintaining risks under control to enhance their flexibility in terms of decision-making and hence to increase the efficiency of management and control. The Group systematically pushed forward the "Project of Improving Quality and Efficiency" in full swing with a focus on enhancing operational efficiency and deepening refined corporate management to help release potentials and realise high-quality and efficient development of the Group.

With regard to marketing and commerce, the Group's headquarters coordinated and planned commercial promotions and marketing activities for both domestic and overseas customers and actively arranged the exchange visits with senior management of the major customers to facilitate the vertical development of the strategic partnership with customers. As a result, business volume from major customers at controlling terminals sustained growth. The headquarters has stepped up its efforts to assist the subsidiaries in contract negotiations and joint marketing activities to promote their business expansion both internally and externally. The Group also fully utilised the resource advantages of terminals across Northern and Southern China of China Merchants Group to explore North-South boutique shipping routes.

Bonded logistics operation

In 2019, the Group's bonded logistics business continued to pursue the development direction of a diverse integrated services business. The Group put more efforts in market expansion by proactively conducting businesses such as cross-border e-commerce, devanning and consolidation of international transhipment containers, and enhanced the utilisation rate of resources at the existing warehouses and yards to tackle market changes. In 2019, the average utilisation rate of the warehouses of China Merchants Bonded Logistics Co., Ltd. in Shenzhen reached 95%, as a result of 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 average warehouse utilisation rate was 99%. Tianjin Haitian Bonded Logistics Co., Ltd., which is an associate of the Group, recorded an average utilisation rate of 66% of its warehouses. In Djibouti International Free Trade Zone, the bonded warehouse, which the Group partially invests in, officially commenced operation at the beginning of 2019, and the warehouse utilisation rate reached 86% as at the end of 2019. Besides, the wholly-owned bonded warehouse of the Group also commenced operation in May 2019, and recorded the warehouse utilisation rate of 30% as at the end of 2019.

In 2019, the total cargo volume handled at the three major air cargo terminals in Hong Kong amounted to 4.27 million tonnes, down by 1.4% as compared with the previous year. Asia Airfreight Terminal Company Limited, which is an associate of the Group, handled a total cargo volume of 0.81 million tonnes, representing a decrease of 5.8% year-on-year and a market share of 19.0%, decreased by 0.8 percentage point as compared with the previous year.

Financial review

For the year ended 31 December 2019, the Group's recorded revenue of HK$8,898 million, representing a decrease of 12.4%, which was mainly attributed to the disposal of equity interest in Shenzhen Chiwan in the previous year. The revenue derived from core ports operation decreased by 13.6% over last year to HK$8,243 million. Profit attributable to equity holders of the Company amounted to HK$8,362 million, representing a year-on-year increase of 15.4%, which included a gain of HK$3,281 million (net of tax) recognised from the Group's disposal of certain land parcels at Qianhai during the year, while the amount for the previous year included a gain from the disposal of equity interest in Shenzhen Chiwan. Meanwhile, due to the decrease in share of profits of associates, the recurrent profit[Note 1] decreased by 3.1% over the previous year to HK$4,163 million.

As at 31 December 2019, total assets of the Group increased by 6.5% from HK$139,937 million as at 31 December 2018 to HK$149,082 million, which was mainly attributed to a gain on disposal of certain land parcels at Qianhai which was used for capital contribution to an associate during the year. Meanwhile, the total liabilities of the Group increased by 5.8% from HK$51,933 million as at 31 December 2018 to HK$54,948 million as at 31 December 2019, which was attributable to the income tax liabilities arising from gains on disposal of certain land parcels at Qianhai of approximately HK$1,539 million, combined with lease liabilities recognised under the new lease standards of approximately HK$1,002 million. As at 31 December 2019, net assets attributable to equity holders of the Company was HK$79,783 million, up by 5.9% as compared to that as at 31 December 2018. This was mainly attributed

Note 1 Profit attributable to equity holders of the Company net of non-recurrent gains after tax. Non-recurrent gains include: for 2019, change in fair value of financial assets and liabilities at fair value through profit or loss, change in fair value of investment properties, gain on deemed disposal of interest in a joint venture and gain on disposal of certain land parcels at Qianhai and Shantou; while for 2018, gain on disposal of subsidiaries, change in fair value of financial assets and liabilities at fair value through profit or loss and change in fair value of investment properties.

to the increase in profit attributable to equity holders of the Company, which offset the losses on translation of financial statements denominated in foreign currencies of subsidiaries, associates and joint ventures.

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 2019 amounted to HK$6,310 million, basically flat with the previous year. For the year ended 31 December 2019, mainly because capital expenditure on business acquisitions decreased significantly as compared to the previous year, the Group's net cash outflow from investment activities decreased from HK$15,354 million in the previous year to HK$2,410 million, including the Company's recovered advance from a related party of HK$1,177 million during the current year. At the same time, as a result of significant decrease in new loans granted as compared to the previous year, the Group's cash flow from financing activities for the year ended 31 December 2019 decreased from a net inflow of HK$5,349 million in the previous year to a net outflow of HK$2,092 million for the current year.

Liquidity and treasury policies

As at 31 December 2019, the Group had approximately HK$7,800 million in cash and bank balances, 0.9% of which was denominated in Hong Kong dollars, 22.7% in United States dollars, 63.8% in Renminbi, 7.6% in Euro, 4.3% in Brazilian Real and 0.7% 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$6,310 million in total.

During the year, the Group incurred capital expenditure amounted to HK$2,889 million while the Group adopted a prudent financial policy and maintained 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 2019, the Company had 3,448,947,770 shares in issue. The Company issued 119,098,220 shares under the Company's scrip dividend scheme during the year.

As at 31 December 2019, the Group's net gearing ratio[Note 2] was approximately 33.6%.

The Group had aggregate bank loans and listed notes payable of HK$26,875 million as at 31 December 2019 that contain customary cross default provisions.

As at 31 December 2019, the Group's outstanding interest-bearing loans and notes are analysed as below:

	2019	**2018**
	HK$'million	*HK$'million*
Floating-rate bank loans which are repayable as follows (Note (a)):		
Within 1 year	5,643	4,114
Between 1 and 2 years	1,850	2,347
Between 2 and 5 years	2,737	4,158
More than 5 years	866	1,216
	11,096	11,835
Fixed-rate bank loans which are repayable as follows:		
Within 1 year	920	364
Between 1 and 2 years	47	4
Between 2 and 5 years	—	48
More than 5 years	28	29
	995	445

Note 2: Net interest-bearing debt divided by total equity.

	2019	2018
	HK$'million	*HK$'million*
Floating-rate listed notes payable which are repayable:		
In 2021	249	260
In 2022	547	557
	796	817
Fixed-rate listed notes payable which are repayable:		
In 2020	1,557	1,563
In 2022	3,875	3,890
In 2023	6,964	6,992
In 2025	3,877	3,897
In 2028	4,616	4,637
	20,889	20,979
Fixed-rate unlisted notes payable which are repayable (Note (b)):		
In 2021	—	571
In 2022	2,791	2,853
	2,791	3,424

	2019	2018
	HK$'million	*HK$'million*
Loans from fellow subsidiaries which are repayable as follows:		
Within 1 year	509	480
Between 1 and 2 years	69	—
Between 2 and 5 years	287	63
More than 5 years	162	91
	1,027	634
Loan from immediate holding company		
Repayable within 1 year	366	—
Loan from an associate		
Repayable within 1 year	—	276
Loan from a non-controlling equity holder of a subsidiary		
Repayable more than 5 years	454	446

Notes:

(a) All loans are unsecured except for the secured bank loans of HK$3,358 million (2018: HK$3,646 million).

(b) During the year, the Company has early repaid the RMB500 million fixed-rate unlisted notes maturing in 2021.

The interest-bearing loans and notes are denominated in the following currencies:

	Bank loans	Listed notes payable	Unlisted notes payable	Loans from fellow subsidiaries	Loan from immediate holding company	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 2019								
HKD & USD	5,068	20,889	—	—	—	—	—	25,957
RMB	4,703	—	2,791	1,027	366	—	—	8,887
EURO	1,380	—	—	—	—	—	454	1,834
Brazilian Reals	940	796	—	—	—	—	—	1,736
	12,091	21,685	2,791	1,027	366	—	454	38,414
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

Assets charge

As at 31 December 2019, bank loans of HK$474 million (2018: HK$217 million) borrowed by subsidiaries of the Company were secured by property, plant and equipment with carrying value of HK$417 million (2018: HK$413 million) and right-of-use assets with carrying value of HK$221 million (2018: land use rights of HK$184 million). Loan from a fellow subsidiary borrowed by a subsidiary of the Company amounting to HK$167 million (2018: Nil) was secured by right-of-use assets with carrying value of HK$135 million (2018: 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$2,884 million (2018: HK$3,429 million).

Employees and remuneration

As at 31 December 2019, the Group employed 7,947 full-time staffs, of which 234 worked in Hong Kong, 5,131 worked in Mainland China, and the remaining 2,582 worked overseas. The remuneration paid by the Group for the year amounted to HK$1,777 million, representing 26.9% of the total operating expenses of the Group. Centred on the established development strategy, the Group formulated and continued to optimise its salary and incentive system based on the concept of refined management on human resources. Adjustments to individual's remuneration were reviewed annually with reference to the Group's results, individual's performance, human resources market and the general economy. Moreover, the Group offers discretionary year-end bonus as a reward to its staff for their contribution and efforts to the Group. 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 the individual's duties and responsibilities in the Company, experience and the prevailing market conditions.

The Group also attaches importance to employees' continuing development. Considering the business development and the requirements of the position, the Group has invited experts and professional institutions to provide various online and offline training courses that were up-to-date, abundant and diversified for employees in different positions and levels. Continuous improvement of the required skills of employees in various positions provided support to the Group's development from the perspective of human resources.

The Group at all times strives to maintain good relationships 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

The Group values and actively takes up corporate social responsibilities. While improving its operating results and generating returns for shareholders, the Group also effectively fulfils its social responsibilities towards its employees, the society and the environment to facilitate sustainable development of the business and society.

The Group aims to build green ports, and has formulated rules and regulations to manage energy conservation and environmental protection, which further clarified the work content and mechanism of comprehensive supervision and management of energy conservation and environmental protection, identified and responded to risks brought by climate change, and strengthened assessment and management of environmental risks. The Group continued to develop and apply new energy-saving and environmentally-friendly technologies and products. New energy conservation technologies and products, such as "Shore-Powered Supply for Vessels (船舶岸基供電)" and "Substitution of Fuel-Powered Equipment with Electricity-Powered Equipment (油改電)", continued to expand the scope of their applications. Meanwhile, the Group particularly monitored, regulated and handled, among others, general and hazardous wastes, air pollution, dust pollution, water pollution and noise pollution, in compliance with specific laws and regulations. While encouraging green office and organising various green social welfare activities, the Group has promoted the construction of green supply chains with improving results of energy conservation and emission reduction, as well as environmental management capabilities.

Upholding the belief in mutual benefits, the Group has been actively engaged in infrastructure construction and social welfare at the place where the Group invested, and is always dedicated to building a relationship with local communities with mutual trust and support, as well as committed to achieving rapid, healthy and quality development together with local communities. In 2019, the Group launched "China Merchants Silk Road Hope Village" project in Sri Lanka. After conducting visits and surveys, the Group selected Pannia Village for the designated village of poverty alleviation, as it has a great impoverished population and weak infrastructure. The Group helped the village build community centres and roads, and donated school supplies and daily necessities to local students and the elderly. In the State of Paraná in Brazil where TCP is located, the Group sponsored the development and inheritance of the local Caesar culture by providing financial support and carrying out occupational and technical training for young Indians to help with their employment.

The Group continued to build the “Shaping Blue Dreams Together (C-Blue)” charity brand and organised various activities which concerned the ocean and humanities. “Shaping Blue Dreams Together — Summer Camp for Caring Left-behind Children” continued to invite 50 families with left-behind children from the Group’s staff to gather in Shenzhen and visit the West Shenzhen Port Zone. The activity not only offered the children an opportunity to visit a modern intelligent port, but also provided a chance of family reunion for the left-behind children. Besides, the Group continued to train up the outstanding and key staff for the overseas projects through the “Shaping Blue Dreams Together — C Blue Training Programme in the 21st Century”. In 2019, the programme admitted a total of 44 outstanding young people from 13 countries along the Belt and Road, including a group of outstanding local university students majored in port or shipping from Sri Lanka for the first time, which not only provided a platform of learning and advancement, experience sharing and cultural exchange, but also made contribution to the Group and the global port and shipping industry with efforts in talent development.

Future prospects

Looking into 2020, the growth of the global economy is expected to slow down due to the heightening trade barriers, rising geopolitical uncertainties, slow productivity growth, structural problems caused by the ageing population, as well as the impact of the spread of the novel coronavirus pneumonia epidemic worldwide. Dragged by the prolonged sluggishness of the manufacturing industry, the economic growth of developed economies will narrow. Amid the global economic and trade tensions, the contribution from the investment and net exports to the growth of the US economy will notably decline. In the year of the US presidential election, coupled with changes in the US political arena, the economic outlook of the US will be compromised to some extent. The European economies are lingering at low levels with the impact of the Brexit and populism still spreading. Japan has raised the consumption tax rate to 10%, which will weaken its endogenous growth. Emerging markets and developing economies will face the uncertainties caused by the novel coronavirus pneumonia epidemic. For many other economies, economic growth will tend to decelerate as exports and investment remain weak. Meanwhile, the social and political turmoil in certain emerging economies, notably in regions such as the Middle East and North Africa, will drag economic growth. According to the forecast of IMF in January, the growth of the global economy will be 3.3% in 2020, slightly up by 0.4 percentage point as compared to that of 2019. In particular, the developed economies will grow at 1.6%, down by 0.1 percentage point as compared to that of 2019; and the emerging markets and developing economies will grow at 4.4%, up 0.7 percentage point as compared to that of 2019. Global trade volume (including goods and services) will grow by 2.9%, up by 1.9 percentage points as compared to that of 2019. However, considering the impact from the global pandemic, IMF expected to cut the above forecast.

In 2020, the Chinese economy will maintain a reasonable growth rate and advance towards the direction of high-quality development. China will continue to implement active fiscal policy in 2020, and the effect of maintaining basically stable leverage ratios of the macroeconomy will be gradually revealed with domestic consumption, high-tech industries and service industries continuing to grow at a relatively fast pace. Despite the lingering uncertainties over the US-China economic and trade frictions, the "Phase One Economic and Trade Agreement" signed by the US and China will help boost confidence in the global market and hence stabilise market expectation. It is worth noting that, although the outbreak of the novel coronavirus pneumonia epidemic will bring short-term impact to the Chinese economy, it shall not be overlooked that many production and consumption may be shifted to other quarters, and that will usually result in a retaliatory rebound of the economy. Meanwhile, the increase in finance expenses and social donation due to this epidemic will be translated into the income of the related industries upon successful execution, which will be conducive to the recovery of the economy under multiplier effect. As such, the impact from the epidemic will be limited on the Chinese economy in the mid-to-long term.

In 2020, container shipping market will be benefitted from disciplined growth of shipping capacity, but face the uncertainties arising from the global pandemic at the same time. With the epidemic being gradually brought under effective control in China and enterprises resuming production in an orderly manner, China's container shipping market has recovered rapidly and the business volume of ports recorded a significant rebound. During the year, the demand for seaborne freight volume on the major East-West routes is expected to have some recovery, benefitted from favourable factors such as the de-escalation of the US-China trade friction, and the growth rate of seaborne freight volume on the non-major East-West routes and the South-North routes will experience some rebound.

Based on the above analysis and judgment, in 2020, firmly adhering to the strategic principle of "leveraging on its long-term strategy, tapping the current edges, driving through technology and embracing changes", the Group will consistently develop new approaches to promote sustainable and high-quality development with a focus on maintaining growth, improving quality and efficiency, enhancing capability, promoting reforms, strengthening innovation, controlling risks and attracting talents, striving to "be a world's leading comprehensive port service provider".

Regarding the development of homebase port, the Group will strive to establish world-class leading ports. In the West Shenzhen Port Zone, the Group will strengthen its marketing and commerce, in tandem with the optimisation of channels and other resources, to actively expand ocean-going routes, promote paperless waterborne customs transit and improve its feeder services, developing a strategic platform for the West Bank of the Pearl River Delta. Besides, the Group will establish an innovative intelligent corridor connecting Mawan Container Terminal and Haixing Intelligent Port. CTOS will be upgraded with the standardised operation systems, servers and databases to support automation and intelligentisation, as well as the introduction of big data and cloud storage. To support the transformation plan of Haixing Port, the Group will complete the delivery and acceptance of section II and III of the Public Channel outside the West Shenzhen Port Zone, realise regular night services of Tonggu Channel and expedite the construction of phase II of the navigation channel of the West Shenzhen Port Zone. In terms of the overseas homebase ports, CICT will be committed to optimising the customer structure, continuing the analysis of customer value, and adopting corresponding business strategies. In addition, based on the development strategy of Hambantota Port, its synergistic business development with CICT will be promoted. It will also consummate the incentive mechanism for technological innovation by encouraging the participation of all staff to extend sources of innovation. Hambantota Port will develop its container business, oil and gas business and maritime services, and as well as the induction of business and investment for the port's logistic park.

As for overseas expansion, the Group will step up its efforts in building overseas leading ports. Based on the overseas layout of "East-West routes, South-North routes, the Belt and Road", the Group will work diligently on the overall planning of overseas development. It will strengthen the research on various regional segments of the global market to proactively capture investment opportunities in the emerging market overseas. The Group will strengthen its marketing team, and devote more efforts in market development. Moreover, the Group will improve its management by further promote the establishment of a quantitative management system to enhance the performance and efficiency of its operation management. The Group will also foster overseas expat talents with improved system of performance assessment and incentive mechanism.

In respect of comprehensive development, the Group will deepen the promotion of the "Port-Park-City" model. The Group will capitalise on the opportunities arising from industries upgrade and migration to realise the value extension of its core port operation and deeply explore its potential. Regarding the Djibouti comprehensive development project, the Group will continue to push forward the construction and development of the Djibouti International Free Trade Zone and the transformation projects of the old ports, etc. Regarding the Hambantota Port project, the Group will thoroughly carry out the work of inducting business and investment, at the same time deepen the promotion of relevant businesses, such as container, oil and gas, and maritime services, following the overall plan for future development.

With regard to innovative development, the Group will uphold the technology-driven approach to enhance its competitiveness. Through the established "Research Institute of CMPort for Technological Innovation and Development", the Group will be devoted to building CMPort's port ecosystem for technological innovation which will output the technological and innovative solution of port operation, aiming to become the bridge between industry, education and research. The "CM Chip" platform will mainly develop three leading products for the industry, including CTOS (Container Terminal Operation System), BTOS (Bulk Cargo Terminal Operation System) and LPOS (Logistic Park Operation System), striving to realise intelligentised operation inside the terminals. Products under the CTOS series will cover intelligent application scenarios throughout the entire process ranging from smart loading and unloading at the quayside and in the yards to intelligent entrance gate. For the BTOS series, the Group will establish a research and development team to develop a new generation of cloud-based BTOS products. In respect of LPOS, the Group will develop the first generation of products. The "CM ePort" platform will innovate the service models through improvement of the informationisation service system of the port zones and the "Port+Internet" approach to develop competitive customer services of ports.

In terms of capital operation, the Group will adopt creative work approach to revitalise the existing asset and optimise asset structure. For certain projects, the Group will introduce strategic investors to reduce the equity interest in the projects of relatively higher risks, and dispose of the assets with lower returns, in exchange of high-quality assets, which will optimise its assets portfolio, lower the debt level and interest expenses, and enhance the return on shareholders' equity.

Regarding operation management, the Group will establish an operational management and control system for sustainable value creation. The Group will carry on and enhance the "Project of Improving Quality and Efficiency", improve the quality of initiatives and promote the integration of its initiatives for improving quality and efficiency with its strategic goals, daily work and actual business, which will help realise high-quality development. The Group will improve the global governance structure for operation at the headquarters and operation management and control system. An intelligent operation management platform will be developed to digitalise the operation process of and gather data from various business units to reconstruct the refined management system for ports and develop a supporting system for intelligent decision-making of the management members of the headquarters and terminals.

With regard to marketing and commerce, the Group will continue to analyse customer values and optimise customer structure. The Group will strive to deliver efficient headquarters function in terms of marketing and commerce, exploring the potential of collaborated marketing and commerce among subsidiary terminals to realise synergistic business development. The Group will devote more resources to attract and cultivate high-end talents specialising in commerce to enhance its customer service capability. It will also deepen the cooperation with shipping companies and carry out commercial planning for ports by regions, and strengthen its cooperation with major cargo owners to expand its hinterland. Moreover, the Group will strengthen its customer relationship and improve its industry influence as a key priority.

In 2020, despite the pressure on global economic and trade development, and the lingering risks such as trade frictions and political disputes, the development of emerging markets and the improving trading activities within the region will provide opportunities for port development. The new digitalisation technology will also open up new roads leading to a world-class port. The Group will proactively capture opportunities and tap potentials in reform and innovation. With the growing core competitiveness and profitability, the Group will as always endeavour to maximise shareholder value. At the same time of striving to deliver better returns for its shareholders, the Group will also create values for the Group's various stakeholders.

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.

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules which set out the corporate governance principles and the code provisions with which the listed issuers are expected to follow and comply throughout the year ended 31 December 2019, except the following: –

In the respect of Code Provision E.1.2 under the Corporate Governance Code, Mr. Fu Gangfeng, the Chairman of the Board, did not attend the annual general meeting of the Company held on 3 June 2019 due to business trip. Mr. Bai Jingtao, the Managing Director, took 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 3 June 2019 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.

REVIEW OF UNAUDITED ANNUAL RESULTS

The audit process for the annual results for the year ended 31 December 2019 has not been completed due to delay in the audit procedures resulting from the COVID-19 outbreak. The unaudited annual results contained in this announcement has not been agreed with the Company's auditors as required under Rule 13.49(2) of the Listing Rules.

The audit committee of the Company (the "**Audit Committee**") comprises all of the four independent non-executive directors. The Audit Committee has reviewed with management according to 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 unaudited 2019 annual results. The unaudited 2019 annual results have been agreed with the Audit Committee.

An announcement containing (i) the audited results for the year ended 31 December 2019 as agreed by the Company's auditors, (ii) the material differences (if any) as compared with the unaudited annual results contained herein and (iii) details of the proposed final dividend for year ended 31 December 2019 will be made when the audit process has been completed in accordance with Hong Kong Standards on Auditing issued by HKICPA. The Company expects the audit process will be completed in or around mid-April 2020.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2019 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.

The financial information contained herein in respect of the annual results of the Group for the year ended 31 December 2019 have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
China Merchants Port Holdings Company Limited
Deng Renjie
Chairman

Hong Kong, 30 March 2020

As at the date of this announcement, the Board comprises Mr. Deng Renjie, Mr. Su Jian, Mr. Xiong Xianliang, Mr. Bai Jingtao, Mr. Ge Lefu, Mr. Wang Zhixian and Mr. Zheng Shaoping as executive directors; and Mr. Kut Ying Hay, Mr. Lee Yip Wah Peter, Mr. Li Ka Fai David and Mr. Bong Shu Ying Francis as independent non-executive directors.