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

Stock Code : 00144

WE CONNECT THE WORLD

ANNUAL REPORT

2019

CONTENTS

	2019 HK$'million	2018 HK$'million	Year-on-year changes
Consolidated statement of profit or loss highlights			
Revenue	**8,898**	10,160	(12.4%)
Profit attributable to equity holders of the Company	**8,362**	7,245	15.4%
Non-recurrent gains, net of tax[1]	**(4,199)**	(2,951)	42.3%
Recurrent profit	**4,163**	4,294	(3.1%)
Earnings per share (HK cents)			
Basic	**247.84**	219.54	12.9%
Dividend per share (HK cents)			
Interim dividend	**22.00**	22.00	—
Final dividend	**58.00**	73.00	(20.5%)
	80.00	95.00	(15.8%)
Consolidated statement of financial position highlights			
Total assets	**149,082**	139,937	6.5%
Capital and reserves attributable to equity holders of the Company	**79,783**	75,321	5.9%
Net interest-bearing debts and lease liabilities[2]	**31,616**	31,681	(0.2%)
Consolidated statement of cash flows highlights			
Net cash generated from operating activities	**6,310**	6,222	1.4%

	2019 HK$'million	2018 HK$'million	Year-on-year changes
Revenue			
Ports operation	**8,243**	9,544	(13.6%)
Bonded logistics operation	**467**	459	1.7%
Other operations	**188**	157	19.7%
Total	**8,898**	10,160	(12.4%)
EBITDA[3]			
Ports operation	**5,953**	3,638	63.6%
Bonded logistics operation	**266**	204	30.4%
Other operations	**203**	416	(51.2%)
EBITDA	**6,422**	4,258	50.8%
Share of profits less losses of associates and joint ventures	**4,295**	4,826	(11.0%)
Unallocated net income[4]	**4,817**	3,726	29.3%
Finance costs, net	**(1,782)**	(1,590)	12.1%
Taxation	**(2,518)**	(1,295)	94.4%
Depreciation and amortisation	**(1,996)**	(1,970)	1.3%
Non-controlling interests	**(876)**	(710)	23.4%
Profit attributable to equity holders of the Company	**8,362**	7,245	15.4%

1 For 2019, include gain on resumption of certain land parcels at Qianhai and Shantou, net of tax of HK$3,591 million, gain on deemed disposal of interest in a joint venture, net of tax of HK$416 million, increase in fair value of investment properties, net of tax of HK$76 million, and net gain on change in fair value of financial assets and liabilities at fair value through profit or loss, net of tax of HK$116 million. For 2018, include gain on disposal of subsidiaries, net of tax of HK$3,733 million, increase in fair value of investment properties, net of tax of HK$270 million, and net loss on change in fair value of financial assets and liabilities at fair value through profit or loss, net of tax of HK$1,052 million.

2 Total interest-bearing debts and lease liabilities less cash and bank balances.

3 Earnings before financial costs, net, taxation, depreciation and amortisation, but excluding share of profits less losses of associates and joint ventures, unallocated income less expenses and profit attributable to non-controlling interests of the Company and its subsidiaries.

4 For 2019, include expenses for corporate function, gain on resumption of certain land parcels at Qianhai and gain on deemed disposal of interest in a joint venture. For 2018, include expenses for corporate function and gain on disposal of subsidiaries.

Presence of China Merchants Port Holdings Company Limited

Indian Subcontinent and Africa

Colombo, Sri Lanka
Colombo International Container Terminals

Hambantota, Sri Lanka
Hambantota International Port Group

Lomé, Togo
Lomé Container Terminal

Lagos, Nigeria
Tin-Can Island Container Terminal

City of Djibouti , Djibouti
Port de Djibouti

Abidjan, Côte d'Ivoire
Terra Abidjan

City of Djibouti, Djibouti
Djibouti International Free Trade Zone

Europe and Mediterranean Sea

Casablanca, Morocco
Somaport

Tangier, Morocco
Eurogate Tanger

Marsaxlokk, Malta
Malta Freeport Terminals

Fos, France
Eurofos

Le Havre, France
Terminal de France
Terminal Nord

Dunkirk, France
Terminal des Flandres

Montoir, France
Terminal du Grand Ouest

Antwerp, Belgium
Antwerp Gateway

Thessaloniki, Greece
Thessaloniki Port Authority

Istanbul, Turkey
Kumport

Others

Paranaguá, Brazil
Terminal de Contêineres de Paranaguá

Newcastle, Australia
Port of Newcastle

Busan, South Korea
Busan New Container Terminal

Miami, United States
South Florida Container Terminal

Houston, United States
Terminal Link Texas

Mainland China, Hong Kong and Taiwan

Pearl River Delta

Mega SCT
Chiwan Container Terminal
Mawan Container Terminal
China Merchants Port Services
Shenzhen Haixing Harbour Development
China Merchants Container Services
Modern Terminals
Guangdong Yide Port
Chu Kong River Trade Terminal

China Merchants Bonded Logistics

Yangtze River Delta

Shanghai International Port Group
Ningbo Daxie China Merchants International Terminals
Ningbo Zhoushan Port

South-East Region

Zhangzhou China Merchants Port
Xia Men Bay China Merchants Terminals
Shantou China Merchants Port Group

South-West Region

Zhanjiang Port Group

Kaohsiung, Taiwan

Kao Ming Container Terminal

Bohai Rim

Dalian Port
Qingdao Qianwan United Container Terminal
Qingdao Qianwan West Port United Terminal
Qingdao Port Dongjiakou Ore Terminal
Qingdao Port International
Tianjin Port Container Terminal

China Merchants International Terminal (Qingdao)
Tianjin Haitian Bonded Logistics

Ports Logistics

34

Ports

in

18

Countries and Regions

CORPORATE PROFILE

CMPort's investment strategy focuses on hub ports in regions that attract foreign investments and are economically vibrant with strong growth of import and export trade.

CMPort's strives to, as a gateway to China's foreign trade and with its expanding global ports portfolio, provide its customers with timely and efficient port and related maritime logistics services by pursuing its management style that emphasises determination, discipline and efficiency. In addition, CMPort also invests in bonded logistics operation for the extension of port's value chain. Through synergies achieved by its existing ports network, CMPort seeks to enhance its value creation for its shareholders.

China Merchants Port Holdings Company Limited ("**CMPort**") is a global leading port developer, investor and operator, with a comprehensive ports network at the hub locations along coastal China, as well as South Asia, Africa, Americas, Oceania, Europe and Mediterranean Sea, amongst others.

CMPort has earned itself a reputation across the industry with the professional management experience accumulated for years, its self-developed global leading ports operating system and integrated logistics management platform for import and export, its extensive maritime logistics support system, the modern and all-rounded integrated logistics solutions, its quality engineering management, and the outstanding and reliable services it provides.

CMPort's strategic vision is "to be a world's leading comprehensive port service provider". Through implementation of domestic, overseas and innovation strategies, CMPort strives to achieve world-class level on various fronts, including global container throughput, market share, comprehensive port development, operation and management capabilities, asset utilisation, labour productivity and brand name, etc.

MAJOR MILESTONES IN 2019

FEBRUARY

CMPort held the Extraordinary General Meeting which approved the Land Restructuring Agreement signed with Shenzhen Urban Planning, Land and Resources Commission, Shenzhen Qianhai Shenzhen-Hong Kong Modern Services Commission, China Merchants Group Limited ("**CMG**"), Shenzhen Qianhai Pingfangyuanqu Development Company Limited, China Merchants Shekou Industrial Zone Holdings Company Limited ("**CMSK**"), Shenzhen China Merchants Shekou Asset Management Company Limited, a number of subsidiaries of CMSK and Shenzhen China Merchants Qianhai Chidi Asset Company Limited on 24 December 2018, so as to coordinate and manage the various interest in land in Qianhai-Shekou Free Trade Zone in Shenzhen, the PRC held by CMG.

JUNE

CMPort completed the acquisition of the 3.073% equity interests in Tianjin Five Continents International Container Terminals Co., Ltd. ("**Tianjin Five Continents**"), upon which its equity interests rose to 17.073%.

APRIL

In the West Shenzhen Port Zone, CMPort issued the first blockchain electronic invoice of the port industry in China.

JULY

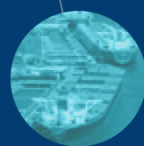
Shantou China Merchants Port Group Co., Ltd. completed the construction of Guang'ao Port Zone Phase II and commenced trial operation.

AUGUST

Tianjin Five Continents, which was invested by CMPort, completed the merger with Tianjin Port Container Terminal Co., Ltd. and Tianjin Orient Container Terminals Co., Ltd., upon which CMPort held 7.31% equity interests in the enlarged Tianjin Port Container Terminal Co, Ltd..

OCTOBER

The Tonggu Channel on the West of Shenzhen, which leads to the West Shenzhen Port Zone of CMPort, was certified by the navigation notice of Shenzhen Maritime Safety Administration that the actual channel depth of water measured was 17.5 metres, which signified a breakthrough and further enhancement of the capability achieved by the West Shenzhen Port Zone to serve ultra-large container vessels of 200,000 DWT.



OCTOBER

The expansion project of CMPort's TCP Participações S.A. in Brazil was completed and put into operation.

DECEMBER

CMPort entered into a master agreement with CMA CGM SA ("**CMA CGM**"), CMA Terminals Holdings SAS, Terminal Link SAS ("**Terminal Link**") and China Merchants (Luxembourg) S.à r.l. to finance for Terminal Link's proposed acquisition of the equity interest in up to 10 terminals under CMA CGM, and revised Terminal Link's shareholders' agreement.

CHAIRMAN'S STATEMENT

It is with great delight that I present China Merchants Port Holdings Company Limited (the **"Company"**) and its subsidiaries' (the "**Group**") 2019 annual report and its audited financial statements for the year ended 31 December 2019.

In 2019, the global economy sustained a moderate upward trend, yet growth momentum remained weak. The global economy and trade have been undermined by the uncertainties of the US-China trade frictions and geopolitical tensions. Confronted with the complex and changing external environment, the Group firmly adhered to the strategic principle of "leveraging on its long-term strategy, tapping the current edges, driving through technology and embracing changes" with an unwavering aspiration to reinforce its foundation and made innovation with a pragmatic attitude. The Group also steadily pursued various tasks with a focus on the development of homebase port, overseas expansion, comprehensive development, innovative development, operation management, and marketing and commerce, and successfully achieved its strategic goals and various operational objectives set out for the year.

In 2019, the overall operating performance of the Group was satisfactory with the steady growth of the business. In terms of ports operation, the global port projects invested by the Group delivered a container throughput of 111.72 million TEUs during the year, up 2.4% over 2018. In terms of the development of homebase port, the Group continuously propelled its West Shenzhen homebase port to become a world-class leading port and developed its overseas homebase ports in Sri Lanka into regional leading ports in South Asia. As for overseas expansion, the Group actively grasped investment opportunities in relation to port, logistics and related infrastructure, and achieved critical breakthroughs. With respect to comprehensive development, the Group continued to push forward the implementation of the comprehensive development model of "Port-Park-City" and achieved staged progress. With regard to innovative development, the Group proactively pushed forward the "digitalisation strategy" and continued to build "CM ePort" in a larger scope. Regarding operation management, the Group strived to develop an operation management system for sustainable value creation. As for marketing and commerce, various business promotions and marketing activities were planned and coordinated to strengthen and deepen customer relations, as well as to promote industry influence.

OPERATING RESULTS

In 2019, the Group's revenue reached HK$8,898 million, representing a decrease of 12.4% year-on-year, which was mainly attributed to the disposal of the entire equity interest held in China Merchants Port Group Co., Ltd. (formerly known as "Shenzhen Chiwan Wharf Holdings Limited", "**Shenzhen Chiwan**") in the previous year. Profit attributable to equity holders of the Company amounted to HK$8,362 million, representing an increase of 15.4% over 2018. Of this amount, recurrent profit [Note 1] was HK$4,163 million, decreased by 3.1% over 2018.

DIVIDENDS

The Board of Directors of the Company has resolved to propose at the forthcoming Annual General Meeting the payment of a final dividend of 58 HK cents per ordinary share. Together with the interim dividend of 22 HK cents per share, the total dividend for the year amounted to 80 HK cents per ordinary share, representing a full-year payout ratio of 32.9%. Subject to the approval by shareholders at the forthcoming Annual General Meeting, the final dividend for ordinary shares will be payable on or around 30 July 2020 to shareholders whose names appear on the register of members of the Company on 19 June 2020.

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 resumption 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.

REVIEW FOR THE YEAR

In 2019, the global economy witnessed a steady yet sluggish growth under obvious downward pressure. The growth momentum of developed economies slowed down gradually, and the growth in some of the emerging markets and countries was below expectation. According to the "World Economic Outlook" update report published by the International Monetary Fund ("**IMF**") in January 2020, the global economy was expected to grow by 2.9% in 2019, down 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, respectively, as compared to those of 2018. 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.

The Chinese economy grew by 6.1% in 2019, representing a year-on-year decrease of 0.5 percentage point. In general, China continued to promote high-quality development and maintained a stable economic growth throughout the year with a promising prospect in the long run. Uncertainties surrounding the US-China trade frictions lingered despite its preliminary de-escalation. Facing the complex and turbulent external environment, China steadily developed its foreign trade while improving the quality with an optimised structure. 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 export value was US$2.50 trillion, representing an increase of 0.5% year-on-year; while the import value totalled US$2.08 trillion, representing a decrease of 2.8% year-on-year.

Affected by the global economic and trading conditions, the global port operations generally experienced a slowdown of growth in 2019. The Group's ports operation recorded a total container throughput of 111.72 million TEUs, representing a 2.4% year-on-year growth, and bulk cargo volume of 449 million tonnes, representing a decrease of 10.5% year-on-year. Looking into the regional performance, container throughput handled by the Group's ports in Mainland China totalled 83.67 million TEUs, up 3.6% year-on-year; ports in Hong Kong and Taiwan handled a combined container throughput of 7.21 million TEUs, down 6.1% year-on-year; overseas operations delivered a container throughput of 20.84 million TEUs, up 0.9% year-on-year. Among the major ports in the Group's portfolio, Shanghai International Port (Group) Co., Ltd. handled a container throughput of 43.30 million TEUs, representing a year-on-year increase of 3.1%, being the world's largest for the tenth consecutive year. As a result of the disposal of the entire equity interest held in Shenzhen Chiwan in June 2018, container throughput handled by the Group's terminals in the West Shenzhen Port Zone was 10.21 million TEUs, down by 4.4% year-on-year. Colombo International Container Terminals Limited ("**CICT**") in Sri Lanka delivered year-on-year growth of 7.4% by handling a container throughput of 2.88 million TEUs. 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 the 0.18 million tonnes in 2018. Lomé Container Terminal S.A. in Togo handled a container throughput of 1.13 million TEUs, representing a growth of 7.7% year-on-year. Thanks to the active exploration of cargo in its hinterland after the acquisition was completed in February 2018, TCP Participações S.A. in Brazil handled a container throughput of 0.92 million TEUs during the year, up by 32.0% year-on-year. Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi in Turkey handled a container throughput of 1.28 million TEUs, representing a growth of 1.9% year-on-year. Terminal Link SAS delivered a container throughput of 13.25 million TEUs, down 2.8% year-on-year.

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. With a focus on the development of homebase port, overseas expansion, comprehensive development, innovative development, operation management, and marketing and commerce, the Group advanced various tasks in a comprehensive and practical manner and achieved staged strategic goals and various operational objectives of the year.

As for the development of homebase port, the Group adopted a number of initiatives and made full efforts to build world-class leading ports. Through progress in dredging projects of channels, integrated operation, and optimised environment of customs clearance, etc., the competitiveness of the West Shenzhen homebase port was steadily improved. With accelerated output of CICT's management experience on overseas projects, improvement of Hambantota Port's ability to provide comprehensive services, and enhanced collaborated development between Hambantota Port and CICT, the Group strived to foster the overseas homebase ports.

As for overseas expansion, the Group kept abreast of new changes in international trade landscape and capitalised on opportunities presented by both the restructuring of the competitive landscape in global port and shipping industry and the Belt and Road Initiative. Overseas acquisition projects were propelled in an orderly manner, which will further complement the global port layout.

With respect to comprehensive development, the Group dedicated in the exploration and innovation, and deepened the development of the comprehensive development model of "Port-Park-City". Staged progress was achieved in the Djibouti International Free Trade Zone and Hambantota Port comprehensive development project, etc.

With regard to innovative development, the Group proactively pushed forward the "digitalisation strategy". While putting continuous effort in establishing "CM ePort", an e-commerce platform for port and shipping, the Group, as a technology-driven enterprise, became an industry pioneer in the application of the 5G communication technology and the blockchain electronic invoices technology.

Regarding operation management, the Group, taking world-class enterprise as its benchmark, optimised its operation management indicators and developed an operation management system for sustainable value creation through various measures, such as facilitating collaboration, strengthening management and control, and enhancing quality and efficiency.

With regard to marketing and commerce, the Group coordinated and organised commercial promotions and marketing campaigns for both domestic and overseas customers, and established and reinforced the communications with senior management of customers, so as to strengthen customer relations and extending its influence in the industry.

FUTURE PROSPECTS

Looking into 2020, the global economy is expected to recover with moderate growth, yet the prospect remains subdued. Amid continuously sluggish manufacturing industry and heightening deflation threats, and affected by the global pandemic of novel coronavirus pneumonia epidemic in particular, the developed economies will continue to experience a slowdown of economic growth in general. The US economy faces clouded outlook, and could further weaken in the future. Affected by the Brexit and the emerging trade protectionism, the prospect of the European economies is far from optimistic, and its weak growth momentum will be difficult to see a fundamental turnaround. Emerging economies are expected to see a rebound in economic growth in 2020, yet facing the uncertainties arising from the novel coronavirus pneumonia epidemic. In particular, Southeast Asia will become one of the regions with more promising economic development thanks to the demographic dividend and consumption potentials. However, the South American countries will remain subdued affected by the economic and political crisis; while economies in the Middle East, driven by commodity prices, will experience instability. According to the forecast of IMF in January, the global economy will grow at 3.3% in 2020, representing a slight increase as compared to 2.9% in 2019, among which, the economic growth in developed economies is expected to slow down to 1.6% from 1.7% in 2019; emerging and developing economies will grow by 4.4%, up 0.7 percentage point as compared to that of 2019; and the total global trade volume (including goods and services) will grow by 2.9%, up 1.9 percentage points as compared to that of 2019. However, IMF expected to cut the above forecasts, considering the impact from the outbreak of the novel coronavirus pneumonia epidemic. China's economy will face continued pressure amid the new normal and a certain short-term impact from the epidemic. Nonetheless, with the epedmic being effectively controlled and enterprises successively resuming production in an orderly manner, the impact will be limited on China's economy in the mid-to-long term and China's economy is projected to maintain a reasonable growth in 2020. China's deepening connection with the rest of the world, such as globalisation of the financial market and the opening-up of the service sector, will bring opportunities to both China and the global economy. Meanwhile, the growth in China's consumption will drive economic growth domestically.

In 2020, trade disputes and geopolitical frictions will be likely to linger on, coupled with the spread of novel coronavirus pneumonia epidemic, which will become major factors affecting the global economy and market. The presidential election in the US will bring about uncertainties, which will further shake the market confidence in the US economy. The post-Brexit impact on the global economy and trade remains unknown. Uncertainties regarding the European and US economies and trade will also affect the Asian economy. The global trade structure will encounter an in-depth adjustment in the future. With trade disputes unresolved in the near future, small-scale and flexible exporters may benefit the most from trade diversion in the coming year. Facing the challenging macro environment, the Group will utilise the balanced port investment network in different regions in China and overseas and endeavour to maintain a steady development of port business in 2020.

In 2020, upholding the strategic principle of "leveraging on its long-term strategy, tapping the current edges, driving through technology and embracing changes", the Group will grow on solid ground, act proactively under the guidance of adapting to and pursuing changes, as well as insisting on the improvement of quality and efficiency. The Group will vigorously promote the quality development of business and operation, and be committed to developing towards the vision of "to be a world's leading comprehensive port service provider" with key priorities set out as below:

In terms of the development of homebase port, the Group will continue to strengthen its efforts in the construction of homebase ports in China and overseas. As for the West Shenzhen homebase port, the Group will actively expand ocean-going shipping routes while maintaining the stable service of short-sea shipping routes, strive to increase import volume while sustaining a healthy growth of export volume from its hinterland. The Group will also develop customised services and expand international transhipment volume by leveraging on the supportive policy for the business of "discharging and transferring containers of an entire vessel" offered by the Shekou Customs in Shenzhen. Besides, the Group will improve the quality of its feeder services to establish a strategic platform for the West Bank of the Pearl River Delta. In terms of overseas homebase ports, the Group will be committed to optimising customer mix and improve terminal's profitability, promote quality and efficiency enhancement and expand innovation channels. The Group will also cultivate teams of expat talents at the headquarters, and push forward talent localisation in overseas projects. Greater efforts will be put on the management of subcontractors, using a performance appraisal system.

In terms of the overseas business, the Group will advance the development of overseas leading ports. To optimise top-level design, the Group will consummate development plans of overseas port projects, and conduct studies on its overseas network along the "East-West routes, South-North routes, and the Belt and Road". The Group will enhance the development of the management system and cultivate teams of talents for overseas projects with a focus on improving the operational performance and management capability of overseas ports. It will also push forward work in relation to quality and efficiency enhancement, explore the potential and competitiveness of terminal capacity and seek collaborative innovation with ports in China.

In respect of comprehensive development, the Group will continue to promote the implementation of the "Port-Park-City" development model in China and overseas. Regarding the Djibouti comprehensive development project, the Group will establish a high-quality management system to vigorously improve operational efficiency, deepen strategic collaboration and innovate financing model, so as to establish a first-class free trade zone in Africa. Regarding the Hambantota Port project, the Group will provide value-added port services and facilitate work in relation to the induction of business and investment for the port's logistics park.

With regard to innovative development, the Group will strengthen the technology-driven approach to create a port ecosystem for technological innovation. With the "Research Institute of CMPort for Technological Innovation and Development" and the "empowerment of technology" for the port ecosystem, the Group will integrate technology and innovations to optimise, complement and improve its comprehensive port service model, thereby supporting the long-term development of the Group. The Group will develop "Digital CMPort" through the establishment of three platforms (i.e. the "CM Chip" platform, the "CM ePort" platform and the "Smart Operation Management" platform) and the building up of one capability (i.e. the capability of informationalisation).

In respect of capital operation, the Group will improve its capability to manage capital, revitalising and enhancing returns of its existing assets. While adhering to its sound policies, the Group will optimise its capital structure and asset portfolio through active capital measures, exploring ways to unlock its resources in various forms with a view to supporting the rapid growth of the Group.

Regarding operation management, the Group will carry on and enhance the "Project of Improving Quality and Efficiency" to achieve quality development. To fully unleash its potentials, the Group will focus on improving the quality of its initiatives with the goal of achieving material and sustainable results. Moreover, the Group will promote the in-depth integration of its initiatives to improve quality and efficiency with its strategic objectives, daily work and actual business, so as to fully empower its subsidiaries to improve the operation efficiency, management capability and value of resources.

With regard to marketing and commerce, the Group will promote its client-oriented management mechanism of marketing and commerce. A sound interaction mechanism between the headquarters and the terminals managed by the Group will be established for marketing and commerce-related matters. The Group will devote more efforts in guiding and coordinating with its subsidiaries in order to deliver efficient headquarters function in terms of marketing and commerce. Furthermore, the Group will strengthen its interaction and communication with shipping companies to further enhance the quality of its services.

In 2020, the global economy will experience fragile recovery and probably will encounter unfavourable factors, including trade tension and uncertainties of trade policies, and be hit by the novel coronavirus pneumonia epidemic. Nonetheless, the economy of emerging markets and developing economies will keep on growing, while the consumption of the developing countries will continue to drive economic growth. Industry consolidation will create opportunities, and the industry development will undergo a transformation through digitalisation and technological innovation. Amidst this complicated and changing external environment, the Group will embrace challenges, grasp opportunities, and explore potentials during the process of transformation and innovation, so as to open up new prospects with a proactive attitude. The Group will further enhance the endogenous power for corporate development, striving to generate better returns for its shareholders and create values for various stakeholders.

INVESTOR RELATIONS

The Group attaches great importance to investor relations management, and endlessly pushes communication and exchanges with the investment community with a view to raising investors' timely understanding of and trust towards the Group. In 2019, the Group held approximately 500 meetings with investors and analysts through diversified activities such as results announcement events, 6 non-deal roadshows, 14 investor conferences, on-site visits and meetings with the senior management. The Group will continue to keep close contact with its shareholders and investors by maintaining annual regular investor engagement activities globally, as a means to enhance the Group's transparency and governance standard, and to establish a positive corporate image as a listed company.

RATINGS

In 2019, The Group's credit rating by the Moody's and the Standard and Poor's maintained at Baa1 and BBB respectively. The Group was rated A- in the Sustainability Performance Assessment conducted by the Hong Kong Quality Assurance Agency in 2019.

APPRECIATION

With effect from 13 February 2020, Mr. Fu Gangfeng ceased to be the Chairman of the Board and the Executive Director of the Company and I was appointed as the Chairman of the Board and the Executive Director effective on the same day. In the past years, Mr. Fu has devoted great efforts to the Group's development and made significant contributions. On behalf of the Board of the Company, I would like to express my sincere gratitude to Mr. Fu and wish him great success in the new position.

In 2019, facing decelerating and weak macroeconomic and trade environment with greater downward pressure, the Group has embraced the challenges, responded swiftly, and maintained steady growth. Positive results for various tasks and growing operating results were recorded. All of these could not be accomplished without the dedication from all of our staff and the support from our shareholders and investors, business partners and those in the society who have taken to heart the Group's interest. For this, I would like to extend my most sincere appreciation and deepest gratitude.

Deng Renjie
Chairman

Hong Kong, 15 April 2020

MANAGEMENT DISCUSSION AND ANALYSIS

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

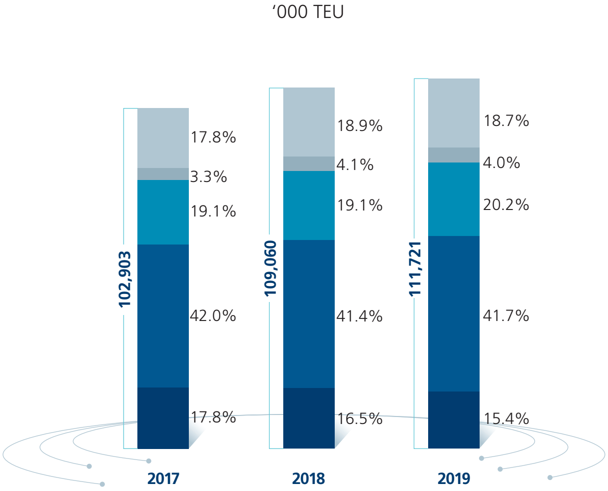
Ports operation

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.

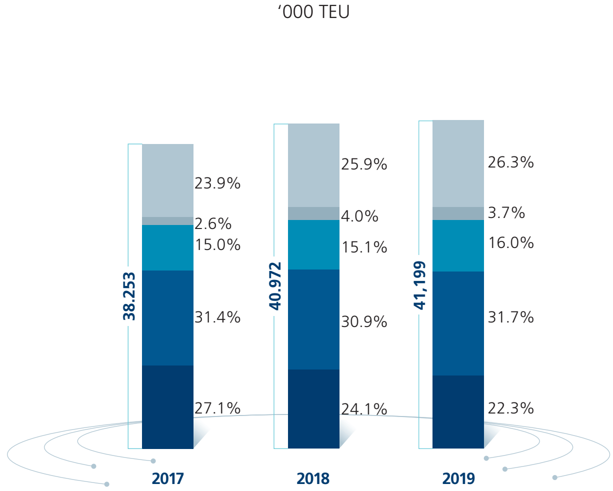
Pearl River Delta region

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.

CMPort Gross Throughput



CMPort Equity Throughput



Mainland China, Hong Kong and Taiwan

Pearl River Delta · Yangtze River Delta · Bohai Rim · Others · Other locations

Yangtze River Delta region

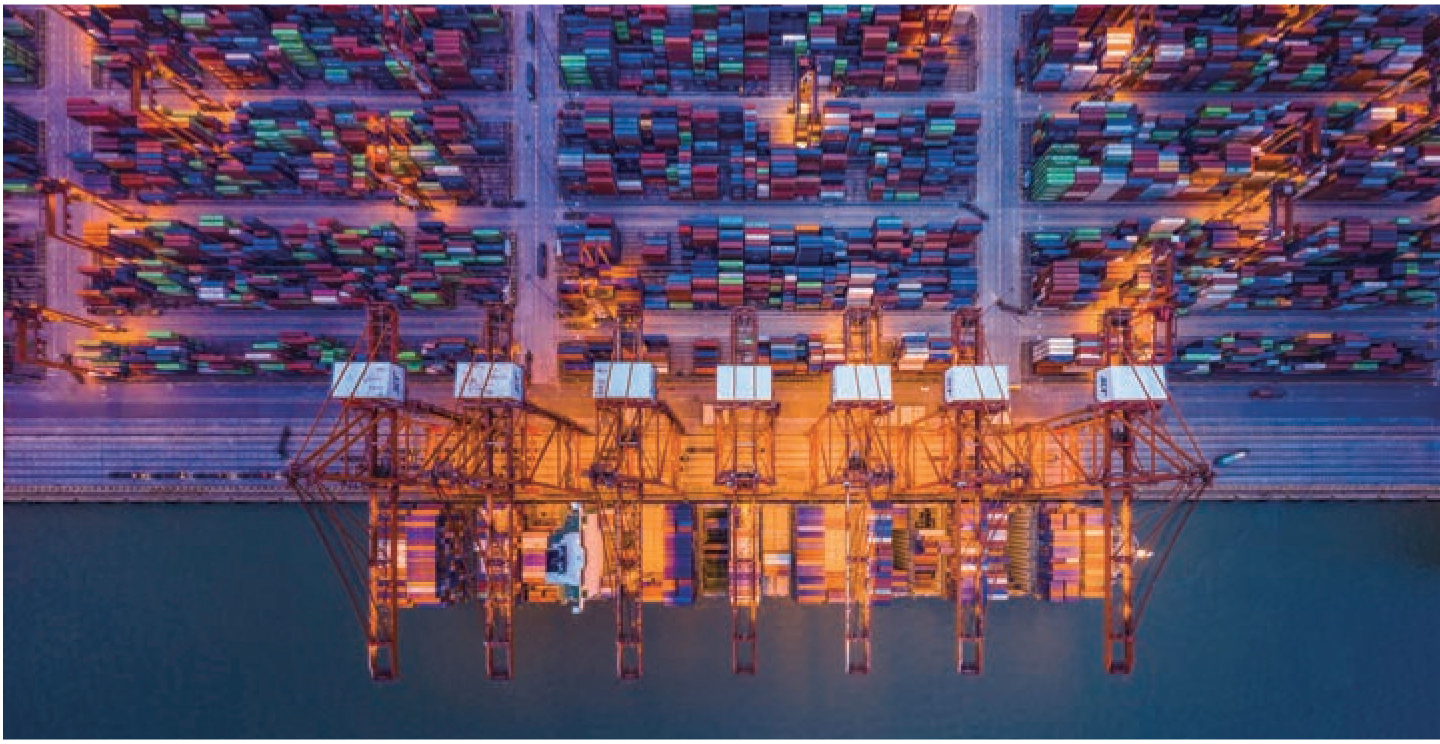
Shanghai International Port (Group) Co., Ltd. handled a container throughput of 43.30 million TEUs, up by 3.1% year-on-year, thanks to the faster ramping of Yangshan Phase IV. Bulk cargo volume handled declined by 23.4% year-on-year to 115 million tonnes, which was mainly affected by the strategic adjustments 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 resumption 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 resumption 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 resumption 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 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.

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 resumption 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.

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 HK$'million	2018 HK$'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
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

Note 2: Net interest-bearing debts and lease liabilities divided by total equity.

	2019 HK$'million	2018 HK$'million
Fixed-rate unlisted notes payable which are repayable (Note (b)):		
In 2021	—	571
In 2022	**2,791**	2,853
	2,791	3,424
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 HK$'million	Listed notes payable HK$'million	Unlisted notes payable HK$'million	Loans from fellow subsidiaries HK$'million	Loan from immediate holding company HK$'million	Loan from an associate HK$'million	Loan from a non-controlling equity holder of a subsidiary HK$'million	Total HK$'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 staff, 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.

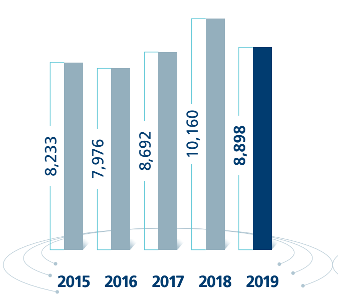
FIVE-YEAR FINANCIAL SUMMARY

Five-year Financial Summary

	2019 HK$'million	2018 HK$'million	2017 HK$'million	2016 HK$'million	2015 HK$'million
RESULTS					
Revenue	**8,898**	10,160	8,692	7,976	8,233
Profit before taxation	**11,756**	9,250	7,445	6,683	6,315
Profit for the year	**9,238**	7,955	6,701	6,206	5,525
Non-controlling interests	**876**	710	673	712	717
Profit attributable to equity holders of the Company	**8,362**	7,245	6,028	5,494	4,808
ASSETS AND LIABILITIES					
Non-current assets	**136,572**	129,138	118,899	97,100	90,063
Net current (liabilities)/assets	**(3,012)**	1,648	(2,477)	(3,131)	7,498
Total assets less current liabilities	**133,560**	130,786	116,422	93,969	97,561
Non-current liabilities	**39,426**	42,782	26,781	20,231	20,912
Non-controlling interests	**14,351**	12,683	16,194	7,830	7,821
Capital and reserves attributable to equity holders of the Company	**79,783**	75,321	73,447	65,908	68,828
RETURN TO SHAREHOLDERS					
Earnings per share					
– Basic (HK cents)	**247.84**	219.54	183.90	175.58	155.07
– Diluted (HK cents)	**247.84**	219.54	183.90	175.58	154.91
Dividend per share (HK cents)	**80.00**	95.00	216.00	87.00	77.00

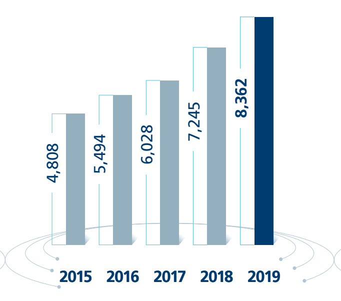
Revenue

HK$ million



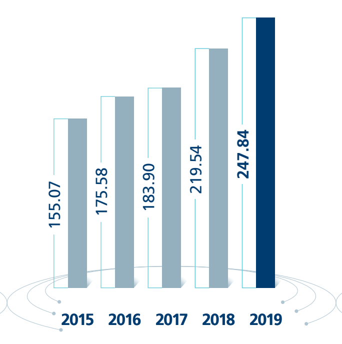
Profit attributable to equity holders of the Company

HK$ million



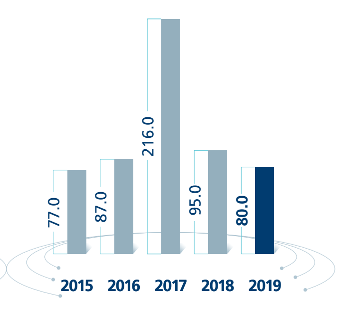
Earnings per share

HK$ cents



Dividend per share

HK$ cents



Corporate Governance Report

The Board of Directors (the "**Board**") is pleased to present this Corporate Governance Report in the Company's Annual Report for the year ended 31 December 2019.

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.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the requirements under the Companies Ordinance, the Securities and Futures Ordinance for, among other things, the disclosure of information, and the code provisions set out in the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") which sets out the corporate governance principles and code provisions with which listed issuers are expected to follow and comply throughout the year ended 31 December 2019, except for the following:-

Code Provision E.1.2

Mr. Fu Gangfeng, the then 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 the chair of the annual general meeting according to the Company's Articles of Association.

In order to ensure effective communication with the shareholders, chairmen of the Audit Committee, Remuneration Committee and Nomination Committee and the external auditor were present at the annual general meeting of the Company held on 3 June 2019 to answer shareholders' questions.

BOARD OF DIRECTORS

The Board of the Company comprises:

Executive Directors	Gender	Ethnicity	Age	Length of service (years)
Fu Gangfeng *(Chairman)* (resigned on 13 February 2020)	Male	Chinese	53	1.8
Deng Renjie *(Chairman)* (appointed on 13 February 2020)	Male	Chinese	49	N/A
Su Jian	Male	Chinese	47	2.2
Xiong Xianliang	Male	Chinese	52	1.6
Bai Jingtao *(Managing Director)*	Male	Chinese	54	4.6
Ge Lefu (appointed on 5 June 2019)	Male	Chinese	56	0.6
Wang Zhixian	Male	Chinese	54	3.8
Zheng Shaoping	Male	Chinese	56	7.9

Independent Non-executive Directors	Gender	Ethnicity	Age	Length of service (years)
Kut Ying Hay	Male	Chinese	64	27.6
Lee Yip Wah Peter	Male	Chinese	77	18.5
Li Kwok Heem John (resigned on 5 June 2019)	Male	Chinese	64	14.7
Li Ka Fai David	Male	Chinese	64	12.6
Bong Shu Ying Francis	Male	Chinese	77	9.5

During the year, the four Independent Non-executive Directors (five Independent Non-executive Directors before 5 June 2019) are persons of high calibre, with academic and professional qualifications in the fields of accounting, law, engineering and business management. With their experience gained from senior positions held in other companies, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each Independent Non-executive Director has given an annual confirmation of his independence to the Company, and the Company considers these Directors to be independent under Rule 3.13 of the Listing Rules.

During the year, 13 full board meetings were held and the attendance of each Director is set out as follows:

Name of Director	Number of board meetings attended during the Director's term of office in 2019	Attendance rate
Fu Gangfeng**	7/13	53.8%
Deng Renjie**	N/A	N/A
Su Jian	12/13	92.3%
Xiong Xianliang	12/13	92.3%
Bai Jingtao	13/13	100%
Ge Lefu*	7/7	100%
Wang Zhixian	12/13	92.3%
Zheng Shaoping	10/13	76.9%
Kut Ying Hay	13/13	100%
Lee Yip Wah Peter	13/13	100%
Li Kwok Heem John*	4/5	80%
Li Ka Fai David	13/13	100%
Bong Shu Ying Francis	13/13	100%

* Mr. Ge Lefu was appointed as Executive Director of the Company on 5 June 2019. Besides, Mr. Li Kwok Heem John resigned as Independent Non-executive Director and all Committee Members of the Company on the same day.

** Mr. Fu Gangfeng resigned as Executive Director and Chairman of the Company on 13 February 2020. Besides, Mr. Deng Renjie was appointed as Executive Director and Chairman of the Company on the same day.

There was no material financial, business, family or other relevant relationship among members of the Board.

The Board formulates the overall strategy of the Group, monitors its financial performance and maintains effective supervision over the management. The Board members are fully committed to their roles and have acted in good faith to maximise the shareholders' value in the long run, and have aligned the Group's goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

At least 14 days' notice of all regular board meetings is given to all Directors and they can include matters for discussion in the agenda if the need arises. The Company Secretary or his assistant assists the Chairman in preparing the agenda for meetings and ensures that all relevant rules and regulations are followed. The agenda and the accompanying board papers are sent to all Directors at least 3 days before the date of every board meeting so that the Directors have the time to review the documents. Minutes of every board meeting are circulated to all Directors for their perusal prior to confirmation of the minutes at or before the following board meeting.

TRAINING AND SUPPORT FOR DIRECTORS

Every Board member is entitled to access to board papers and related materials and has unrestricted access to the advice and services of the Company Secretary or his assistant, and has the liberty to seek external professional advice if so required. The Company Secretary or his assistant continuously updates all Directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practice. Furthermore, all Directors participated in continuous professional development to develop and refresh their knowledge and skills and to ensure that their contribution to the Board remains informed and relevant.

During the year, the Directors participated in the following trainings:

Name of Director	Type of training
Fu Gangfeng	A,B,C**
Deng Renjie	**
Su Jian	A,B,C
Xiong Xianliang	A,B,C
Bai Jingtao	A,B,C
Ge Lefu	A,B,C*
Wang Zhixian	A,B,C
Zheng Shaoping	A,B,C
Kut Ying Hay	A,C
Lee Yip Wah Peter	A,C
Li Kwok Heem John	A,C*
Li Ka Fai David	A,C
Bong Shu Ying Francis	A,C

A: attended seminars an/or conferences and/or forums

B: gave talks at seminars and/or conferences and/or forums

C: read journals and updates relating to the economy, general business or director's duties and responsibilities etc.

* Mr. Ge Lefu was appointed as Executive Director of the Company on 5 June 2019. Besides, Mr. Li Kwok Heem John resigned as Independent Non-executive Director and all Committee Members of the Company on the same day.

** Mr. Fu Gangfeng resigned as Executive Director and Chairman of the Company on 13 February 2020. Besides, Mr. Deng Renjie was appointed as Executive Director and Chairman of the Company on the same day.

DIRECTORS' SECURITIES TRANSACTIONS

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 Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, each Director confirmed that he/she has complied with the required standard set out in the Model Code during the year.

CHAIRMAN AND MANAGING DIRECTOR

The Chairman of the Board is responsible for the leadership and effective running of the Board and the Managing Director is delegated with the authorities to manage the business of the Group in all aspects effectively. The Chairman of the Board is Mr. Deng Renjie (appointed on 13 February 2020) and the Managing Director of the Company is Mr. Bai Jingtao. Besides, the then Chairman of the Board was Mr. Fu Gangfeng who resigned on 13 February 2020.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to Article 89 of the Company's articles of association (the "**Articles of Association**"), at each annual general meeting one-third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

The Company has fixed the term of appointment for Independent Non-executive Directors to a specific term of 3 years. They are also subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with Article 89 of the Articles of Association.

According to Article 95 of the Articles of Association, the Board has the power to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. In considering the appointment of a Director, the Board will take into account the professional qualifications, experience in relevant industries, management expertise and the potential contribution of such Director to advance the overseas expansion plan of the Company.

At a Board meeting held on 5 June 2019, the Board resolved to appoint Mr. Ge Lefu as an Executive Director of the Company.

At a Board meeting held on 13 February 2020, the Board resolved to appoint Mr. Deng Renjie as an Executive Director and Chairman of the Company.

In respect of the appointment of Mr. Ge Lefu and Mr. Deng Renjie, the Board has taken into consideration, inter alia, their qualifications, management expertise and experience in relevant industries.

NOMINATION COMMITTEE

The Nomination Committee was established in March 2012. It comprises one Executive Director and four Independent Non-executive Directors (five Independent Non-executive Directors before 5 June 2019). Two meetings were held in 2019. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2019	Attendance rate
Kut Ying Hay (Chairman of the Nomination Committee)	2/2	100%
Bai Jingtao	1/2	50%
Lee Yip Wah Peter	2/2	100%
Li Kwok Heem John (resigned on 5 June 2019)	N/A	N/A
Li Ka Fai David	2/2	100%
Bong Shu Ying Francis	2/2	100%

During the year, the Nomination Committee has reviewed the structure, size and composition of the Board, assessed the independence of the Independent Non-executive Directors according to the independence requirements set out in Rule 3.13 of the Listing Rules and made recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors after considering their qualifications, management expertise and experience in relevant industries. In addition, the Nomination Committee has made recommendation to the Board on 5 June 2019 on the appointment of Mr. Ge Lefu as Executive Director.

A Board Diversity Policy was adopted in August 2013. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee developed measurable objectives to implement the Board Diversity Policy, where selection of candidates will be based on a range of diversity perspectives as set out above, and the ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

In light of the latest amendments made to the Corporate Governance Code (effective on 1 January 2019), the Board has further adopted a nomination policy (the "**Nomination Policy**"), on 17 December 2018.

Nomination Criteria

The Nomination Committee shall consider the following criteria in evaluating and selecting candidates for directorship:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Willingness to devote adequate time to discharge duties as a member of the Board;
- Board Diversity Policy and any measurable objectives adopted for achieving diversity on the Board;
- Requirement for the Board to have independent non-executive directors in accordance with the listing rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- Such other perspectives appropriate to the Company's business or as suggested by the Board.

Nomination Process

The Nomination Committee reviews the structure, size and composition (including the skills, knowledge and experience) of the Board periodically and make recommendation on any proposed changes to the Board to complement the Company's corporate strategy. When it is necessary to fill a casual vacancy or appoint an additional director, the Nomination Committee identifies or selects candidates as recommended to the Committee, with or without assistance from external agencies or the Company. If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable). The Nomination Committee makes recommendation to the Board including the terms and conditions of the appointment. The Board deliberates and decides on the appointment based upon the recommendation of the Nomination Committee.

Pursuant to the Articles of Association, Mr. Su Jian, Mr. Bai Jingtao, Mr. Kut Ying Hay and Mr. Li Ka Fai David shall retire from office by rotation at the upcoming annual general meeting and shall be eligible and offer themselves for re-election. Mr. Deng Renjie shall hold office until the next following general meeting of the Company and shall be eligible and offer themselves for re-election. The Nomination Committee, in considering the re-election of these Directors, has considered and taken into account the objectives set out in the Board Diversity Policy.

The major roles and functions of the Nomination Committee are as follows:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to assess the independence of Independent Non-executive Directors;

4. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; and

5. to consider other topics as defined by the Board.

REMUNERATION COMMITTEE

The Remuneration Committee was established in January 2005. It comprises one Executive Director and four Independent Non-executive Directors (five Independent Non-executive Directors before 5 June 2019). One meeting was held in 2019. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2019	Attendance rate
Li Ka Fai David (Chairman of the Remuneration Committee)	1/1	100%
Bai Jingtao	0/1	0%
Kut Ying Hay	1/1	100%
Lee Yip Wah Peter	1/1	100%
Li Kwok Heem John (resigned on 5 June 2019)	N/A	N/A
Bong Shu Ying Francis	1/1	100%

During the year, the Remuneration Committee has reviewed and recommended for approval by the Board the remuneration of the Directors and senior management with reference to the nature of their work, complexity of the responsibilities and performance. No Director took part in any discussion about his own remuneration.

The Company has adopted a new share option scheme on 9 December 2011 in place of the previous share option scheme which was terminated on the same day, which serves as an incentive to attract, retain and motivate talented eligible staff, including the Directors. Details of the share option scheme are set out on pages 84 to 86 of the Report of the Directors. The emolument payable to Directors will depend on their respective contractual terms under employment contracts, if any, and as recommended by the Remuneration Committee. Details of the Directors' remuneration are set out in note 10 to the consolidated financial statements.

The major roles and functions of the Remuneration Committee are as follows:

1. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. either (i) to determine, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management; or (ii) to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. Factors which should be taken into consideration include but not limited to salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

3. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

4. to review and approve compensation payable to Executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

5. to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

6. to make recommendations to the Board on the remuneration of Non-executive Directors;

7. to ensure that no Director or any of his associates is involved in deciding his own remuneration;

8. to consult the Chairman and/or the Managing Director about their remuneration proposals for other Executive Directors. The Remuneration Committee should have access to independent professional advice if necessary; and

9. to consider other topics as defined by the Board.

Pursuant to code provision B.1.5 of the Corporate Governance Code, the annual remuneration of the members of senior management (exclude Directors) by band for the year ended 31 December 2019 is set out in note 11 to the consolidated financial statements.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of accounts of each financial period, which should give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 December 2019, the Directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards ("**HKFRSs**") and Hong Kong Accounting Standards ("**HKASs**") which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the financial statements on the going concern basis.

The statement of the auditor of the Company about the reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 101 to 105.

AUDIT COMMITTEE

The Audit Committee comprises all of the four Independent Non-executive Directors (five Independent Non-executive Directors before 5 June 2019).

The Audit Committee meets at least twice a year. Two meetings were held in 2019. The minutes of the Audit Committee meetings were tabled at Board meetings for Directors to take note and for action by the Board where appropriate. The attendance of each member is set out as follows:

Name of member	Number of meetings attended in 2019	Attendance rate
Lee Yip Wah Peter (Chairman of the Audit Committee)	2/2	100%
Kut Ying Hay	2/2	100%
Li Kwok Heem John (resigned on 5 June 2019)	1/1	100%
Li Ka Fai David	2/2	100%
Bong Shu Ying Francis	2/2	100%

During the meetings held in 2019, the Audit Committee had performed the following work:

(i) reviewed the financial reports for the year ended 31 December 2018 and for the six months ended 30 June 2019;

(ii) reviewed the effectiveness of risk management and Internal control systems;

(iii) reviewed the external auditor's audit plan and engagement letter;

(iv) reviewed the management letter from the external auditor in relation to the audit of the Group for the year ended 31 December 2018;

(v) reviewed and recommended for approval by the Board the 2019 audit scope and fees; and

(vi) reviewed the connected transactions entered into by the Group during 2018.

The major roles and functions of the Audit Committee are as follows:

1. to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences and ensure co-ordination where more than one audit firm is involved;

3. to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

4. to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:

   (i) any changes in accounting policies and practices;

   (ii) major judgmental areas;

   (iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

5. Regarding to item (4) above:

   (i) members of the Audit Committee must liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditor; and

   (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditor;

6. to review the Company's financial controls and risk management and internal control systems;

7. to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have an effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

8. to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

9. to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);

10. to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of controls and management's response;

11. to review the Company's statement on risk management and internal control systems (which is included in the annual report) prior to endorsement by the Board;

12. where an internal audit function exists, to review the internal audit programme, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

13. to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

14. to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

15. to act as the key representative body for overseeing the Company's relationship with the external auditor;

16. to report to the Board on the matters of the terms of reference of the Audit Committee;

17. to review the Group's financial and accounting policies and practices;

18. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

19. to review and monitor the training and continuous professional development of directors and senior management;

20. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

21. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;

22. to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report set out in Appendix 14 to the Listing Rules; and

23. to consider other topics, as defined by the Board.

AUDITOR'S REMUNERATION

During the year under review, the remuneration to the Company's auditor, Messrs. Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fees paid/payable HK$'million
Audit services	7
Non-audit services (Tax, compliance and advisory services)	8
Total	15

RISK MANAGEMENT AND INTERNAL CONTROL

It is the responsibility of the Board to ensure that the Group maintains sound and effective risk management and Internal control systems to safeguard the shareholders' investment and the Group's assets and to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives.

The internal control system of the Group comprises a well-established organisational structure and comprehensive policies and standards. Areas of responsibilities of each business and operational unit are clearly defined to ensure effective checks and balances.

The key procedures that the Board established to provide effective internal controls are as follows:

- A distinct organisation structure exists with defined lines of authority and control responsibilities;

- A unified and comprehensive auditing and management accounting system for the Group is in place to prepare financial and operational performance indicators to the management and the relevant financial information for reporting and disclosure purpose; for maintaining proper accounting records; and for ensuring the reliability of financial information used within the business or for publication;

- A centralised management system in respect of external investment, equity transfer and assets disposal is in place. Investment Assessment Committee together with Strategy and Operations Department, Business Development Department and International Division are responsible for the Group's investment exposure analysis at home and abroad, and for monitoring the level of investment exposures faced by the Group. A set of processing procedures for examination and approval is implemented by our headquarter on the acquisitions and disposals of assets by the operating units under the Group;

- Systems and procedures are also in place to identify, measure, manage and control risks including reputation, legal, strategic, financing, guarantee, taxation, market, operational and project construction risks. Exposure to risks of implementation and development of strategies, changes in policies and legal proceedings is monitored by the Group's officer in charge of strategic research together with Strategy and Operations Department and Board of Directors and Legal Department. Exposure to risks of the Group's financing, guarantee, taxation and use of funds is monitored by the Group's officer in charge of financial management together with the Finance Department and other risks management units. Exposure to risks of market, operation and change of operation environment relating to the Group's business is monitored by the Group's officer in charge of business and operation management together with Strategy and Operations Department, Group Marketing and Commercial Department, Engineering and Information Technology Department, Safety Production Management Committee Office and the operating units. Exposure to risks of the Group's project construction, equipment and bulk materials procurement is monitored by the Group's officer in charge of project management together with Engineering and Information Technology Department. In addition, procedures are designed to ensure compliance with applicable laws, rules and regulations;

- Basic risk management and control system is set up while internal control system and self-assessment system are established according to the Group's actual circumstances;
- Policies and procedures are designed for safeguarding assets against unauthorised use or disposition. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud;
- A Policy on Handling and Dissemination of Inside Information is established, setting out the guiding principles, procedures and internal controls for the handling and dissemination of inside information in a timely manner in such a way that it does not place any person in a privileged dealing position and allows time for the market to price the shares of the Company to reflect the latest available information; and
- The Audit Committee reviews the annual audit report, including the management letter, submitted by the external auditor to the management of the Group, and the internal audit report, the risk management assessment report, the internal control assessment report submitted by the officer(s) in charge of internal control and audit. The scope of functions of Internal Control and Audit Department encompasses monitoring the authenticity and compliance of economic activities (e.g. finance, operation and investment), leading and organizing risk management and self-assessment of internal control, and ensuring all operational management activities are under control by assessing, tracking and preventing material risks, as well as establishing risk management and Internal control systems that is scientific and effective.

The Board and the Audit Committee assess the effectiveness of the Group's risk management and internal control systems which covers all material controls, including financial, investing, marketing, operation, project construction and regulations compliance and risk management functions and consider the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget on an annual basis. The Internal Control and Audit Department conducts independent reviews of risks associated with and controls over various operations and activities. Significant findings on internal controls, assessment on risk management and self-assessment on internal control system are reported regularly to the Audit Committee each year.

The Board considers that the Group's risk management and Internal control systems are effective and adequate.

COMPANY SECRETARY

The Company Secretary, Mr. Leung Chong Shun, is a practicing solicitor in Hong Kong. Although he is not a full-time employee of the Company, he reports to the Board and is responsible for advising the Board on governance matters. The primary contact person of the Company with the Company Secretary is Ms. Yvonne Luk Man Kuen, Deputy Chief Legal Counsel and General Manager of Board of Directors and Legal Department of the Company. The Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training during the year.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

Dividend policy

The Board has approved and adopted a dividend policy on 17 December 2018 (the "**Dividend Policy**"). Under the Dividend Policy, the Company may declare and pay dividends to the shareholders of the Company. Subject to compliance with applicable laws, rules, regulations and the Articles of Association, in deciding whether to propose any dividend payout, the Board will take into account, among other things, the financial results, the earnings, losses and distributable reserves, the operations and liquidity requirements, the debt ratio and possible effects on the credit lines, and the current and future development plans of the Company. There can be no assurance that dividends will be paid in any particular amount for any given period.

General Meetings with Shareholders

The Board recognises the importance of good communications with all shareholders. The Company's annual general meeting is a valuable forum for the Board to communicate directly with the shareholders. The Chairman of the Board as well as Chairmen of the Audit and Remuneration Committees (or their duly appointed delegates) together with the external auditor are present to answer shareholders' questions. Circulars which set out relevant information of the proposed resolutions are distributed to all shareholders at least 10 business days before the extraordinary general meeting and at least 20 business days before the annual general meeting.

At the two extraordinary general meetings held on 25 February 2019 and 28 October 2019 and at the 2019 annual general meeting held on 3 June 2019, the Chairman of the meeting demanded that all resolutions proposed at the meeting to be voted by poll. The procedures for conducting a poll were explained at the meeting. The results of the poll were published on the websites of the Company and the Stock Exchange. The attendance of each Director at the general meetings held in 2019 is set out as follows:

Name of Director	Number of general meeting attended in 2019
Fu Gangfeng*3	0/3
Deng Renjie*4	N/A
Su Jian	0/3
Xiong Xianliang	0/3
Bai Jingtao	3/3
Ge Lefu*1	1/1
Wang Zhixian	2/3
Zheng Shaoping	1/3
Kut Ying Hay	2/3
Lee Yip Wah Peter	3/3
Li Kwok Heem John*2	0/2
Li Ka Fai David	3/3
Bong Shu Ying Francis	2/3

*1 Mr. Ge Lefu was appointed as Executive Director of the Company on 5 June 2019. Therefore, he did not attend the extraordinary general meeting (the "EGM") and annual general meeting (the "AGM") on 25 February 2019 and 3 June 2019, respectively.

*2 Mr. Li Kwok Heem John resigned as Independent Non-executive Director and all Committee Members of the Company on 5 June 2019. Therefore, he did not attend the EGM on 28 October 2019.

*3 Mr. Fu Gangfeng resigned as Executive Director and Chairman of the Company on 13 February 2020.

*4 Mr. Deng Renjie was appointed as Executive Director and Chairman of the Company on 13 February 2020, he did not attend the captioned general meetings held in 2019.

CONSTITUTIONAL DOCUMENTS

During the year, there is no change in the Company's Articles of Association.

SHAREHOLDERS' RIGHTS

Pursuant to sections 566 to 568 of the Companies Ordinance, shareholder(s) representing at least 5 per cent of the total voting rights of all the shareholders of the Company having a right to vote at general meetings can make a requisition to convene a general meeting. Such requisition must state the general nature of the business to be dealt with at the meeting, and must be authenticated by the person or persons making it and sent to the Company either in hard copy form or in electronic form. Besides, pursuant to sections 615 to 616 of the Companies Ordinance, shareholder(s) of the Company can request the Company to give notice of a resolution and move such resolution at an annual general meeting, provided that such a request is made by (i) shareholder(s) of the Company representing at least 2.5 per cent of the total voting rights of all the shareholders who have a right to vote on the resolution at the annual general meeting to which the request relates or (ii) at least 50 shareholders who have a right to vote on the resolution at the annual general meeting to which the request relates. Such a request must identify the resolution of which notice is to be given, be either in hard copy form or in electronic form and authenticated by the person or persons making it, and be received by the Company not later than six weeks before the annual general meeting to which the request relates or, if received by the Company later than the time as stated above, the time at which notice is given of that meeting. Procedures for shareholders to propose a person for election as a director have been uploaded to the Company's website.

INVESTOR RELATIONS

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to the Group. The Company has announced its annual and interim results in a timely manner.

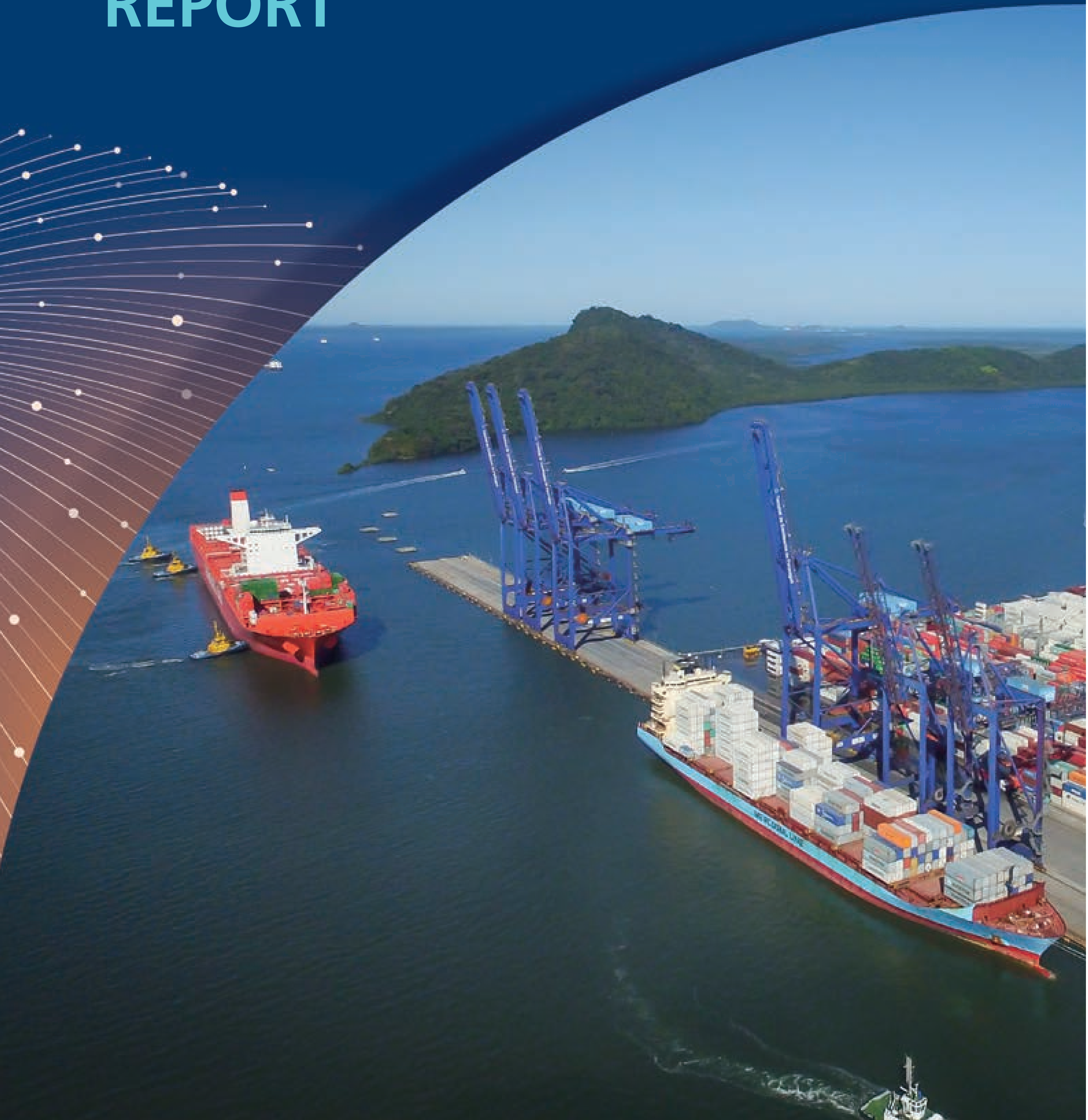
The management personnel responsible for investor relations held regular meetings with equity research analysts, fund managers and institutional shareholders and investors.

Shareholders may at any time send their enquiries and concerns to the Board by addressing them to the Investor Relations Representative of the Company. The contact details are as follows:

Investor Relations Representative of
China Merchants Port Holdings Company Limited
38th Floor, China Merchants Tower
Shun Tak Centre, 168-200 Connaught Road Central
Hong Kong
Email: relation@cmhk.com
Tel No.: 2102 8888
Fax No.: 2587 8811

The 2020 annual general meeting of the Company will be held at 9:30 a.m. on Monday,15 June 2020 at Granville & Nathan Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Environmental, Social and Governance Report

ABOUT US

CORPORATE PROFILE

Renowned for its remarkable history as well as strategic vision and foresight, the Group has established an unrivalled position in the ports industry in both the PRC and worldwide. We are the flagship company of China Merchants Group Limited and its subsidiaries ("**CMG Group**"), the longest standing and the most renowned shipping company in the PRC. The ports and logistics operation of CMG Group had expanded across the PRC as far back as in the 19th century. The Group is now a global leading port developer, investor and operator, with a comprehensive ports network at the hub locations along coastal China. The terminals, which the Group became the controlling shareholder of or those the Group has interest in, are located in hub locations across Shenzhen, Hong Kong, Shanghai, Ningbo, Qingdao, Tianjin, Dalian, Zhangzhou, Zhanjiang and Shantou, Taiwan, as well as in South Asia, Africa, Americas, Oceania, Europe and Mediterranean Sea, amongst others.

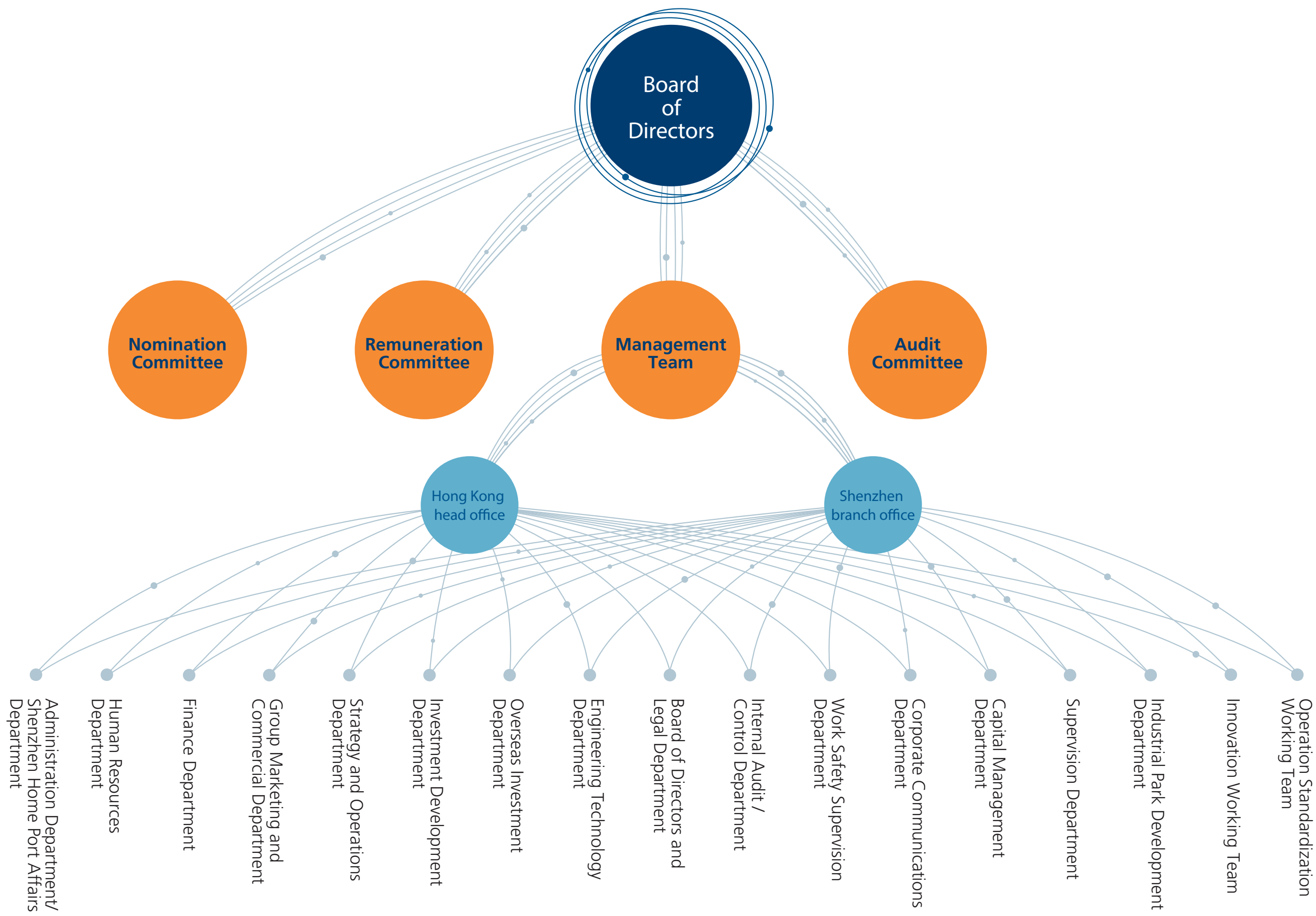
As at the end of 2019, the Group has invested in 34 ports in 18 countries and regions and the container throughput handled during the year amounted to 111.72 million TEUs. The Group has earned itself a reputation across the industry, leveraging on the professional management experience accumulated for years, its self-developed global leading ports operating system and integrated logistics platform for import and export, its extensive maritime logistics support system, the modern and all-rounded integrated logistics solutions it offers, its quality engineering management, and the outstanding and reliable services it provides. The Group's vision is "to be a world's leading comprehensive port service provider". Through implementation of domestic, overseas and innovation strategies, the Company strives to achieve world-class level on various fronts, including container throughput of global ports, market share, comprehensive port development, operational management capabilities, resource utilisation, labour productivity and brand name, etc.

The Group has prepared this report covering the financial year ended 31 December 2019 according to and in compliance with the provisions of the *ESG Reporting Guide* in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

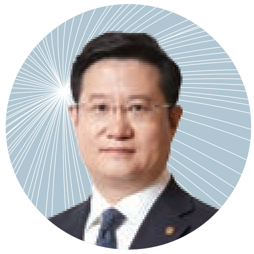
CORPORATE GOVERNANCE

The Group has established standardised, transparent, open and efficient corporate governance structure and corporate governance rules in accordance with the prevailing laws, regulations and relevant requirements and with reference to its own production and operational practices. The duties and authorities regarding various aspects, including decision, execution and supervision, are clearly defined, thus forming a mechanism with highly effective division of responsibilities as well as checks and balances, thereby achieving sound and sustainable development of the Group as a whole towards becoming a more professional, regulated and transparent corporation.

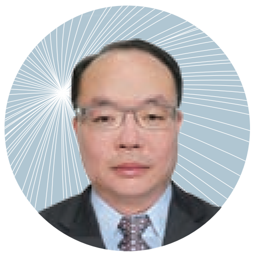
Organisational Structure



Executive Directors



Deng Renjie
(Chairman)



Su Jian

Xiong Xianliang

Bai Jingtao

Ge Lefu

Wang Zhixian

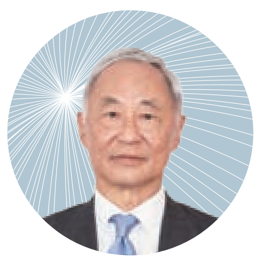
Zheng Shaoping

Independent Non-executive Directors

Kut Ying Hay

Lee Yip Wah Peter

Li Ka Fai David



Bong Shu Ying Francis

RESPONSIBILITY MANAGEMENT

Effective social responsibility management is important safeguard for an enterprise's business sustainability. With a focus on strengthening the ability of achieving sustainable development, the Company continues to reinforce responsibility management in coordination with relevant rules, regulations and systems, while facilitating the integration of social responsibility into functional departments and business process. The Company also actively assumes social responsibility to create integrated value for its stakeholders, including shareholders, the government, customers, staff and business partners, with an aim to promote sustainable development of both the entity and the society.

CULTURE OF RESPONSIBILITY

Adhering to the principle of sustainable development, the Group establishes its responsibility concept system with responsible corporate mission, vision, core values, philosophy and corporate spirit and strives to achieve value sharing and mutual benefit and promote a healthy, sustainable, stable and harmonious social development.

Three Principles

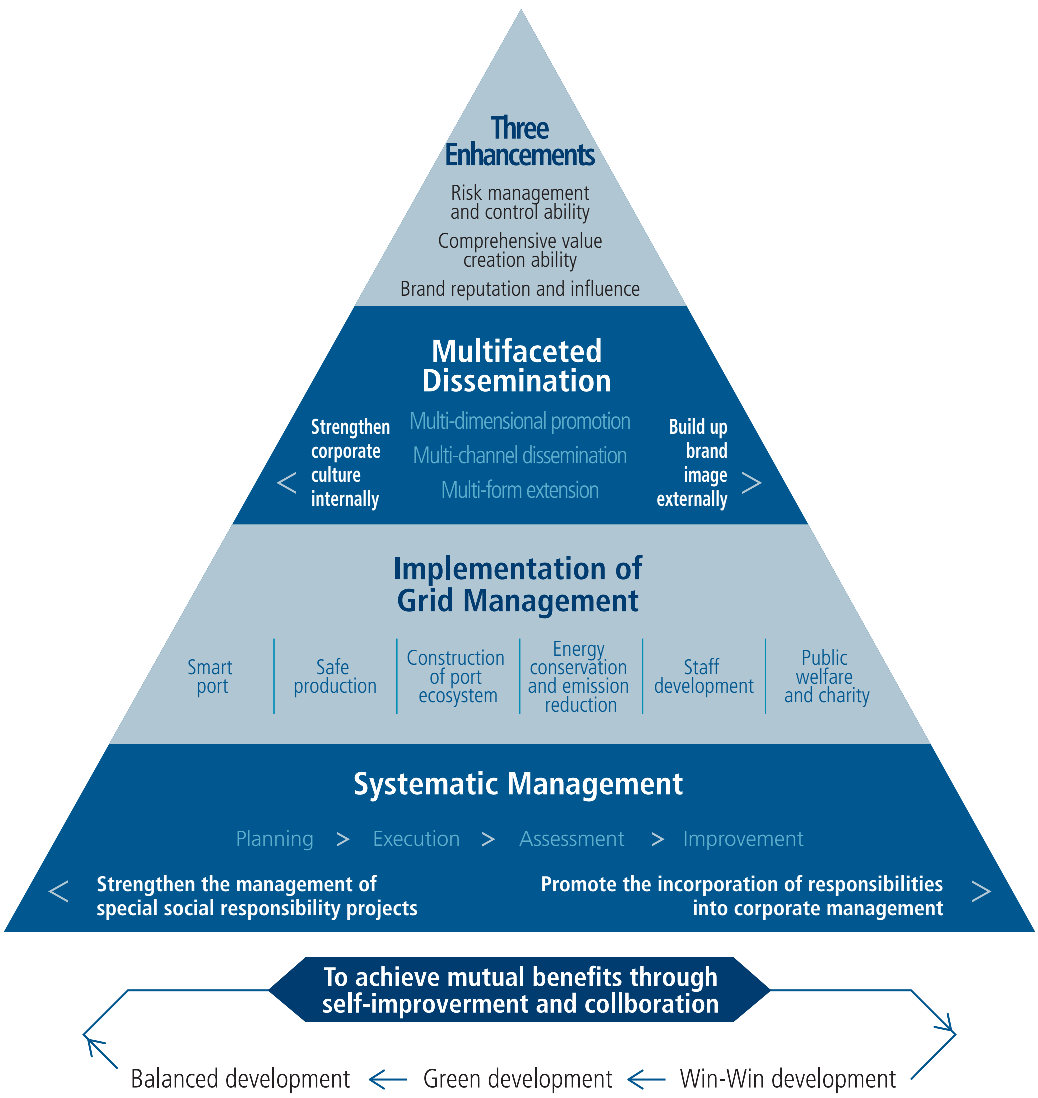
- Service-oriented with a focus on integrity and stability
- Efficient execution through collaborative efforts
- Integration of theory and practice with strong commitment

Eight Reminders

- Being attentive at work
- Being responsible
- Being eager to learn
- Being innovative
- Being disciplined and value effectiveness
- Being self-respectful and self-disciplined
- Being collaborative in seeking development
- Being united in seeking self-improvement

PROMOTION OF RESPONSIBILITY

The Group has established a working network regarding social responsibility that involves deep engagement of the management, horizontal collaboration of professional departments and vertical communication of staff at different levels and has formed a "mission-oriented" social responsibility promotion model, with a view to apply the requirements of social responsibility management onto every functional departments, thus laying a foundation for the promotion of social responsibility systematically.



COMMUNICATION OF RESPONSIBILITIES

The Group placed great emphasis on and strengthened its communication with stakeholders to constantly improve the transparency of corporate operation. Through different channels and methods, the Group would actively understand the expectations and respond to the appeals of stakeholders and strive to establish a more harmonious relationship with them.

Stakeholders	Communication channels and methods	Expectations and appeals	Our response
Shareholders and investors	• Information disclosure • General meetings • Work meetings • Exchanges and visits	• Transparent financial information disclosure • Strengthened risk management and control • Create economic values • Maintain and increase the values of state-owned assets	• Refine corporate governance and management of investor relations • Maintain growth of business and profitability, and continue to enhance its position in the industry • Enhance operational transparency
Government and regulatory authorities	• Daily reporting and communication • Meetings and exchange activities	• Compliance operation and tax payment in accordance with the laws • Support local development • Protect local environment	• Implement policies and pay tax in accordance with the laws • Actively take up social responsibilities
Customers	• Information disclosure • Responses to and handling of customers' feedback • Customer satisfaction survey	• Provide quality services • Safeguard information security	• Enhance basic services • Develop smart ports by innovating the form and content of our services • Protect customer information • Improve customer satisfaction
Partners	• Project cooperation • Work meetings • Daily communication	• Transparent cooperation with integrity • Mutual support and win-win development	• Establish responsibility supply chain • Seek for comprehensive development
Employees	• Regular meetings • Standardised trainings • Exchange activities	• Secure basic rights • Smooth career development path • Work-life balance	• Provide market competitive salaries and benefits, as well as learning and development opportunities • Create favourable working environment
Environment	• Environmental information disclosure • Environmental protection campaigns	• Reduce environmental impacts caused by operating activities • Lead the industry to enhance its green development capability	• Strengthen environmental management • Commence green operations • Promote green development of the industry
Community	• Charitable events • Volunteering services • Information disclosure	• Promote regional development • Support public welfare and charity	• Promote the development of countries and regions where the project are located • Establish the charity brand "C-Blue" • Encourage staff to participate in volunteering activities

BALANCED DEVELOPMENT TO CREATE EXTENSIVE VALUES IN THE LONG RUN

Profit attributable to equity holders of the Company

HK$**8,362**

million

Return on Equity

10.8%

Total assets

HK$**149,082**

million

INTERNAL CONTROL AND RISK MANAGEMENT

The Group has formulated the *Measures for the Internal Control Evaluation* (《內部控制評價工作辦法》) and *Measures for the Comprehensive Risk Management* (《全面風險管理工作辦法》) and carried out internal management and control as well as risk management according to these measures. In 2019, the scope of the Group's internal control system has basically covered the business managed and controlled by its subsidiaries with the internal control systems of three major business segments of containers, bulk cargos and logistics parks were basically formed, and hence forming a long-term working mechanism. The Group has established an annual assessment mechanism for material risks, expanded its risk identification channels, strengthened its efforts in risk identification and carried out specific risk management and control. The Group also conducted research on the formulation of risk management tools and standards and carried out customer credit risk management as well as the management and control of foreign exchange rate risks, thereby enhancing its risk mitigation capability. In 2019, the Group has implemented a total of 16 internal audit projects with 22 business units included in the risk control system. Through regular self-assessment and continuous enhancement of risk management and control capabilities, the Group has no material risk incidents and material loss on assets.

ANTI-CORRUPTION

The Group has strictly observed relevant laws and regulations on anti-corruption in the place of operation, such as the *Anti-Monopoly Law of the People's Republic of China* (《中華人民共和國反壟斷法》), the *Anti-Unfair Competition Law of the People's Republic of China* (《中華人民共和國反不正當競爭法》) in Mainland China and the *Prevention of Bribery Ordinance* from the Laws of Hong Kong. Guided by the anti-corruption requirements of China Merchants Group, the Group developed policies and procedures against corruption through system establishment, risk investigation and anti-corruption meetings. The Group organised anti-corruption education for employees, such as training on discipline, warning education and conference to strengthen their awareness of self-discipline.

Carrying out warning education activities on anti-corruption

Organizing staff visits to the warning education base

Establishment of Anti-corruption System

The Group formulated 4 new systems including the *Implementation Measures of Penalty Enforcement* (《處分執行實施辦法》) and amended and refined 7 relevant systems, with a view to further standardizing the exercise of power from the source of systems and reinforcing the supervision of discipline enforcement and accountability in a practical manner, hence facilitating sound development of the Company.

Investigation of Integrity Risks

The Group has newly formulated the *Administration Measures on the Investigation, Prevention and Control of Integrity Risk Points (Trial)* (《廉潔風險點排查防控管理辦法（試行）》) and established an integrity risk investigation mechanism to arrange centralized investigation on integrity risk points and implement prevention and control measures on a daily basis. All subordinate units consolidated a total of 302 key business procedures and processes with 267 integrity risk points in total.

Integrity Training for the Management

The Group conducts pre-appointment briefings on integrity for new senior management with an aim to achieve the full coverage of pre-appointment integrity briefings. The Group conducted 197 pre-appointment briefings on integrity and 685 briefings on integrity education in 2019. The Group has carried out supervision of integrity and interviews at the production frontline of all units. In 2019, the Group has supervised 16 units in total, including Sri Lanka Project.

Risk Control over Corruption along the Supply Chain

Regarding the potential risks along the supply chain, the Group required the immediate relatives or specific related persons of the staff responsible for key positons (such as procurement and tender) to actively declare their relationships and withdraw. Meanwhile, the Group stands firm against commercial bribery and definitely prohibits the acceptance of funds or banquet invitations in any form from suppliers or their associated units/persons so as to effectively mitigate corruption risks in commercial activities.

PROMOTION OF QUALITY AND EFFICIENCY IMPROVEMENTS

In 2019, the Group steadily pushed forward the quality and efficiency improvements in a comprehensive and in-depth manner by carrying out numerous detailed works with substantial achievements. The Group pushed forward its quality and efficiency improvement by establishing organizations and systems for quality and efficiency improvement at all levels as well as adopting digital tools. The Group promulgated specific measures on quality and efficiency improvement followed by solid implementation and tracking of these measures, and urged all subordinate units to take reference of their actual conditions, contributing to a total of 180 quality and efficiency improvement measures covering three major aspects, namely revenue, costs and empowerment.

PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

The Group complies with the *Trademark Law of the People's Republic of China* (《中華人民共和國商標法》), the *Patent Law of the People's Republic of China* (《中華人民共和國專利法》) and relevant laws and regulations and formulated the *Administration Regulations on Intellectual Property Rights* (《知識產權管理規定》) to standardize the management and protection of intellectual property rights such as patents, copyrights and trademarks with an aim to incorporate intellectual property right management into its establishment of legal system and hence strengthening its efforts of intellectual property right management.

PROVIDING QUALITY SERVICES

Dedicated to providing quality and comprehensive services to its customers, the Group continued to expand its business chain and pursue innovation on the scope of service. It has effectively developed the ancillary value-added sectors of port services including small-scale agricultural product business and cross-border e-commerce services closely related to port businesses, and responded to customers' demands with quality caring services so as to enhance customer satisfaction.

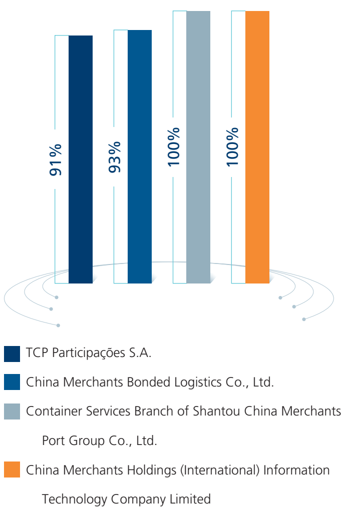
Optimizing Port Services

In 2019, the Group further optimized the "CM ePort" customer service platform with new functions, such as electric bills of lading and senseless billing service through face recognition based on customers' demands, which has substantially reduced operating costs and enhanced logistic efficiency, hence facilitating the enhancement of quality and efficiency for the Group and customers within the port ecosystem. In order to continuously optimize business environment at ports and further increase trading convenience, the Group introduced a new model, i.e. "integrated reporting at port zone", for vessels in West Shenzhen Port Zone, launched shuttle-barge transfer service across the port zone and conducted trial operation at e-commerce monitoring stations for cross-border trading.

Enhancing Customer Satisfaction

The Group formulated *Feedback Mechanism on Opinions and Complaints of Customers* (《客戶意見及投訴反饋機制》) to specify the management measures of customers' opinions and complaints such that tracking or investigations on customers' opinions and complaints could be efficiently standardized. The Group swiftly responds to complaints from customers within 24 hours and promptly handles serious complaints with close supervision, striving to establish efficient channels for communications, feedbacks and complaints, thereby continually enhancing customer satisfaction.

Level of Customer Satisfaction of Certain Subordinate Companies in 2019



Protection of Customer Privacy

The Group places great emphasis on safeguarding information security, equips specific apparatus for information confidentiality and has comprehensively reviewed its confidentiality procedures and transmission mechanism for confidential documents. It steps up its endeavor in confidentiality promotion by participating in "Network Protection 2019" (「護網2019」) attack prevention drills so as to raise its awareness and capabilities of information confidentiality. In addition, the Group formulated the *Customer Information Confidentiality System* (《客戶資料保密制度》) to classify customer information into various levels based on the degrees of confidentiality and formulated corresponding confidentiality measures to clarify obligations and penalties of information leakage in order to prevent leakage of customer information and effectively safeguard customers' information security.

BUILDING A SUSTAINABLE SUPPLY CHAIN

Persisted in win-win cooperation with its partners of the supply chain, the Group has formulated *Implementation Rules for Supplier Management (Trial)* (《供應商管理實施細則（試行）》) in compliance with the supply chain management systems and standards of China Merchants Group. The Group analyses the risk of possible corruption, information leakage, dishonesty, deficiencies in product or service qualities, fraudulent materials or identities in the supply chain in detail, and suspends, cancels or permanently cancels the qualifications of suppliers based on the degrees of severity and damage. The Group observes strict standards and requirements in selecting suppliers with a view to motivating their fulfillment of social responsibilities and driving the mutual sustainable development for upstream and downstream supply chain.

In 2019, the number of suppliers totaled **830**, among which **827** were located in Mainland China while **3** were located in Hong Kong, Macau, Taiwan and other countries. Assessments were conducted against **724** suppliers and **6** of them were disqualified.

Transparent Procurement

The Group conducts tendering activities under the principles of openness, fairness, justice and honesty and all subordinate units must comply with the requirement of "Tender and Report where Requires" (「應招必招、應上必上」). The Group makes full use of the transaction platforms to carry out tendering activities and has implemented a procurement mechanism that combines "centralized procurement of bulk supplies" and "independent procurement by subordinate units" in order to enhance the transparency, efficiency and standardization of procurement.

Supports for the Growth of Suppliers

The Group assists the growth of suppliers by means of classification management, supplier evaluation and incentives, supplier withdrawal and interactions with suppliers, with an aim to enhance their abilities in performance of responsibilities.

Classification Management

The Group implements a categorization and classification management for suppliers, pursuant to which suppliers are classified into four classes, namely A, B, C and D. Classes A, B, C and D represent "Excellent Supplier", "Good Supplier", "Average Supplier" and "Disqualified Supplier", respectively.

Encouraging Responsible Suppliers

In order to facilitate the growth of suppliers, the Group evaluates suppliers from the aspects of comprehensive corporate strength, transactional behavior, performances of contracts and other management. Under the same conditions, purchasers may give priority consideration to invite class A suppliers within relevant professional sectors for participation in tendering/procurement projects within their competence.

Interactions with Suppliers

The Group regularly interacts with OEM suppliers, distributors and project contractors through various channels such as mails, phone conversations and interviews, thereby delivering advanced concepts and experiences to suppliers for mutual growth.

BUILDING GREEN AND ECOLOGICAL PORTS WITH LOW CARBON

Greenhouse Gas Emission (Scope 1)

34,303

tonnes of CO_2 equivalent

Comprehensive energy consumption per Revenue of HK$10,000 (based on comparable prices)

0.0449

tonnes of standard coal / HK$10,000

Capital investment for energy conservation and environmental protection

HK$ **146** million

FOCUS ON GREEN OPERATION

The Group attaches great importance to environmental protection. During the whole life cycle of projects, the Group adheres to green ecological development philosophy and practice, steps up the efforts in operation management of green production through the innovation of the green development model and actively adopts new technology to control environmental pollution and reduce power consumption, striving to enhance the utilisation rate of resources and protect the natural ecology. Meanwhile, the Group strives to develop a green accountability chain and a green ecosystem with joint efforts of the community and builds sustainable green ports, with an aim to play its part in pushing forward ecocivilisation. In 2019, the Group has no incident of non-compliance with regulations related to energy conservation and environmental protection, and there was no incident of pollution or circumstance under which it failed to meet the standards regarding energy conservation and environmental protection.

Climate challenges and responses

Climate change has a close connection with the production and operation of the Group. As such, the Group identifies the impact of climate warming and formulates and carries out targeted counter-measures accordingly in a bid to sustain the green and low-carbon development of the Group.

Impact of climate warming on production and operation	Counter-measures
Increase in costs of power consumption due to enhanced equipment load and power consumption in production and administration	Reduce power consumption through transformation of energy conservation technology
Intensified atmospheric dust pollution due to increase in frequency of severe weather such as typhoon and gust	Build dust suppression and dust-proof facilities such as spray and wind screen
Increase of sewage produced due to increase in precipitation	Appropriately expand the scale of sewage collection and treatment facilities in the port area to enhance sewage treatment capability

To cope with the impact of climate change on production and operation, the Group continually optimizes the environmental management system in strict compliance with laws and regulations related to environmental protection in the regions where its projects take place, formulates management regulations regarding energy conservation and environmental protection to further specify the tasks and mechanism concerning comprehensive supervision and management of energy conservation and environmental protection. In addition, the Group encourages and provides guidance and support for its subsidiaries to carry out works in relation to power system certification, hence improving the Group's standards on energy conservation. Both Mega SCT and Chiwan Container Terminal have obtained ISO 14001 environmental management system certification and successfully passed the annual review of the system in 2019.

Energy Conservation, Emission Reduction and Environmental Management System			
Goal	To become an environmentally-friendly port company		
Strategies	Planning for energy conservation and emission reduction	Technical indicators for energy conservation and emission reduction	Statistic monitoring system for energy conservation and emission reduction
Organisational System	Management Level	Organisational Level	Implementation Level
	Headquarter of the Group will be responsible for formulating environmental protection principles, planning system, evaluation methods and standards.	Leading groups or organisational institutions for energy conservation and environmental protection were established to make plans for energy conservation and emission reduction, whereas such plans will be included in daily operational management and control mechanism.	All subsidiaries will have management personnel with energy conservation and emission reduction capabilities to execute the relevant work, draw up statistics, analysis and carry out monitoring and inspection.
Implementation Methods	• Operating model innovation • Monitoring of sectors with high energy consumption • Regular promotion for energy conservation • Integration into daily work practice • Inclusion in appraisal system		
Security System	• Environmental performance is linked to annual appraisal • A comprehensive monitoring and information reporting system for energy conservation and emission reduction was built		

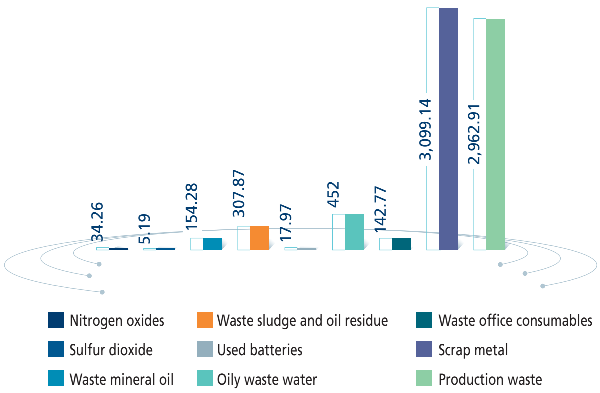
Pollution prevention and control

The Group stringently observes laws and regulations related to environmental protection in the regions where the Group operates and monitors, manages and controls the implementation of energy conservation and environmental protection work of its subsidiaries. During project planning, design, operation and services, the Group always adheres to environmental protection principle, improves its management and technology methods to test and control the pollution sources on a regular basis and discloses the testing data to the public. We improve our ability to respond to emergencies concerning environmental protection so as to minimize the impact of production and operation on the environment. In 2019, the Group produced and legally disposed of hazardous wastes of 971.57 tonnes and non-hazardous wastes of 6,204.82 tonnes.

Waste/Pollutant	Disposal
General solid waste	Entrust qualified units to collect and transfer such wastes to local legal dumpsites for disposal.
Hazardous waste	Collect and store such wastes in accordance with the national standardization requirements on hazardous wastes and entrust unites with qualifications of handling relevant hazardous wastes for collection and disposal.
Air pollution	Carry out energy conservation and technology transformation, and reduce air pollution through "substation of fuel-powered equipment with electricity-powered equipment (油改電)" and using clean energy such as LNG.
Dust pollution	Push forward the transformation and investment of environmental protection equipment and facilities through reconstruction of spray system of iron ore yard, building dust removal tower and remote sprayer and purchase of dust-proof mesh cloth, etc., so as to prevent the combination of dust produced from operation and static dust produced by cargo stack.
Water pollution	Build sewage collection and treatment facilities for treatment of domestic, mineral and oily sewage, and discharge or recycle such sewage upon meeting relevant standards. In 2019, the monitoring results of sewage discharged through sea water of the harbor show that suspended solids, chemical oxygen demand and petroleum have all reached the category II standard of the *Sea Water Quality Standard* (GB3097-1997).
Noise pollution	Control the pollution from noise sources including the procurement of equipment and production design so as to comply with relevant noise emission standard of China. Carry out management and control during the process. Noisy operation that exceeds the standard will not be allowed in noise sensitive area, and noise emission such as horning shall be minimized during operation.

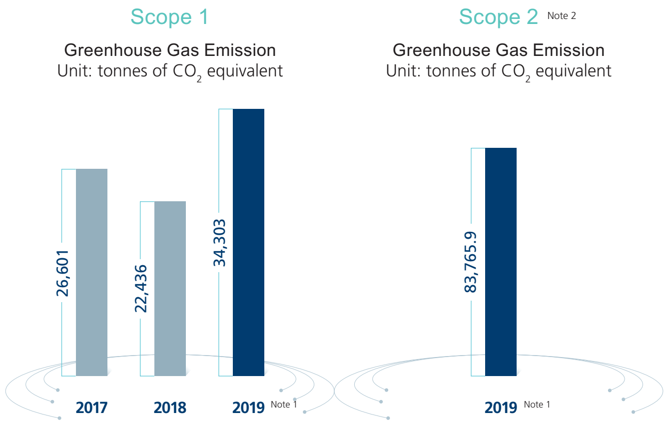
Statistics on the Emission of Various Hazardous Wastes in Mainland China and Hong Kong of the Group in 2019

Unit: tonnes



Note: The above types of emissions are in line with the national emission standard.

Statisties in the Greenhouse Gas Emission in Mainland China and Hong Kong of the Group



Note 1: The statistics of two subsidiaries have been newly incorporated in 2019, namely Shantou China Merchants Port Group Co., Ltd. and Guangdong Yide Port Limited with an increase of 4,480 tonnes of standard coals in total.

Note 2: The statistics of indirect greenhouse gas emissions are calculated with reference to "the respective emission factor of power purchased from power grid and supplied from self-owned power plants calculated with the average national power grid emission factor of 0.6101 tCO_2/MWh in 2015" set out in the Notice Regarding Carbon Emissions Reporting and Verification and Emissions Monitoring Program for the years 2016 and 2017 issued by the General Office of the State Development and Reform Commission (《國家發展改革委辦公廳關於做好2016、2017年度碳排放報告與核查及排放監測計畫制定工作的通知》) and the total electricity consumption of 137,298,634 kWh.

Clean and low-carbon

Apart from ensuring relevant laws and regulations related to environmental protection in the regions where the Group operates have been effectively complied with, the Group proactively conducts research and development on and uses new energy conservation technologies and products, eliminates high-consuming and outdated products and technologies, reduces energy consumption loss due to backward technologies and products, and replaces fuel with clean and low-carbon electricity to achieve low-carbon transformation. The application of new energy conservation technologies and products such as "substation of fuel-powered equipment with electricity-powered equipment (油改電)", "shore-powered supply for vessels (船舶岸基供電)" and "RTG Remote Control (RTG遠程控制)" has been expanding, which effectively improves the energy utilization and promotes the development of green ports.

Shore-powered supply for vessels: In 2019, Shore-powered supply for vessels (Phase 2) located at West Shenzhen Port Zone was completed and put into operation, with a capacity of 7MVA and covering berths No. 9 and 10, thereby achieving interconnection with shore-powered supply (phase 1). According to the preliminary design plans, the Group would be able to achieve the energy conservation and emission reduction target with annual quantity of alternative fuel reaching 10,437 tonnes of standard oil and carbon dioxide emission reaching 33,782 tonnes.

Fuel-powered Equipment to Electricity-powered Equipment Technologies by Reach Stackers and Handlers: Through technological transformation by replacing diesel engines with lithium-ion battery engines, Guangdong Yide Port Limited ("**Yide Port**") has achieved "zero emission" of waste gas for its container equipment. In addition to "turning waste into wealth and treasure" for old equipment, operational costs have been saved with an ultimate objective to reduce emission of polluting waste gas. Regarding equipment transformed for energy conservation and emission reduction, reach stackers and handlers are expected to save energy consumption by HK$4.82/move/unit and HK$2.50/move/unit, respectively, with zero emission of waste gas reaching 100%. Energy conversion rate will be increased by 216% and noise of engines will be reduced by 21.1%. The project has been admitted as "2018 Key Technological Project in Transportation Industry" (2018年度交通運輸行業重點科技項目) by the Ministry of Transport of China and serves as a demonstration project for relevant technological transformation in the port and shipping industry.

Comparison of energy consumption and operating costs of equipment before and after "fuel-powered equipment to electricity-powered equipment" at Yide Port

	Energy consumption (before transformation)	Energy consumption (after transformation)	Operating costs (before transformation)	Operating costs (after transformation)
Reach stackers	1L/move	3kWh/move	HK$7.37/move	HK$2.55/move
Handlers	0.49L/move	1.2kWh/move	HK$3.63/move	HK$1.02/move

Note: Calculated based on 30 tonnes/time for one time of lifting of container by a reach stacker, oil price of HK$7.37/L and tariff of HK$0.85/kWh. Although policies vary among power supply departments of different regions, the electricity costs are lower during non-peak hours at night.

Resource conservation

In order to improve the efficiency of energy utilization, the Group has always been advocating green office and fully integrated green concepts into its daily operation and encouraged employees to reduce the use of electricity, water, paper and packaging materials at office. The Group vigorously promoted informationalisation development and reduced the use of office consumables through continuous development of automation system and realization of paperless customs clearance, thereby enhancing resource utilization rate and achieving efficient production and operation. Sewage collection and treatment facilities were built for recycling and reusing sewage water. In 2019, 580,000 tonnes of sewage water were treated and have met the standards for recycling and reusing. No issues regarding water sources were found. In 2019, the water consumption and energy consumption of the Group in Mainland China and Hong Kong are as follow:

Water consumption

Type	Unit	Consumption	Density
Water	m^3	1,644,310	0.15714 m^3/TEU

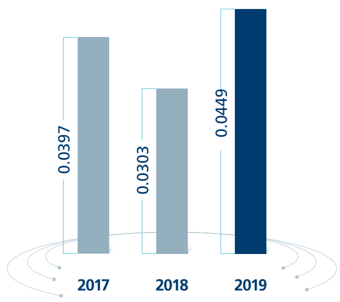
Energy Consumption

Type	Unit	Consumption	Density
Diesel	tonnes	19,962	0.08203 GJ/TEU
Gasoline	tonnes	191	0.00081 GJ/TEU
Natural Gas	m^3	409,227	0.00147 GJ/TEU

Note: The density of energy consumption is calculated based on CDP Technical (Note: Conversion of fuel data to MWh) and the container throughput of 10.46 million TEUs handled by the Group in Mainland China and Hong Kong during the reporting period

Comprehensive Energy Consumption per Revenue of HK$10,000 (Comparable Price)

Unit: tonnes of standard coal/HK$10,000



Ecological protection

The Group has always been attaching great importance to the protection of ecological resources and it has reasonably arranged work schedule and construction time during construction. For dredging, the Group avoided fertilization period of major aquatic life to protect the reproduction of natural organisms. The Group strengthened supervision during construction and set up anti-pollution barriers around the construction sites and prohibited construction waste water and rubbish from being directly discharged into water so as to prevent pollution of the surrounding ecological environment. The Group also formulated emergency proposals for oil spillage accidents and take preventive measures accordingly so as to reduce the impact of its project construction and operation on the marine ecological environment.

In Brazil, the Group launched projects and environmental regulations such as Training on Land Administration for Nhande Kya Ethnicity, Regulation on Flora and Fauna Ecosystem for Mymba Ethnicity to help local residents raise their awareness of protecting ecological resources and encourage and guide residents in 9 surrounding communities to carry out waste sorting. Residents can contact TCP Participações S.A. (regularly each month) or local recycling associations (irregularly) to replace sorted waste with food and sanitation supplies in order to promote positive development of the ecological environment of the community.

TO JOINTLY DRAW A GREEN PICTURE

The Group actively promoted the building of green supply chain by organizing environmental protection activities to advocate the principle of green development and promote the green development approach, thereby facilitating sustainable development of enterprises and the community.

Green Supply Chain

The Group has formulated the *Implementation Rules for Supplier Administration* (《供應商管理實施細則》) to standardize the management of civilization and environmental protection construction of suppliers, which requires the suppliers to strictly conduct civilized construction of projects with no valid complaints, as well as formulate and effectively implement measures to prevent pollution at construction sites so as to ensure a sound construction site environment, at the same time encouraging the suppliers to pragmatically fulfill their environmental protection responsibility. The Group also integrated the requirements for sustainable development into the entire procurement processes of the headquarters and subsidiaries, including supplier certification, product selection, procurement execution, supplier exit, etc. so as to encourage the suppliers to continuously improve their performance of obligations and hence building a green supply chain for port operation with concerted efforts.

Green communication and cooperation

The Group participated in community communication for green development to convey green principles to various groups such as partners and the general public in an effort to create more green values. In 2019, the senior management of the Group attended the 5th Martine Silk Road Port International Cooperation Forum and Senior Roundtable Conference (第五屆海絲港口國際合作論壇及高層圓桌會議) and passed the *Green Development Vision* (《海絲港口綠色發展願景》) for Martine Silk Road Port on behalf of the Group together with major global port operators and port authority representatives, actively responding to the common goal of "Developing Green Ports and Building Green Silk Road" and promoting sustainable development of the port and shipping industry with real actions.

Green Charity

The Group constantly organises various activities relating to energy conservation and environmental protection, thereby promoting energy conservation principles and making its contributions to green charity with practical actions.

The Group organised an environmental charity event of ocean and beach cleaning under the theme of "Beat Plastic Pollution to Protect the Blue Sea and Clear Sky; Action Now to Build a Beautiful Shenzhen" in Shenzhen

Chinese and Sri Lanka staff of the Group cleaned beach wastes at the artificial island in Hambantota Port Zone in Sri Lanka

The Group organised a tree planting activity under the theme of "Show the Charisma of China Merchants and Build a Green Park Together" in Qingdao

The Group organised the charity event under the theme of "Waste Sorting Starts with Me. Every Little Deed Counts" in Ningbo Daxie

MOVING FORWARD TOGETHER TO SHARE A BRILLIANT FUTURE

Number of staff receiving safety training

224,945

Percentage of female middle-level and senior management staff at the Group's headquarters

23%

Hours of volunteering services

13,159

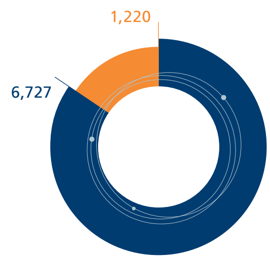
FACILITATING STAFF DEVELOPMENT

Adhering to the principle of "people-oriented, talent first", the Group has improved and strengthened its training systems, made efforts in building innovative training platforms, and thoroughly carried out diversified and multi-level training in order to empower all staff, develop a high-quality staff team, and provide a rapid development path for its internal talents with a view to consolidating the cornerstone that support the business development of the Company.

Employee Rights and Interests

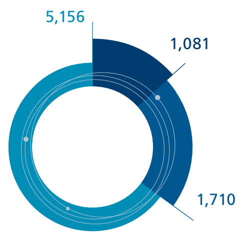
The Group has strictly observed relevant laws and regulations such as the *Labor Law of the People's Republic of China* (《中華人民共和國勞動法》) and *the Employment Ordinance from the Laws of Hong Kong*, and, with reference to the Group's practices, has formulated rules and systems such as the *Human Resources Management System* (《人力資源管理制度》) so as to effectively safeguard and protect the legitimate rights and interests of its employees and create an equal and democratic working environment.

Total number of staff by gender



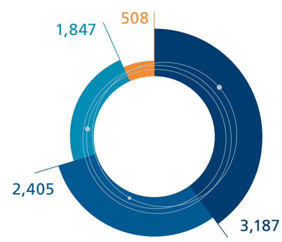
■ Male
■ Female

Total number of staff by employment category



■ Operation and management talents
■ Talents with professional skills
■ Skilled talents

Total number of staff by age



■ Aged 35 and below
■ Aged 36-45
■ Aged 46-54
■ Aged 55 and above

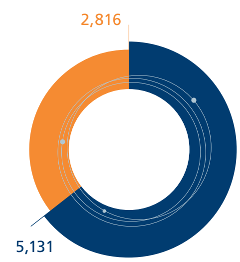
Number of staff of the Group
7,947

Labour contract signing rate
100%

Coverage of social insurance
100%

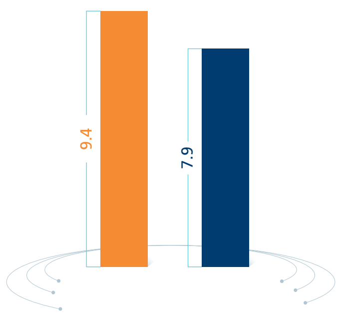
Staff turnover rate
8.2%

Total number of staff by region



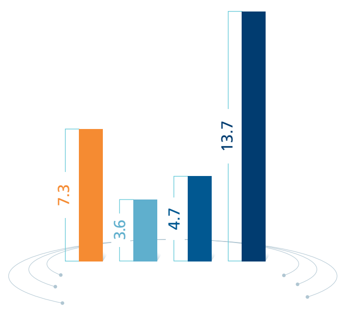
■ Mainland China
■ Hong Kong, Taiwan and other countries

Staff turnover rate by gender (%)



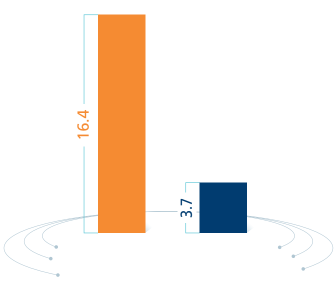
■ Male
■ Female

Staff turnover rate by age group (%)



■ Aged 35 and below
■ Aged 36-45
■ Aged 46-54
■ Aged 55 and above

Staff turnover rate by region (%)



■ Mainland China
■ Hong Kong, Taiwan and other countries

Fair Employment

The Group always adheres to the principle of equal employment that ensures fairness and openness of recruitment, and stands against discrimination against, among others, nationality, race, gender, health status, religion, political stance and marital status. The Group prohibits illegal labour practices such as the employment of child labour and forced labour, gathering diverse talents to make concerted efforts for development.

Remuneration and Benefits

The Group strictly observed various laws and regulations and labour policies in the regions where the Group operates, stringently implemented social welfare mechanisms of the regions where the Group operates, and established multifaceted remuneration policies and comprehensive benefits and protection characterised by "prioritising efficiency while giving consideration to fairness", "stratified management with diversified rewards" and "satisfying industry standard and surpassing market performance". The Group has formulated regulations such as the *Administration Measures on Staff Remuneration and Benefit* (《員工薪酬及福利管理辦法》), and is committed to providing multifaceted remuneration policies and comprehensive benefits and protection for its staff so as to encourage staff development. The Group has offered overseas medical and accident insurance, one-button alarm emergency rescue and a safe and comfortable overseas living and dining environment to its overseas staff, with a view to escorting its overseas frontline staff.

Democratic Management

Adhering to its "people-oriented" management principle, the Group has stringently implemented democratic centralism, and continuously improved the staff representative meeting, labour union and other mass organisational development. The Group has enhanced communication and exchange between its staff and management through diversified channels to strive to ensure the staff's right to be informed, participate and supervise, and guided and encouraged its staff to be fully engaged in the Group's operation and management. In June 2019, Colombo International Container Terminals Limited ("**CICT**") appointed a world-renowned consulting and evaluation agency to conduct training for the staff of the Company. In response to the questions raised by the staff in questionnaires, the management proposed a series of rectification measures in order to solve the actual difficulties of the staff.

Labour union membership rate of staff in Mainland China
100%

Staff Development

Adhering to the principle of "people-oriented, talents first" and attaching great importance to the mutual development of its staff and the entity, the Group has formulated its "1234" human resource strategy covering 1 platform (manpower management platform), 2 developments (system development, capacity development), 3 projects (offshore project, college project and incentive project) and 4 teams (leading talent team, senior management talent team, professional talent team and overseas talent team). The Group has smoothed staff career promotion path by formulating the *Staff Position Administration Measures* (《員工職級管理辦法》), and comprehensively conducted various trainings, with a view to developing a high-quality staff team and broadening the room for staff development.

Platform Empowerment

Based on its "1234" human resource strategy, the Group has carried out the work of the human resource platform development, established a smart management platform, and empowered staff development with technological innovation. The smart management platform can achieve the Group's performance goals on a project-by-project basis, digitisation of staff work behaviour and visualisation of capabilities and performances, thereby accurately displaying the talent picture in a multi-dimensional manner, stimulating the internal motivation of its staff and consequently forming a talent ecosystem of self-management and self-improvement.

Staff Training

The Group continued to improve and strengthen its training systems, built an innovative training platform, and conducted diversified and multi-level training so as to provide targeted training for staff with different needs. The Group has pushed forward the cooperation of schools, enterprises and governments to explore more opportunities for talent cultivation, empower all staff, and help its staff develop and enhance their personal values.

Indicators	2019	
Total number of staff receiving training	545	
Average hours of training per staff by gender (hours)	Male	16.3
	Female	16.7
Average hours of training per staff by management position or business category (hours)	The Company's senior operation managers	12.4
Percentage of trained staff by gender (%)	Male	52
	Female	48
Percentage of trained staff by management position or business category (%)	The Company's senior operation managers	66

Training Enrichment

Based on the career development needs of its staff of different levels and business categories, the Group continued to conduct diversified and multi-level trainings so as to facilitate better and faster development of its staff.

Training talent Reservation

The Group has formulated the *Administration Measures for Internal Training Instructors* (《內部培訓講師管理辦法》) and *Administration Measures for Internal Courses* (《內部課程管理辦法》), which clearly defined the application, selection, requirements, assessment and motivation of internal trainers to effectively improve the management level of internal trainers and ensure the Group's training quality and human resource reserve. In 2019, the Group completed the first training camp for internal trainers and the teaching demonstration salon, and trained the first group of 40 reserved internal trainers, thus better fostering knowledge sharing and experience exchange among the staff.

Care for Staff

Fully demonstrating its compassionate care for its staff under the "respectful, caring and sharing" philosophy, the Group pays attention to the needs of its staff, advocates their work-life balance and provides assistance to the worker groups in need.

Worldwide Celebration of Corporate Day

A Staff Walkathon was kicked off at the headquarters of the Group on Corporate Day

Chinese and Sri Lanka staff of the Group released a total of 147 balloons together for celebration of CMG Group's 147th anniversity

Local staff of the Group took part in a walkathon in celebration of the Corporate Day in Djibouti

The Group launched a marine conservation charity campaign to celebrate the Corporate Day in Sri Lanka

Cultural and Sports Activities

Aiming to improving its employees' living standard, the Group has actively launched a variety of cultural and sports activities, thereby creating an optimistic, positive and harmonious working sentiment for them to realize happy work and healthy life.

Family Fun Sports Day

The "Appreciate Reading, Listen with your Heart"(悅讀閱美,聆聽新聲) reading competition organised by the Group

Care for Front-line Staff and Those Facing Financial Difficulties

The Group cares for both grassroots and frontline staff at home and abroad, while attending to the working conditions and personal lives of those facing financial difficulties. The Group has also expressed care to its staff with actions, such as paying visits and delivering heartwarming gifts during festivals.

Family Care Day was organised to address the needs of the staff and its family

Delivered warmth and love to the staff facing difficulties during festivals

Safety and Health

The Group is determined to comply with laws, regulations and standards related to occupational safety and health in the regions where the Group operates, including the *Production Safety Law of the PRC* (《中華人民共和國安全生產法》), the *Prevention and Control of Occupational Diseases Law of the PRC* (《中華人民共和國職業病防治法》) and the *Technical Specifications for Occupational Health Surveillance* (《職業健康監護技術規範》) in Mainland China and the *Occupational Safety and Health Ordinance* in Hong Kong, and formulates the *Occupational Health Management System* (《職業健康管理制度》) to regulate the management of occupational health of its employees and enhance production safety on an ongoing basis. No case of occupational disease was reported during the year.

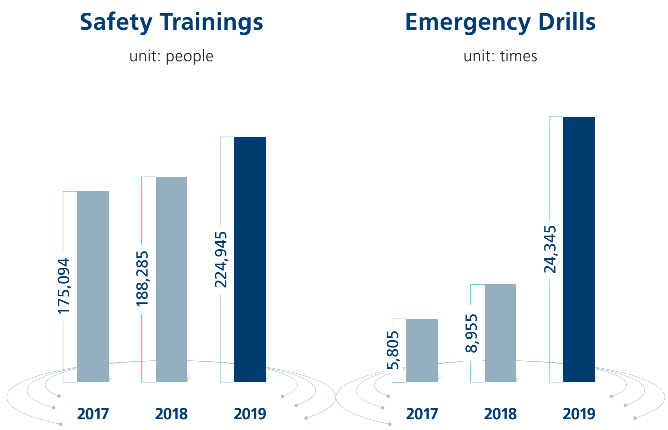
Strengthen Safety Training

The Group continued to conduct safety trainings for all staff to raise their awareness on safety and cultivate safety skills. In terms of fire safety, employees received trainings and drills in relation to fire prevention, which significantly raised their fire safety awareness. In 2019, the Group carried out trainings in respect of overseas public safety for employees stationing in overseas operations. By offering theoretical tutoring and practical exercise, the Group enabled its expatriate employees to be clearly informed of the types of public safety risk and general environment in foreign countries, and acquire the knowledge and skills pertaining to public safety risks, so as to better ensure the safety of its expatriate employees in the complicated international environment.

249 days lost due to work injury

0 work-related fatalities for 3 consecutive years

Coverage rate of medical check-up for staff **100%**



In 2019, the competence and health management has covered all domestic subordinate units and business contractors controlled/operated by the Group, involving a total of approximately **23,000** staff.

Develop Competence and Health Management

The Group commenced in-depth research and analysis in accordance with relevant laws and regulations in the regions where the Group operates. To maintain the health of its employees to the greatest extent, the Group partnered with Shenzhen Occupational Disease Control Hospital to formulate the *Administrative Measures on Competence and Health Management of Employees* (《從業人員適崗健康管理辦法》) and established the "App Information system for Competence and Health Management of Employees" (從業人員適崗健康管理App信息系統). In 2019, the first-stage content of the "App System for Competence Management" (適崗管理App系統) in relation to the management of department duty, staff information, medical check-up, medical report, health data, competence model, warning and intervention was completed.

COMMITTED TO PUBLIC WELFARE AND VOLUNTEERING

The original intention and aspiration of "Shaping Blue Dreams Together (C-Blue)", a public welfare brand of the Group, were to build friendship and make progress with countries all over the world, promote development with innovation and self-improvement, and in turn realize collaborative development and growth. In 2019, The Group formed an official C-Blue volunteering team and offered professional trainings to the first batch of 169 volunteers. Meanwhile, the Group continued to launch public welfare projects relating to talent cultivation and community care, with a view to achieving the public welfare objective of "not only providing them with resources, but also enabling them to be self-sufficient" (授人以魚,又授人以漁).

C-Blue Training Programme

The "Shaping Blue Dreams Together — 21st Century C Blue Training Programme" (共鑄藍色夢想—21世紀海上絲綢之路優才計劃) has run for four consecutive years. Sponsored by China Merchants Charitable Foundation, hosted by CMPort and organised by professional institutions, this programme is an advanced comprehensive port and shipping training project targeting young talents in countries along the "Belt and Road". In 2019, a total of two sessions of Programme Voyage (遠航班) (i.e. a summer programme and an autumn programme) and one session of Programme Frontier (啟航班) under the C-Blue Training Programme were completed, which cultivated high caliber core employees in the regions where the programme took place. A total of 44 students from 13 countries across 4 continents, namely Asia, Africa, Europe and South America, participated in the new training programme launched for outstanding local university students majoring in port and shipping in Sri Lanka in 2019. For the past four years, the C-Blue Training Programme fostered a total of 163 young talents from countries along the "Belt and Road" for the port and shipping industry worldwide. This diversified training programme not only provided more overseas students with a platform to learn, improve, share experience and engage in cultural exchange, but also facilitated talent cultivation of the Group and the global port and shipping industry.

Graduation Ceremony of C-Blue Programme Voyage

C-Blue Summer Camp for Realizing Children's Dream (C-Blue兒童圓夢夏令營)

On 10 August 2019, the Group organised the fifth session of "C-Blue Summer Camp for Making Children' s Dream Come True" (C-Blue兒童圓夢夏令營) under the theme of "Intelligent Port, a Place to Start Pursuing Children's Dreams Together" (相聚智慧港　同啟少年夢), where 50 families with left-behind children gathered in Shenzhen and together visited the first 5G port laboratory in the Guangdong-Hong Kong-Macao Greater Bay Area and the largest storage yard equipped with automated RTG remote control system in China, both located in West Shenzhen Port Zone. A series of rich and diversified visiting and experiencing activities have enabled the children to understand the significance of efficient and smart modern intelligent ports and marine national defense and truly experience the hardship of their parents' work, thereby strengthening their parent-child relationships and enjoying quality time with their families.

The Fifth Session of C-Blue Summer Camp for Realizing Children's Dream (C-Blue兒童圓夢夏令營)

As of the end of 2019, the "C-Blue Summer Camp for Realizing Children's Dream" (C-Blue兒童圓夢夏令營) has serviced a total of **260** families with left-behind children

China Merchants Silk Road Hope Village

In order to further integrate with the local community, assist the underprivileged and give back to the community, CICT, being a key node of the "Belt and Road" initiative, systematically carried out a public welfare campaign with a target to "Plant Roots for Sustainable Development"(落地生根,持續發展) upon thorough planning. At the beginning of 2019, CICT began the "China Merchants Silk Road Hope Village"(招商絲路愛心村) project, the purpose of which was to assist poor villages overseas by actively enhancing their local wealth-generating ability. Upon numerous visits, investigations and exchanges, the project team chose Pannila village, which was in desperate need of assistance, to include in the "China Merchants Silk Road Hope Village"(招商絲路愛心村) project. The team contributed to the construction of social activity centers, building and renovations of roads, and distributed schooling items and living necessities to local students and elderly, respectively, in Pannila village where has become CMG Group's first targeted poverty alleviation village in Sri Lanka.


CICT donated schooling items, daily necessities and nutritional supplement packages to 300 students and 119 elderly, aged 70 or above, respectively, in Pannila Village

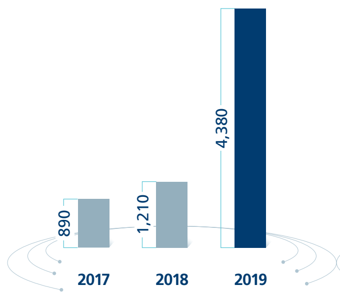
Community Volunteer Services

Adhering to the volunteer spirit of "Dedication, Friendship, Mutual Support and Advancement", the Group encourages its subsidiaries to form a volunteer team to actively understand the needs of surrounding communities, the public and the disadvantaged and provide assistance as possible as they can.

Charity Donations
HK$20 million

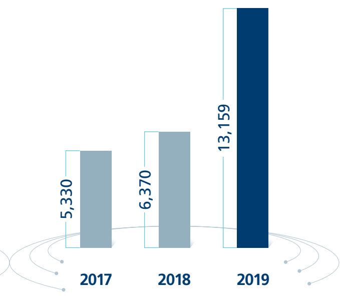
Number of staff who have participated in voluntary activities

Unit: people



Voluntary service hours

Unit: hours



Shantou China Merchants Port Group Co., Ltd. has been devoting continuous efforts in visiting and caring the elderly who live alone in the community and providing family support to them over the years

The Group jointly organised a voluntary service activity of caring autistic children with Shenzhen Nanshan Volunteer Federation (深圳市南山區義工聯合會)

Directors and Senior Management

DIRECTORS

Mr. Deng Renjie

aged 49, is the Executive Vice President of China Merchants Group Limited. He graduated from Beijing Electronic Science and Technology Institute with a bachelor's degree of Computer Science Management in October 1991. He later obtained a master's degree of International Economic Law from Dalian Maritime University. Prior to his appointment as Executive Director of the Company, Mr. Deng Renjie successively served as Consultant of the General Office in Ministry of Transportation of China, Deputy Director of the General Office in Hunan Province, Deputy Secretary-General of Hunan Province, Deputy Secretary-General of the Party Committee of the Xinjiang Uyghur Autonomous Region and Assistant to General Manager, Director of Administration Department of China Merchants Group Limited and the Chairman of China Merchants Expressway Network & Technology Holdings Co., Ltd.. Mr. Deng is currently as Deputy Director of the 8th council of the China Highway & Transportation Society, Deputy Director of the 7th council of the China Communications and Transportation Association and the Chairman of China Merchants Port Group Co., Ltd., shares of which is listed on the Shenzhen Stock Exchange.

Mr. Deng was appointed to the Board of Directors as Executive Director of the Company on 1 June 2015 and retired as Executive Director of the Company on 29 November 2016. He was also appointed as Executive Director and Chairman of the Board of the Company on 13 February 2020.

Mr. Su Jian

aged 47, is the Head of the Finance Department (Property Rights Department) of China Merchants Group Limited. He graduated from Shanghai University of Finance and Economics with a Bachelor's Degree in economics. He then obtained the qualifications of non-practising member of the Chinese Institute of Certified Public Accountants and intermediate accountant. He previously served as the Financial Manager of China Merchants International Travel Services Limited, Senior Manager of Finance Department of China Merchants Shekou Industrial Zone Company Limited, Senior Manager, Assistant to the Head of Finance Department and Deputy Head of Finance Department of China Merchants Group Limited, Deputy Head of the Organization Department of Human Resources Department of China Merchants Group Limited, Party Secretary, Secretary of Commission for Discipline Inspection, Assistant General Manager of China Merchants Industry Holdings Company Limited and a Non-executive Director of China Merchants Energy Shipping Co., Ltd., shares of which are listed on the Shanghai Stock Exchange. He is also currently a Non-executive Director of China Merchants Securities Co., Ltd. and a Non-executive Director of Sinotrans Limited, shares of which are listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange and the Director of China Merchants Port Group Co., Ltd., shares of which is listed on the Shenzhen Stock Exchange. He was appointed to the Board of Directors as Executive Director on 12 October 2017.

Mr. Xiong Xianliang

aged 52, is the General Manager of the Strategy and Development Department, Institute of Science, Technology and Innovation, and the Chairman of the Development and Research Center of China Merchants Group Limited. He graduated from Nankai University with a Master Degree and a Doctor Degree in Global Economics in July 1991 and January 1994, respectively. Prior to joining the Company, he was previously the Researcher Fellow and Division Chief of the Development Research Center of the State Council, the Deputy Head of the Chongqing Development and Planning Commission, the Deputy Head of the General Group of the Steering Committee Office of the Western Region Development of the State Council, the Inspector of the Research Office of the State Council, the General Manager of the Strategy and Research Department of China Merchants Group Limited, and the Non-executive Director of China Merchants Bank Co., Ltd., shares of which are listed on both the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited. He is also currently the Non-executive Director of China Merchants Securities Co. Ltd. and the Non-executive Director of Sinotrans Limited, shares of which are listed on both the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited. He was appointed to the Board of Directors as Executive Director on 4 June 2018.

Mr. Bai Jingtao

aged 54, is a professor level senior engineer and Managing Director of the Company. He graduated from Tianjin University in Department of Hydraulics with a Bachelor Degree of Port and Channel Engineering in 1986, then studied at Graduate School of Wuhan University of Technology and Graduate School of Shanghai Maritime University and obtained a Master Degree of Management Sciences and Engineering and a Doctorate in Transport and Communications Planning and Management, respectively. Mr. Bai successively served as an Assistant Engineer in Planning and Design Institute of the Ministry of Communications of the PRC, an Officer in Department of Engineering Management and Department of Infrastructure Management of the Ministry of Communications, Deputy Director in Department of Infrastructure Management and Department of Water Transport of the Ministry of Communications, Deputy General Manager of China Merchants Zhangzhou Development Zone, Deputy Director of Xiamen Port Authority, Deputy General Manager of the Company, Deputy Director of Zhangzhou China Merchants Economic and Technological Development Zone, General Manager of China Merchants Zhangzhou Development Zone and Vice Chairman and Non-executive Director of Dalian Port (PDA) Company Limited, share of which are listed on both The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange. Mr. Bai has extensive experience in port management, engineering construction, planning and management of water transport. He is also as the Director and Chief Executive Officer of China Merchants Port Group Co., Ltd., shares of which is listed on the Shenzhen Stock Exchange, and Vice-Chairman of Shanghai International Port (Group) Co. Ltd., shares of which is listed on the Shanghai Stock Exchange. He was appointed as the Managing Director of the Board of Directors on 1 June 2015.

Mr. Ge Lefu

aged 56, is the Chairman of Supervisory Committee of Liaoning Port Group Co., Ltd.. He graduated from Dongbei University of Finance & Economics with a master's degree and a doctorate degree in financial studies in July 1988 and March 2001, respectively. Prior to joining the Company, he was previously a teaching assistant at the Dalian Vocational Technical College, the Deputy Director and the Director of Budget Office of Dalian Municipal Bureau of Finance, the Deputy Director and a member of the Party Leadership Group of Dalian Municipal Bureau of Finance, the Director of the General Office of Municipal Financial Management of Dalian, the Director and the Party Secretary of the Leadership Group of Government Financial Management of Liaoning Province, the Deputy Party Secretary of Yingkou Municipal Committee, the Acting Mayor and the Mayor of Yingkou City, the Party Secretary of Leadership Group and the Director General of Liaoning Provincial Department of Transportation. He was appointed to the Board of Directors as Executive Director on 5 June 2019.

Mr. Wang Zhixian

aged 54, joined the Company in July 1992 and is the Executive Director of the Company. He is also as Chairman of China Nanshan Development (Group) Incorporation. He graduated from Tianjin University, Shanghai Jiaotong University with a Master of Science. He obtained a master degree of Business Administration from Peking University. Mr. Wang has extensive management experience in port and shipping industry. Prior to joining the Company, he worked in Hempel-Hai Hong Paint Company as sales manager. After joining the Company, he was the Deputy General Manager of Industrial Management Department, General Manager of Business Planning Department, and he was the Deputy General Manager of Shenzhen Mawan Port Services Co., Ltd., the Chairman and CEO of Ningbo Daxie China Merchants International Terminal Co., Ltd. and the Managing Director of China Merchants Port Services (Shenzhen) Co., Ltd. and Shenzhen Haixing Harbour Development Co., Ltd., Deputy General Manager of the Company and a Non-executive Director of China International Marine Containers (Group) Co., Ltd., shares of which are listed on both the Shenzhen Stock Exchange and The Stock Exchange of Hong Kong Limited. He was appointed to the Board of Directors as Executive Director on 18 February 2016.

Mr. Zheng Shaoping

aged 56, is the Executive Director and Deputy General Manager of the Company. He graduated from Dalian Maritime University with Postgraduate Diploma in International Maritime Law, and obtained a Master Degree of Business Administration at University of Wales. Mr. Zheng has over 20 years' experience in the field of port management and successively served as the Vice Chairman of China Merchants Bonded Logistics Co., Ltd., the Chairman of Shekou Container Terminals Ltd., the General Manager and Chairman of Chiwan Container Terminal Co., Ltd., the General Manager and the Chairman of Shenzhen Chiwan Harbour Container Co., Ltd. and the Managing Director and the Chairman of Shenzhen Chiwan Wharf Holdings Limited, shares of which are listed on the Shenzhen Stock Exchange. He is also currently as the Deputy General Manager of China Merchants Port Group Co., Ltd., a Non-executive Director of Dalian Port (PDA) Company Limited, shares of which is listed on both The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange, Director of Shanghai International Port (Group) Co., Ltd. and Director of Ningbo Zhoushan Port Group Co., Ltd., both shares of which are listed on the Shanghai Stock Exchange. He was appointed to the Board of Directors as Executive Director on 10 February 2012.

Mr. Kut Ying Hay

aged 64, is a retired solicitor and a retired notary public in Hong Kong and had been in practice in the name of Kut & Co. for more than 25 years. He obtained qualification as a solicitor of the Supreme Court of England and Wales, the Supreme Court of Victoria, Australia, and the Supreme Court of Singapore, and as an associate member of the Institute of Chartered Arbitrators and the Institute of Arbitrators, Australia. He was appointed by the Hong Kong Government as a member of the Board of Review for the period from 1995 to 1998. He has also been appointed by the Ministry of Justice of the PRC as a China Appointed Attesting Officer. Mr. Kut was formerly an Independent Non-executive Director of publicly-listed China Merchants China Direct Investments Limited from June 1993 to October 2011. He was appointed to the Board of Directors as Independent Non-executive Director on 6 June 1992. He is also the chairman of the nomination committee and a member of the audit committee and the remuneration committee of the Company.

Mr. Lee Yip Wah Peter

aged 77, is a retired solicitor. Following the delisting of shares of Sinotrans Shipping Limited on 16 January 2019, he ceased to act as Independent Non-Executive director of Sinotrans Shipping Limited on the same day. He is an Independent Non-executive Director of SHK Hong Kong Industries Limited, shares of which is listed on The Stock Exchange of Hong Kong Limited. He was appointed to the Board of Directors as Independent Non-executive Director on 20 June 2001.

Mr. Li Ka Fai David

aged 64, was the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising) till 31 December 2019 and thereafter, he is the senior auditor of SHINEWING (HK) CPA Limited. He is also a fellow of The Association of Chartered Certified Accountants, UK. He is an Independent Non-executive Director and Chairman of audit committee, member of remuneration committee and member of nomination committee of China-Hongkong Photo Products Holdings Limited, an Independent Non-executive Director, Chairman of audit committee, member of remuneration committee and member of nomination committee of Cosmopolitan International Holdings Limited, an Independent Non-executive Director, Chairman of audit committee, member of remuneration committee and member of nomination committee of Goldlion Holdings Limited, an Independent Non-executive Director and Chairman of audit committee of Shanghai Industrial Urban Development Group Limited, an Independent Non-executive Director, member of audit committee and member of remuneration committee of AVIC International Holding (HK) Limited, and an Independent Non-executive Director and Chairman of audit committee of Wai Yuen Tong Medicine Holdings Limited, an Independent Non-executive Director and Chairman of audit committee, Chairman of remuneration committee and member of nomination committee of CR Construction Group Holdings Limited, shares of the above seven companies are listed on The Stock Exchange of Hong Kong Limited. He was appointed to the Board of Directors as Independent Non-executive Director on 1 June 2007. He is also the chairman of the remuneration committee and a member of the audit committee and the nomination committee of the Company.

Mr. Bong Shu Ying Francis

aged 77, OBE, JP, is currently a Non-executive Director of Cosmopolitan International Holdings Limited, shares of which are listed on The Stock Exchange of Hong Kong Limited. Mr. Bong holds a Bachelor's degree of Sciences in Engineering from the University of Hong Kong and was the Chairman of the Hong Kong University Engineering Advisory Committee. He is a former President of the Hong Kong Institution of Engineers, a former President of Hong Kong Academy of Engineering Sciences and a Fellow of the Institution of Structural Engineers (UK). Mr. Bong is an Honorary Fellow of the University of Hong Kong and he was appointed a Justice of Peace in 1992 by the Government of Hong Kong and he received an OBE award in 1997 for his outstanding contribution to the development of the engineering profession in Hong Kong. Mr. Bong was a former Director of AECOM Technology Corporation, a company listed on the New York Stock Exchange. He was appointed to the Board of Directors as Independent Non-executive Director on 14 July 2010.

SENIOR MANAGEMENT

Mr. Zhang Yi

aged 48, a senior economist, joinging the Company in 2017 and currently served as deputy general manager of the Company. He graduated from Wuhan University of Technology with a P.H.D holder in Engineering. Mr. Yi has over 20 years' experience in the field of port management and successively served as a Planner in Planning and Development Bureau of Zhanjiang Port Authority, Deputy Director of Planning and Development Bureau of Zhanjiang Port Authority, Assistant Director of Zhanjiang Port Authority, Director of Zhanjiang Port (Group) Co. Ltd., President of Zhanjiang Port (Group) Co. Ltd., Chairman of Zhanjiang Port (Group) Co. Ltd..

Mr. Yim Kong

aged 47, joined the Company in 2006 and currently serves as deputy general manager of the Company. Having obtained an undergraduate degree in International Trade at Xiamen University, he went on to complete an MBA program co-created by the Maastricht School of Management(Maastricht, the Netherlands) and Shanghai Maritime University. Mr. Yim has rich managerial experience in the port and logistics industries. Prior to joining the Company, he had worked for senior logictics management positions in Neptune Orient Lines (NOL) of Singapore and Swire Group of Hong Kong; and was Deputy General Manager, Deputy Executive Manager, and General Manager of Shekou Container Terminals Limited, one of the Companys subsidiaries; and Chief Business Officer of CMPort (between May and November of 2016).

Mr. Lu Yongxin

aged 50, joined the Company in 2007 and currently serves as deputy general manager of the Company. He obtained a master's degree in Project Management at the Curtin University of Technology (Perth, Western Australia). Mr. Lu has gathered rich managerial experience in the international portfolio expansion activities of port companies. Prior to joining the Company, he had served as Assistant General Manager of Zhen Hua Engineering Co., Ltd. and Deputy General Manager (in charge) of the General Manager's Office at China Harbor Engineering Co. Ltd. (Beijing). He was Deputy General Manager of the Research & Development Division, General Manager of the International Division, and Assisant General Manager of the Company. Between May, 2014 and January, 2016, Mr. Lu was accredited to France as Chief Financial Officer and Senior Vice President of Terminal Link.

Mr. Li Yubin

aged 47, joined the Company in 2007 and currently serves as deputy general manager of the Company. He graduated from Tianjin University with a Bachelor Degree of Port and Channel Engineering, and a master's degree in International Project Management. He subsequently went on to obtain a doctorate degree in Real Estate and Construction at The University of Hong Kong. Mr. Li has rich experience of operational management and strategic research and planning in the port and logistics industries. Prior to joining the Company, he had served as Accredited Deputy General Manager of the Road & Bridge Project at China Harbor Engineering Co.'s Bangladeshi Office and Project Director at the International Division of China Harbor Engineering Co., Ltd.. After joining the Company, he was Assistant General Manager of the Research and Development Department, International Division, and Commercial and Strategic Planning Department respectively, General Manager of the Strategy and Operations Department, Deputy Chief Economist and, Chairman, General Manager of China Merchants Bonded Logistics Co., Ltd., Chief Representative of China Merchants Group in Djibouti.

Mr. Zhou Qinghong

aged 56, is a master's degree student at Shanghai Maritime University and is currently the deputy general manager of the Company. Mr. Zhou joined the work in 1986 and has more than 30 years of experience in port management. He has served as General Manager of the South China Container Terminal, Deputy General Manager, General Manager of Shenzhen Haixing Harbor Development Co., Ltd., General Manager of China Merchants Port (Shenzhen) Co., Ltd. and General Manager of Shekou Container Terminals Ltd..

Ms. Wen Ling

aged 54, joined the Company in 1994 and currently serves as Chief Financial Officer of the Company. Ms. Wen was graduated from Southwestern University of Finance and Economics with master's degree. Ms. Wen has over 20 years of experience in financial management and capital management. She has served as Deputy Financial Manager of China Merchants Port Service (Shenzhen) Co., Ltd., Financial Manager of Shenzhen Mawan Port Co., Ltd., Deputy General Manager and Senior Deputy General Manager of Finance Department of the Company, General Manager of Capital Management Department of the Company.

Report of the Directors

The Board is pleased to present the Company's annual report together with the audited financial statements for the year ended 31 December 2019. All references in this section "Report of the Directors" to other sections in this Annual Report form part of this section.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. The principal activities of its subsidiaries, associates and joint ventures are set out in notes 44 to 46 to the consolidated financial statements, respectively.

An analysis of the Group's performance for the current year by operating segments is set out in note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 106.

The Board had declared an interim dividend of 22 HK cents per share, totaling HK$752 million, which was paid on 15 November 2019.

The Directors have resolved to recommend the payment of a final scrip dividend of 58 HK cents per share, totaling HK$2,000 million for the year ended 31 December 2019 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 (2018: scrip dividend of 73 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 30 July 2020 to the shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 19 June 2020 (the "**Scrip Dividend Scheme**").

Subject to the approval by the Shareholders at the annual general meeting of the Company to be held on 15 June 2020, a circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to shareholders on or around 24 June 2020. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of 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 30 July 2020.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's prospects are provided in the Chairman's Statement and the Management Discussion and Analysis on pages 6 to 13 and pages 14 to 29 of this Annual Report respectively. Description of key risk factors and uncertainties that the Group is facing is provided in the Management Discussion and Analysis on pages 14 to 29 of this Annual Report while the financial risk management of the Group can be found in note 3 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in Financial Highlights on inside front cover of this Annual Report. In addition, discussions on the Group's compliance with relevant laws and regulations which have a significant impact on the Group, relationships with its key stakeholders including shareholders, employees, customers and suppliers etc and environmental policies and performance are contained in the Management Discussion and Analysis, Corporate Governance Report and Environmental, Social and Governance Report on pages 14 to 29, pages 32 to 43 and pages 44 to 74 of this Annual Report respectively.

PRINCIPAL SUBSIDIARIES

The particulars of the principal subsidiaries of the Company are set out from pages 229 to 232 of this Annual Report.

CHARITABLE DONATIONS

HK$20.00 million donation was made by the Group during the year (2018: HK$13.52 million).

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in notes 32 and 47 to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in note 17 to the consolidated financial statements.

SHARES ISSUED

Details of the movements in the issued shares of the Company are set out in note 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2019 amounted to HK$2,779 million (2018: HK$3,135 million).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out from page 30 to 31 of this Annual Report.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

DIRECTORS

The Directors during the year ended 31 December 2019 and up to the date of this report were:

Executive Directors:

Mr. Fu Gangfeng *(Chairman)*
(resigned on 13 February 2020)
Mr. Deng Renjie *(Chairman)*
(appointed on 13 February 2020)
Mr. Su Jian
Mr. Xiong Xianliang
Mr. Bai Jingtao *(Managing Director)*
Mr. Ge Lefu
(appointed on 5 June 2019)
Mr. Wang Zhixian
Mr. Zheng Shaoping

Independent Non-executive Directors:

Mr. Kut Ying Hay
Mr. Lee Yip Wah Peter
Mr. Li Kwok Heem John
(resigned on 5 June 2019)
Mr. Li Ka Fai David
Mr. Bong Shu Ying Francis

Biographical details of each Director and member of senior management of the Company are set out in the Directors and Senior Management on pages 75 to 80 of this Annual Report.

Mr. Li Kwok Heem John resigned as Independent Non-executive Director and all Committee Members of the Company with effect from 5 June 2019 due to his intention to concentrate on charitable commitments.

Besides, Mr. Fu Gangfeng resigned as Executive Director and Chairman of the Board of the Company with effect from 13 February 2020 due to change of work arrangement.

In accordance with Article 89 of the Articles of Association, Mr. Su Jian, Mr. Bai Jingtao, Mr. Kut Ying Hay and Mr. Li Ka Fai David will retire from office by rotation at the forthcoming annual general meeting but, being eligible, will offer themselves for re-election.

Pursuant to Article 95 of the Articles of Association, Mr. Deng Renjie shall retire from office at the forthcoming annual general meeting and shall be eligible and offer himself for re-election.

Each of the Directors has entered into an appointment letter with the Company for a term of three years. The appointment date of each of Directors are as follows:

One Executive Director's appointment commenced on 12 October 2017;

One Executive Director's appointment commenced on 29 March 2018;

One Executive Directors' appointment commenced on 1 June 2018;

One Executive Director's appointment commenced on 4 June 2018;

One Executive Director's appointment commenced on 18 February 2019;

One Executive Director's appointment commenced on 5 June 2019;

One Executive Director's appointment commenced on 13 February 2020;

One Independent Non-executive Director's appointment commenced on 1 June 2019;

One Independent Non-executive Director's appointment commenced on 14 July 2019; and

Two Independent Non-executive Directors' appointment commenced on 22 March 2020.

The appointment of each of the Directors is subject to retirement by rotation in accordance with the Articles of Association.

The Company has received annual confirmations from each of the Independent Non-executive Directors in relation to their independence to the Company and considers that each of the Independent Non-executive Directors is independent of the Company.

DIRECTORS OF SUBSIDIARIES

The name of persons who have served on the board of the subsidiaries of the Company during the year ended 31 December 2019 and up to the date of this report are Mr. Bai Jingtao, Mr. Wang Zhixian and Mr. Zheng Shaoping.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its holding companies, its fellow subsidiaries or its subsidiaries was a party and in which a Director of the Company or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2019, the interests of the Directors of the Company in the securities of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**"), as recorded in the register maintained by the Company under Section 352 of the SFO were as follows:

Shares and Share Options in the Company

Name of Director	Capacity	Nature of interest	Number of shares held in the Company	Number of shares in the Company subject to share options granted	Percentage of aggregate long position in shares held to the issued shares as at 31 December 2019
Mr. Fu Gangfeng	Beneficial owner	Personal interest	2,266	—	0.0001%
Mr. Lee Yip Wah Peter	Beneficial owner	Personal interest	224,912	—	0.0065%
			227,178	—	0.0066%

Save as disclosed above and based on the register maintained by the Company under section 352 of the SFO, as at 31 December 2019, none of the Directors or chief executive of the Company or any of their associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required, pursuant to section 352 of the SFO, to be entered in the register or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Apart from the share option schemes disclosed below, at no time during the year was any of the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement which enables the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PENSION SCHEME

Details of the pension scheme, maintained by the Group, contributions made and forfeiture utilised during the year are set out on page 146 to 148 of this Annual Report.

SHARE OPTION SCHEME

At an extraordinary general meeting of the Company held on 9 December 2011 (the "**Adoption Date**"), the shareholders of the Company adopted the new share option scheme (the "**Share Option Scheme**") and the previous share option scheme was terminated on the same date. Under the Share Option Scheme the Board may, at its discretion, invite any director or employee of the Company or any of its subsidiaries or associates, to take up options to subscribe for fully paid ordinary shares in the Company subject to the terms and conditions stipulated therein.

In view of the on-going support given to the Company by the CMHK Group (representing China Merchants Holdings (Hong Kong) Company Limited ("**CMHK**"), an intermediate holding company of the Company, together with its subsidiaries (excluding the Group) and associated companies), the Board considered that it is in the best interests of the Company to extend the Share Option Scheme to directors and employees of members of the CMHK Group, together with directors and employees of the Company, its subsidiaries and associates (the "**Eligible Persons**").

Details of the Share Option Scheme are as follows:

(i) Purpose

The purpose of the Share Option Scheme is to provide the Company with a flexible means of incentivising, rewarding, remunerating, compensating and/or providing benefits to Eligible Persons.

(ii) Qualifying participants

Any Eligible Persons.

(iii) Maximum number of shares

(1) 10% limit

Subject to (iii)(2) and (iii)(3) below, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the shares in issue as at the Adoption Date. Options lapsed in accordance with the terms of the Share Option Scheme and the Terminated Schemes will not be counted for the purpose of calculating the 10% limit.

(2) Refreshing the 10% limit

Subject to (iii)(5) below if applicable, the Board may, with the approval of the shareholders in general meeting "refresh" the 10% limit under (iii)(1) above (and may further "refresh" such limit once refreshed in accordance with the provisions of this rule), provided that the total number of shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme under the limit as refreshed shall not exceed 10% of the shares in issue at the date on which the shareholders approve the "refreshed" limit. Options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the schemes) will not be counted for the purpose of calculating the limit as "refreshed".

(3) Exceeding the 10% limit

The Board may grant option to any Eligible Person or Eligible Persons specifically identified by them which would cause the limit under (iii)(1) above (including, for the avoidance of doubt, any such limit as "refreshed" under (iii) (2) above) to be exceeded, but only with the approval of the shareholders of the Company in general meeting, and subject always to (iii)(5) below.

(4) Individual limit

(a) Subject to (iii)(4)(b) below (and subject always to (iii)(5) below), the Board shall not grant any option (the "**Relevant Options**") to any Eligible Person which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued or to be issued to him/her under all options granted to him/her in the 12-month period up to and including the date of grant of the Relevant Options, exceed 1% of the shares in issue at such date.

(b) Notwithstanding (iii)(4)(a) above, the Board may grant options to any Eligible Person or Eligible Persons causing the limit under (iii)(4)(a) above in relation to such Eligible Person to be exceeded, but only with the approval of the shareholders of the Company in general meeting (with such Eligible Person and his associates abstaining from voting), and subject always to (iii)(5) below.

(5) 30% maximum limit

The number of shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Share Option Scheme to Eligible Persons must not exceed 30% of the shares in issue from time to time.

(iv) Option period

Subject to certain provisions, an option under the Share Option Scheme which is vested and has not lapsed may be exercised at any time up to the expiry of 10 years (or less, as the case may be) from the date of grant of the option. The exercise of the options may be subject to any conditions imposed by the Board at the time of offer. The rules of the Share Option Scheme do not contain specific provisions for the minimum period which an option must be held before exercise or performance targets applicable to the options.

(v) Payment for option

Option-holders are not required to pay for grant of an option.

(vi) Subscription price

The subscription price for the shares in respect of which options are granted shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant; and (iii) the nominal value of the shares.

(vii) The remaining life of the Share Option Scheme

The life of the Share Option Scheme is 10 years commencing on the Adoption Date and ending on 8 December 2021.

(viii) Shares available for issue under the Share Option Scheme

As at 15 April 2020, the total number of shares available for issue under the Share Option Scheme was 247,441,123 shares, which represent approximately 7.17% of the total issued shares of the Company as at the same date.

(ix) Shares options outstanding, granted, exercised, lapsed or cancelled

No share options were outstanding, granted, exercised, lapsed or cancelled under the Share Option Scheme during the financial year from 1 January to 31 December 2019.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, the following persons, other than a Director or chief executive of the Company, have interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO:

Long Positions

Name of substantial shareholder	Capacity	Shares/underlying shares held	Percentage to total issued shares
China Merchants Group Limited	Interest of Controlled Corporation	2,167,807,784(1,2,3)	62.85%
China Merchants Steam Navigation Company Limited	Interest of Controlled Corporation	2,164,807,784(2)	62.77%
China Merchants Holdings (Hong Kong) Company Limited	Interest of Controlled Corporation	2,164,807,784(2)	62.77%
Broadford Global Limited	Interest of Controlled Corporation	1,411,014,033(2)	40.91%
Rainbow Reflection Limited	Interest of Controlled Corporation	1,411,014,033(2)	40.91%
China Merchants Investment Development Company Limited	Interest of Controlled Corporation	1,411,014,033(2)	40.91%
China Merchants Port Group Co., Ltd.	Beneficial Owner	1,411,014,033(2)	40.91%
China Merchants Union (BVI) Limited	Beneficial Owner	753,793,751(2)	21.86%
China Merchants Shekou Industrial Zone Holdings Company Limited	Interest of Controlled Corporation	3,000,000(1,3)	0.09%
Top Chief Company Limited	Interest of Controlled Corporation	3,000,000(3)	0.09%
Orienture Holdings Company Limited	Beneficial Owner	3,000,000(3)	0.09%
Pagoda Tree Investment Company Limited	Interest of Controlled Corporation	753,793,751(4)	21.86%
Compass Investment Company Limited	Interest of Controlled Corporation	753,793,751(4)	21.86%
CNIC Corporation Limited	Interest of Controlled Corporation	753,793,751(4)	21.86%
Verise Holdings Company Limited	Interest of Controlled Corporation	753,793,751(4)	21.86%

Notes:

1. Each of China Merchants Steam Navigation Company Limited ("**CMSN**") and China Merchants Shekou Industrial Zone Holdings Co., Ltd. ("**CMSIZ**") is a subsidiary of China Merchants Group Limited ("**CMG**"). CMG is deemed to be interested in 2,167,807,784 shares, which represents the aggregate of 2,164,807,784 shares deemed to be interested by CMSN (see Note 2 below) and 3,000,000 shares deemed to be interested by CMSIZ (see Note 3 below).

2. China Merchants Holdings (Hong Kong) Company Limited ("**CMHK**") is wholly-owned by CMSN and Broadford Global Limited ("**Broadford**"), is in turn wholly-owned by CMHK. Rainbow Reflection Limited ("**Rainbow**") is 74.66%-owned by Broadford and 25.34%-owned by China Merchants Union (BVI) Limited ("**CMU**"). China Merchants Investment Development Company Limited ("**CMID**") is in turn wholly-owned by Rainbow. China Merchants Port Group Co., Ltd. ("**CMPG**") is 64.05%-owned by CMID and CMU is 50%-owned by CMHK.

   CMSN is deemed to be interested in 2,164,807,784 shares which are deemed to be interested by CMHK. Such shares represent the aggregate of 753,793,751 shares beneficially held by CMU and 1,411,014,033 shares beneficially held by CMPG.

3. Top Chief Company Limited ("**Top Chief**") is wholly-owned by CMSIZ and Orienture Holdings Company Limited ("**Orienture**") is in turn wholly-owned by Top Chief. CMSIZ is deemed to be interested in the 3,000,000 shares which are deemed to be interested by Top Chief. Such shares represent the 3,000,000 shares beneficially held by Orienture which is wholly-owned by Top Chief.

4. According to the disclosure of interests form submitted by Pagoda Tree Investment Company Limited ("**Pagoda Tree**") on 24 May 2018, 50% interest in CMU is owned by Verise Holdings Company Limited ("**Verise Holdings**"), which is wholly-owned by CNIC Corporation Limited ("**CNIC Corporation**"), which is in turn 90%-owned by Compass Investment Company Limited ("**Compass Investment**"), which is in turn wholly-owned by Pagoda Tree. Therefore, each of Verise Holdings, CNIC Corporation, Compass Investment and Pagoda Tree is deemed to be interested in the 753,793,751 shares beneficially held by CMU.

Short Positions

Nil

Save as disclosed above, there was no person, other than a Director or chief executive of the Company, who has an interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company kept under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this Annual Report, at no time during the year was the Company, its parent company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provides that subject to the provisions of the Companies Ordinance, but without prejudice to any indemnity to which a Director may otherwise be entitled, every Director of the Company shall be indemnified out of the assets of the Company against any liability, loss or expenditure incurred by him in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to be done by him as Director of the Company and in which judgment is given in his favour or in which he is acquitted, or incurred in connection with any application in which relief is granted to him by the court from liability in respect of any such act or omission.

The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the Directors of the Company.

EQUITY-LINKED AGREEMENTS

Details of the Share Option Scheme is set out in this report and note 31 to the consolidated financial statements.

Save as disclosed above, no equity-linked agreements were entered into during the year or subsisted at the end of the year.

CONNECTED TRANSACTIONS

During the year ended 31 December 2019, the Group entered into the following transactions, which constituted connected transactions under the Listing Rules, and are required to be disclosed in accordance with Chapter 14A of the Listing Rules:

(a) On 11 January 2019, Ansujie Port and Warehouse Services (Shenzhen) Company Limited (安速捷碼頭倉儲服務(深圳)有限公司) ("**Ansujie**") and Antongjie Port and Warehouse Services (Shenzhen) Company Limited (安通捷碼頭倉儲服務(深圳)有限公司) ("**Antongjie**") (both being indirect wholly-owned subsidiaries of the Company) entered into (i) a debt confirmation agreement (the "**Debt Confirmation Agreement**") with Shenzhen China Merchants Shekou Asset Management Company Limited (深圳市招商局蛇口資產管理有限公司) ("**CMSA**"), CMSIZ and a number of subsidiaries of CMSIZ (the "**CMSIZ Subsidiaries**"), (ii) a debt assignment agreement (the "**Debt Assignment Agreement**") with CMSA and Shenzhen China Merchants Qianhai Chidi Asset Company Limited (深圳市招商前海馳迪實業有限公司) ("**A2 Company**") and (iii) a capital increase agreement (the "**Capital Increase Agreement**") with, among others, CMSA, CMSIZ and CMSIZ Subsidiaries in relation to the two capital increase in Shenzhen China Merchants Qianhai Assets Development Co. Ltd. (深圳市招商前海實業發展有限公司) ("**A1 Company**"). These transactions were entered into by the Group to facilitate a land restructuring agreement entered into by the Group on 24 December 2018 (the "**Land Restructuring Agreement**") with the Shenzhen Urban Planning, Land and Resources Commission (深圳市規劃和國土資源委員會), the Shenzhen Qianhai Shenzhen-Hong Kong Modern Services Commission (深圳市前海深港現代服務業合作區管理局), CMG, CMSA, CMSIZ, the CMSIZ Subsidiaries and A2 Company in relation to the disposal of the various interest in land in Qianhai, Shenzhen. The total consideration payable for the transactions contemplated by the Land Restructuring Agreement will comprise (i) a new land in Qianhai, Shenzhen after the Reclassification with an area of approximately 425,300 square meters and a value of approximately RMB43.21 billion (equivalent to approximately HK$49.3 billion) to be granted to A2 Company; and (ii) another piece of land located in Dachan Bay Port Phase II (大鏟灣港區二期) with the same area and corresponding coastal length equivalent to a prescribed area comprising approximately 55% of the area of lands (with an aggregate land area of 965,958.41 square metres) held by Antongjie and Ansujie to be transferred to the Group. As CMSA, CMSIZ, CMSIZ Subsidiaries, A1 Company and A2 Company are subsidiaries of CMG, the ultimate holding company of the Company, they are therefore connected persons of the Company and the Debt Confirmation Agreement, the Debt Assignment Agreement and the Capital Increase Agreement constitute connected transactions of the Company under the Listing Rules.

(b) On 22 January 2019, the Company, China Merchants Investments Limited (招商局投資有限公司) ("**CMI**"), Cheer Signal Investment Limited (喜銓投資有限公司) ("**Cheer Signal**") and Lac Assal Investment Holding Company Limited (阿薩勒湖投資控股有限公司) (the "**Asset Joint Venture**") entered into a supplemental shareholders agreement (the "**Supplemental Shareholders Agreement**") in relation to the Asset Joint Venture to set out the terms of the capital increase into the Asset Joint Venture (the "**Capital Increase**"). The parties agreed that the share capital of the Asset Joint Venture shall be increased to US$60,060,000 (equivalent to approximately HK$468,468,000) by issuing and allotting 30,000,000 shares of the Asset Joint Venture to the parties in accordance with their respective shareholdings in the Asset Joint Venture. Accordingly, the Company, CMI and Cheer Signal agreed to contribute US$12,000,000 (equivalent to approximately HK$93,600,000), US$12,000,000 (equivalent to approximately HK$93,600,000) and US$6,000,000 (equivalent to approximately HK$46,800,000), respectively into the Asset Joint Venture. Upon the completion of the Capital Increase, the share capital of the Asset Joint Venture shall comprise 60,060,000 shares of which, the Company, CMI and Cheer Signal shall hold 24,024,000, 24,024,000 and 12,012,000 shares, respectively. Each of CMI, Cheer Signal and the Asset Joint Venture is an associate of CMG, the ultimate holding company of the Company, and therefore connected persons of the Company. Accordingly, the Supplemental Shareholders Agreement constitute a connected transaction of the Company under the Listing Rules.

(c) On 19 March 2019, subsequent to an invitation for public tender and the consideration of tender documents from tenderers, Shenzhen Haixing Port Development Company Limited (深圳海星港口發展有限公司) ("**Haixing**"), a subsidiary of the Company, entered into the a IT system development agreement (the "**Haixing IT System Development Agreement**") with China Merchants Holdings (International) Information Technology Company Limited (招商局國際資訊技術有限公司) ("**CMHIT**"), pursuant to which, CMHIT agreed develop the Haixing Smart Port IT System (海星智慧港資訊化系統) ("**Haixing IT System**") for Haixing, including the provision of implementation, training and maintenance services of the Haixing IT System. The total consideration payable by Haixing to CMHIT under the Haixing IT System Development Agreement is RMB109,893,231.40 (equivalent to approximately HK$129,286,154.59). The total consideration is payable by Haixing to CMHIT in multiple instalments. CMHIT is held by the Company and CMPG as to 76.84% and 23.16%, respectively. Since CMPG is a substantial shareholder of the Company and a subsidiary of CMG, the ultimate holding company of the Company, CMPG is a connected person of the Company and CMHIT is a connected subsidiary of the Company under the Listing Rules. Accordingly, the transaction contemplated under the Haixing IT System Development Agreement constitutes a connected transaction of the Company under the Listing Rules.

(d) On 28 March 2019, Khor Ambado FZCO (the "**Djibouti Asset Company**") entered into a land lease agreement (the "**Land Lease Agreement**") with China Merchants Holdings (Djibouti) FZE ("**CM Djibouti**"), a subsidiary of the Company, pursuant to which the Djibouti Asset Company as lessor would sub-lease a parcel of land with an area of 137,801.63 square metres within the Djibouti International Free Trade Zone (the "**Djibouti Lease Land**") to CM Djibouti as lessee, for a term commencing on the date of the Land Lease Agreement and ending on 14 August 2116. The Lease Land shall be used for the purposes of carrying out logistics, commerce and trade activities within the Djibouti International Free Trade Zone. CM Djibouti shall pay to the Djibouti Asset Company (i) an aggregate amount of US$27,756,004.31 (equivalent to approximately HK$216,497,000) for the full term of the Lease, (ii) a deposit of US$200,000 (equivalent to approximately HK$1,560,000) in addition to the rent and (iii) property management fees at an annual rate of US$1.00 (equivalent to approximately HK$7.80) per square metre of the surface area of the Djibouti Lease Land. The Djibouti Asset Company is an associate of CMG, the ultimate holding company of the Company, and therefore a connected person of the Company. Accordingly, the transaction contemplated under the Land Lease Agreement constitutes a connected transaction of the Company under the Listing Rules.

(e) On 29 April 2019, the Company, CMI, Cheer Signal and Asset Joint Venture entered into a supplemental shareholders agreement (the "**Second Supplemental Shareholders Agreement**") to set out the terms of a capital increase in relation to the Asset Joint Venture (the "**Second Capital Increase**"). The reason for the Second Capital Increase is to partially fund a shareholder loan provided by the Asset Joint Venture to the Djibouti Asset Company for the repayment of a loan facility of up to US$150 million (equivalent to approximately HK$1,170 million) provided by the Company to the Djibouti Asset Company expiring on 8 May 2019. The parties agreed that the share capital of the Asset Joint Venture shall be increased to US$144,810,000 (equivalent to approximately HK$1,129,518,000) by issuing and allotting 84,750,000 shares of the Asset Joint Venture to the parties in accordance with their respective shareholdings in the Asset Joint Venture. Accordingly, the Company, CMI and Cheer Signal agreed to contribute US$33,900,000 (equivalent to approximately HK$264,420,000), US$33,900,000 (equivalent to approximately HK$264,420,000) and US$16,950,000 (equivalent to approximately HK$132,210,000), respectively into the Asset Joint Venture. Upon the completion of the Second Capital Increase, the share capital of the Asset Joint Venture shall comprise 144,810,000 shares of which, the Company, CMI and Cheer Signal shall hold 57,924,000, 57,924,000 and 28,962,000 shares, respectively. Each of CMI, Cheer Signal and the Asset Joint Venture is an associate of CMG, the ultimate holding company of the Company, and therefore connected persons of the Company. Accordingly, the Second Supplemental Shareholders Agreement constitutes a connected transaction of the Company under the Listing Rules.

(f) On 28 June 2019, China Merchants Zhangzhou Economic Development Zone Co., Ltd. (招商局漳州開發區有限公司) ("**China Merchants Zhangzhou**") and Zhangzhou Investment Promotion Bureau Xiamenwan Port Affairs Co., Ltd (漳州招商局廈門灣港務有限公司) ("**Zhangzhou Xiamen Bay**"), a subsidiary of the Company entered into a supplemental agreement (the "**Zhangzhou Supplemental Agreement**") to amend the land use rights transfer agreement (the "**Land Use Rights Transfer Agreement**") dated 25 March 2013 entered into between China Merchants Zhangzhou and Zhangzhou Xiamen Bay, pursuant to which China Merchants Zhangzhou agreed to sell and Zhangzhou Xiamen Bay agreed to purchase the land use rights in respect of a parcel of land situated at the Fourth District of the Zhangzhou Economic Development Zone located in Fujian, the PRC, with a total site area of 299,232.859 square meters (including the sea use rights with a site area of 172,831.724 square meters). When the Land Use Rights Transfer Agreement was signed in 2013, the area corresponding with the sea use rights with a site area of 172,831.724 square meters was undergoing but had not yet completed a land reclamation process. In January 2019, such land reclamation process was completed and the final land area has been confirmed by the relevant city planning authority as 172,748.811 square meters. As a result, the parties agreed to amend the Land Use Rights Transfer Agreement to reflect the final area with an adjusted consideration. The parties agreed that the revised balance of the consideration, as adjusted pursuant to the Zhangzhou Supplemental Agreement, is RMB93,221,039.90 (equivalent to approximately HK$105,933,000) and shall be payable by Zhangzhou Xiamen Bay to China Merchants Zhangzhou by 31 December 2019. China Merchants Zhangzhou is an indirect subsidiary of CMG, the ultimate holding company of the Company. Accordingly, China Merchants Zhangzhou is a connected person of the Company and the transaction contemplated under the Zhangzhou Supplemental Agreement constitutes a connected transaction of the Company under the Listing Rules.

(g) On 20 September 2019, the Company decided that it will not accept the possible mandatory unconditional cash offer (the "**H Share Offer**") by China International Capital Corporation Hong Kong Securities Limited, on behalf of Broadford to acquire all the issued H shares in Dalian Port (PDA) Company Limited (大連港股份有限公司) ("**Dalian Port**") (other than those already owned or agreed to be acquired by Broadford and parties acting in concert with it but including the H shares of Dalian Port held by the Company through Team Able International Limited (群力國際有限公司) ("**Team Able**")) at an offer price of HK$1.0127 in cash for each H share of Dalian Port (the "**H Share Offer Price**"). The final decision of the Company to not accept the H Share Offer was set out in the shareholders' circular dated 11 October 2019. As at 11 October 2019, the Company held 2,714,736,000 H shares of Dalian Port, representing approximately 21.05% of the total issued share capital of Dalian Port, through Team Able. Based on the H Share Offer Price, the total consideration of the H Share Offer payable to the Company would be HK$2,749,213,147.20, assuming full acceptance. As Broadford is an indirect controlling shareholder of the Company, it is therefore a connected person of the Company. Accordingly, the non-acceptance of the H Share Offer constitutes a connected transaction of the Company under the Listing Rules.

(h) On 19 December 2019, Zhangzhou Xiamen Bay, a subsidiary of the Company, entered into a sale and lease agreement (the "**Sale and Leaseback Agreement**") with China Merchants Finance Lease (Tianjin) Company Limited (招商局融資租賃(天津)有限公司) ("**Tianjin Finances**"), a subsidiary of CMG, the ultimate holding company of the Company for the sale and leaseback of two port assets located in Xiamen Bay, the PRC with an area of 17,303.94 square metres and 16,575.72 square metres, respectively for a term of 72 months at the consideration of RMB150,000,000 (equivalent to approximately HK$166,210,000). As security for the performance of Zhangzhou Xiamen Bay's obligations under the Sale and Leaseback Agreement, on 19 December 2019, Zhangzhou Xiamen Bay entered into (i) a security agreement (the "**Security Agreement**") in favour of Tianjin Finances pursuant to which Zhangzhou Xiamen Bay agreed to pledge the land use rights of two pieces of land located in Longhai City, PRC with an area of 126,401.13 square metres and 172,748.81 square metres, respectively to Tianjin Finances and (ii) a deposit agreement (the "**Deposit Agreement**") with Tianjin Finances pursuant to which Zhangzhou Xiamen Bay agreed to pay to Tianjin Finances a deposit of RMB4,500,000 (equivalent to approximately HK$5,000,000). On the same day, Zhangzhou Xiamen Bay entered into a consultancy services agreement (the "**Consultancy Services Agreement**") with Tianjin Finances pursuant to which Tianjin Finances will provide various consultancy services to Zhangzhou Xiamen Bay for a consideration of RMB2,700,000 (equivalent to approximately HK$3,000,000). Tianjin Finances is a subsidiary of CMG, the ultimate holding company of the Company, and therefore a connected person of the Company. Accordingly, the transactions contemplated under the Sale and Leaseback Agreement, the Security Agreement, the Deposit Agreement and the Consultancy Services Agreement constitutes a connected transaction of the Company under the Listing Rules.

(i) On 19 December 2019, China Merchants Container Services Limited ("**CMCS**"), a subsidiary of the Company and Euroasia Dockyard Enterprise and Development Limited ("**Euroasia**") entered into a new cooperation agreement (the "**New Euroasia Cooperation Agreement**") to renew the lease of a piece of land in Tsing Yi (the "**Tsing Yi Leased Land**"). The New Euroasia Cooperation Agreement has a term of one year commencing on 1 January 2020 and ending on 31 December 2020. The annual rental fees to be paid by CMCS to Euroasia under the New Euroasia Cooperation Agreement is HK$16,500,000 for the year ending 31 December 2020. As disclosed in the announcement of the Company dated 19 December 2019, the transactions contemplated under the New Euroasia Cooperation Agreement were considered as continuing connected transactions of the Company and accordingly, the Directors resolved to set the annual cap in respect of the rental fees to be paid by CMCS to Euroasia under the New Euroasia Cooperation Agreement at HK$16,500,000 for the year ending 31 December 2020. However, upon further discussion with the Directors with regard to the accounting treatment of the renewal of lease of the Tsing Yi Leased Land under the New Euroasia Cooperation Agreement, the renewal of lease of the Tsing Yi Leased Land constitutes to a lease modification and resulted in the recognition of right-of-use assets in the Group's consolidated financial statements in accordance with the requirements under Hong Kong Financial Reporting Standard 16 "Leases" ("**HKFRS 16**") which is effective during the year ended 31 December 2019. Accordingly, the transaction under the New Euroasia Cooperation Agreement would be regarded as an acquisition of asset and constitutes a connected transaction of the Company. Pursuant to HKFRS 16, right-of-use assets in respect of the lease of the Tsing Yi Leased Land for the lease period from 1 January 2019 to 31 December 2019 of HK$15,900,000 is recognised, which is to be depreciated over the lease term on a straight line basis. Euroasia is an indirect wholly-owned subsidiary of CMG, the ultimate holding company of the Company, and accordingly, a connected person of the Company. The applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the New Euroasia Cooperation Agreement exceed 0.1% but are below 5%, which is the same as the applicable percentage ratios in respect of the annual cap in respect of the rental fees to be paid by CMCS to Euroasia under the New Euroasia Cooperation Agreement as disclosed in the announcement dated 19 December 2019.

(j) Details of the continuing connected transactions of the Group for the year ended 31 December 2019 that are subject to the reporting and annual review requirements under the Listing Rules are set out below:

Name of party	Nature of transaction	Note	Annual cap HK$' million
Euroasia	Rental of Tsing Yi Leased Land as lessee	(i)	(15.5)
CMSIZ	Rental of 14 parcels of land in Shekou as lessee	(ii)	(25.0)*
CMG and its subsidiaries (the "**CMG Group**") and its associates	Rental and management service as lessee	(iii)	(147.7)*
CMPG and its subsidiaries (the "**CMPG Group**")	Rental of an office space in Qianhai, Shenzhen as lessor	(iv)	10.8*
CMG Group and its associates	Rental of properties as lessor	(v)	68.2*
Yiu Lian Dockyard Limited ("**Yiu Lian**")	Provisions of ship berthing services for bringing ships into and from the Tsing Yi Terminal charged to the Group	(vi)	(14.5)
Sinotrans & CSC Holdings Co., Ltd. (中國外運長航集團有限公司) ("**Sinotrans & CSC**") and its subsidiaries ("**Sinotrans & CSC Group**")	Provision of port-related services charged by the Group	(vii)	56.8*
Sinotrans & CSC Group	Provision of agency services charged to the Group	(vii)	(9.1)*
CMPG Group	Provision of port and port-related services charged by the Group	(viii)	28.4*
CMPG Group	Provision of port and freight forwarding services charged to the Group	(viii)	(34.1)*
CMG Group and its associates	Provision of port and port-related services charged by the Group	(ix)	85.2*
CMG Group and its associates	Provision of port and port-related services charged to the Group	(ix)	(43.2)*
China Merchants Property Management Company Limited (招商局物業管理有限公司) ("**CMPM**")	Provision of property services charged to the Group	(x)	(3)*

Name of party	Nature of transaction	Note	Annual cap HK$' million
China Merchants Group Finance Company Limited (招商局集團財務有限公司) ("**China Merchants Finance**")	Placing of deposits	(xi)	3,500**
Sinotrans Air Transportation GmbH ("**Sinotrans Air**")	Provision of proxy services charged to the Group	(xii)	(35.4)*
CMHIT	Provision of technology consulting services charged to other members of the Group	(xiii)	(102.3)*
China Merchants Commercial Property Investment Shenzhen Co., Ltd ("**SCMPI**")	Provision of property management services charged to the Group	(xiv)	(5)*

* The transactions and respective annual caps are denominated in other currencies and are converted to HK$ using the exchange rates prevailing on the dates of the announcements on which the annual caps were disclosed.

** This figure represents the cap in respect of the aggregate amount of deposit that may be placed by the Group at any point of time during the year ended 31 December 2019.

Notes:

(i) On 28 December 2017, CMCS, an indirect wholly-owned subsidiary of the Company, entered into a cooperation agreement with Euroasia (the "**Existing Euroasia Cooperation Agreement**") in relation to the renewal of the lease of Tsing Yi Leased Land for a term of two years commencing on 1 January 2018 and ending on 31 December 2019. The annual rental fees payable by CMCS to Euroasia under the Existing Euroasia Cooperation Agreement is HK$15,500,000 for each of the years ended 31 December 2018 and 2019. On 17 December 2018, the Directors resolved to set the annual cap in respect of the rental fees to be paid by CMCS to Euroasia under the Existing Euroasia Cooperation Agreement as HK$15,500,000 for the year ended 31 December 2019. The annual rent paid and payable by CMCS to Euroasia under the Existing Euroasia Cooperation Agreement in connection with the lease period in the year ended 31 December 2019 was HK$15,500,000. Euroasia is an indirect wholly-owned subsidiary of CMG, the ultimate holding company of the Company, and accordingly, a connected person of the Company.

(ii) On 13 June 2017, China Merchants Port Services (Shenzhen) Company Limited ("**SCMPS**") and CMSIZ entered into a lease agreement (the "**2017-2019 CMSIZ Lease Agreement**") to renew the lease for 14 out of the 16 parcels of land in Shekou Industrial Park that were leased to SCMPS for a term of 30 months commencing on 1 July 2017 and ending on 31 December 2019. On 13 June 2017, the Directors resolved that the annual caps for the annual rental fees payable by SCMPS to CMSIZ under the 2017-2019 CMSIZ Lease Agreement are RMB21,700,000 (equivalent to approximately HK$25,000,000) and RMB21,700,000 (equivalent to approximately HK$25,000,000) for the years ended 31 December 2018 and 2019, respectively. The total rental fees paid and payable by SCMPS to CMSIZ under the 2017-2019 CMSIZ Lease Agreement in connection with the lease period in the year ended 31 December 2019 was approximately RMB20,600,000 (equivalent to approximately HK$23,400,000). CMSIZ is an indirect subsidiary of CMG, the ultimate holding company of the Company, and accordingly, a connected person of the Company.

(iii) The Group has also been leasing certain other properties and receiving management services from CMG Group and its associates pursuant to the other lease and management service agreements. As the Existing Euroasia Cooperation Agreement, the 2017-2019 CMSIZ Lease Agreement and the other lease and management services agreements are of similar nature or otherwise connected, the other lease and management service agreements will be aggregated with the Existing Euroasia Cooperation Agreement and the 2017-2019 CMSIZ Lease Agreement and treated as if they were one transaction. On 17 December 2018, the Directors resolved to set an aggregate annual cap in respect of the annual aggregate maximum amount of rental and management service fees payable by the Group and its associates to the CMG Group and its associates for the year ended 31 December 2019 at RMB130,000,000 (equivalent to approximately HK$147,700,000). The annual rental and management service fees paid and payable by the Group and its associates to the CMG Group and its associates in connection with the lease period in the year ended 31 December 2019 was RMB100,000,000 (equivalent to approximately HK$113,000,000).

(iv) The CMPG Group has been leasing certain properties and receiving management services from the Group, including the leasing of an office space in Qianhai, Shenzhen under a tenancy agreement entered into between Malai Storage (Shenzhen) Company Limited (碼來倉儲 (深圳)有限公司) ("**Malai Storage**") (an indirect wholly-owned subsidiary of the Company) and Chiwan Container Terminal Co., Ltd (赤灣集裝箱碼頭有限公司) ("**Chiwan Container Terminal**"), Mawan Port Company Limited (深圳媽灣港務有限公司) ("**Mawan Port**"), Mawan Storage Company Limited (深圳媽港倉碼有限公司) ("**Mawan Storage**") and Chiwan Port Container Co., Ltd (深圳赤灣港集裝箱有限公司) ("**Chiwan Port Container**") (members of CMPG Group) for a term of three years commencing on 1 January 2018 and ending on 31 December 2020 (the "**CMPG Tenancy Agreement**"). On 17 December 2018, the Directors resolved to set an aggregate annual cap in respect of the rental income receivable by Malai Storage from members of the CMPG Group at RMB9,500,000 (equivalent to approximately HK$10,800,000) for each of the two years ending 31 December 2019 and 2020. The total rental income received and receivable by Malai Storage from CMPG Group under the CMPG Tenancy Agreement in connection with the lease period in the year ended 31 December 2019 was approximately RMB6,100,000 (equivalent to approximately HK$6,900,000). Each of Chiwan Container Terminal, Mawan Port, Mawan Storage and Chiwan Port Container is a subsidiary of CMPG, a substantial shareholder of the Company. Accordingly, each of Chiwan Container Terminal, Mawan Port, Mawan Storage and Chiwan Port Container is a connected person of the Company.

(v) The Company expects that CMG Group and its associates will continue to lease properties from the Group and its associates. As these transactions under the CMPG Tenancy Agreement and the other tenancy agreements entered between the Group and the CMG Group are of similar nature or otherwise connected, these transactions will need to be aggregated as if they were one transaction. On 17 December 2018, the Directors resolved to set an aggregate annual cap in respect of the annual aggregate maximum amount of rental income receivable by members of the Group from the CMG Group and its associates (including members of the CMPG Group) at RMB60,000,000 (equivalent to approximately HK$68,200,000) for the year ended 31 December 2019. The total rental income received and receivable by members of the Group from the CMG Group and its associates (including members of the CMPG Group) in connection with the lease period in the year ended 31 December 2019 was approximately RMB45,900,000 (equivalent to approximately HK$52,000,000).

(vi) On 17 December 2018, the Directors approved a ship berthing services agreement entered into between CMCS and Yiu Lian, pursuant to which Yiu Lian agreed to continue to provide barges for bringing ships into and from the Tsing Yi Terminal for a term of one year commencing on 1 January 2019 and ending on 31 December 2019 at a rate of HK$3,050 per barge (which was subsequently amended to HK$3,250 per barge), and CMCS shall be responsible for the payment of fuel oil surcharge of HK$300 per barge for each time the barge has brought ships into and from the Tsing Yi Terminal (the "**2019 Ship Berthing Services Agreement**"). The Directors resolved to set the annual cap in respect of the aggregate ship berthing fees payable by CMCS under the 2019 Ship Berthing Services Agreement for the year ended 31 December 2019 at HK$14,500,000. The aggregate ship berthing fees paid and payable by CMCS to Yiu Lian under the ship berthing services agreement in connection with the service period in the year ended 31 December 2019 was HK$11,200,000. On 19 December 2019, in view of the expiry of the 2019 Ship Berthing Services Agreement on 31 December 2019, CMCS and Yiu Lian entered into a new ship berthing services agreement for a term of one year commencing on 1 January 2020 and ending on 31 December 2020 (the "**2020 Ship Berthing Services Agreement**"). The Directors resolved to set the annual cap in respect of the aggregate ship berthing fees payable under the 2020 Ship Berthing Services Agreement for the year ending 31 December 2020 at HK$14,500,000. Yiu Lian is an indirect wholly-owned subsidiary of CMG, the ultimate holding company of the Company, and accordingly, a connected person of the Company.

(vii) On 17 December 2018, the Company and Sinotrans & CSC entered into a comprehensive services framework agreement (the "**2019 Comprehensive Services Framework Agreement**") which sets out a framework for (a) the provision of port-related services by members of the Group to members of the Sinotrans & CSC Group, and (b) the provision of agency services by members of the Sinotrans & CSC Group to members of the Group. The 2019 Comprehensive Services Framework Agreement is for a term of three years commencing on 1 January 2019 and ending on 31 December 2021 and provides that the provision of port-related services by members of the Group to members of the Sinotrans & CSC Group, and the provision of agency services by members of the Sinotrans & CSC Group to members of the Group shall be at prices that are fair and reasonable and shall be at terms not less favourable than those provided to independent third parties. Further specific agreements shall be entered into between the relevant members of the Group and relevant members of the Sinotrans & CSC Group in respect of each transaction within the scope of the 2019 Comprehensive Services Framework Agreement and the Company and Sinotrans & CSC shall procure their respective subsidiaries to ensure that the terms of the specific agreements are entered into in accordance with the principles set out in the 2019 Comprehensive Services Framework Agreement. The specific price for each transaction shall be negotiated at arm's length by the relevant member of the Group and the relevant member of the Sinotrans & CSC Group at the time when the transaction is entered into. With respect to the provision of port-related services, the price to be charged will be based on the then prevailing standard fee schedule applicable to the relevant port and calculated with reference to the type of vessel and the weight of cargo to be handled. With respect to the receipt of agency services, the relevant member of the Group will, prior to the entering into of the specific agreement, solicit at least two other offers from independent third parties to ensure that the price quoted by the relevant member of the Sinotrans & CSC Group complies with the relevant provisions under the 2019 Comprehensive Services Framework Agreement. On the same day, the Directors resolved to set the following annual caps: (i) in respect of the service fees for port-related services receivable by the Group from Sinotrans & CSC and its associates for each of the three years ending 31 December 2019, 2020 and 2021 as RMB50,000,000 (equivalent to approximately HK$56,800,000), RMB65,000,000 (equivalent to approximately HK$73,900,000) and RMB84,500,000 (equivalent to approximately HK$96,000,000), respectively; and (ii) in respect of the service fees for agency services payable by the Group to Sinotrans & CSC and its associates for each of the three years ending 31 December 2019, 2020 and 2021 as RMB8,000,000 (equivalent to approximately HK$9,100,000), RMB10,400,000 (equivalent to approximately HK$11,900,000) and RMB13,500,000 (equivalent to approximately HK$15,400,000), respectively. The aggregate service fee received and receivable by the Group for port-related services and the service fee paid and payable by the Group for agency services in connection with the service period in the year ended 31 December 2019 was RMB25,200,000 (equivalent to approximately HK$28,600,000) and RMB800,000 (equivalent to approximately HK$900,000), respectively. Sinotrans & CSC is a wholly-owned subsidiary of CMG, the ultimate holding company of the Company, and accordingly, a connected person of the Company.

(viii) On 17 December 2018, CMPG and the Company entered into a service framework agreement (the "**2019 CMPG Services Framework Agreement**") for a term of one year commencing on 1 January 2019 and ending on 31 December 2019. Pursuant to the 2019 CMPG Services Framework Agreement, the prices for the provision of port and port-related services by members of the Group to members of the CMPG Group and the provision of port and freight forwarding services by members of the CMPG Group to members of the Group should be fair and reasonable and shall be at terms not less than those provided to independent third parties and that the terms and conditions for these services shall be determined with reference to the prevailing market conditions. The specific price for each transaction shall be negotiated at arm's length by the relevant member of the Group and the relevant member of the CMPG Group at the time when the transaction is entered into. On the same day, the Directors resolved to set the annual cap in respect of the service fees for the provision of port and port-related services receivable by the Group from CMPG Group for the year ended 31 December 2019 as RMB25,000,000 (equivalent to approximately HK$28,400,000) and the annual cap in respect of the service fees for port and freight forwarding services payable by the Group to CMPG Group for the year ended 31 December 2019 as RMB30,000,000 (equivalent to approximately HK$34,100,000). The aggregate service fee received and receivable by the Group for the provision of port and port-related services and the service fee paid and payable by the Group for port and freight forwarding services in connection with the service period in the year ended 31 December 2019 was RMB16,300,000 (equivalent to approximately HK$18,500,000) and RMB16,400,000 (equivalent to approximately HK$18,600,000), respectively. On 19 December 2019, in view of the expiry of the 2019

CMPG Services Framework Agreement on 31 December 2019, CMPG and the Company entered into a new services framework agreement (the "**2020 CMPG Services Framework Agreement**") for a term of one year commencing on 1 January 2020 and ending on 31 December 2020. The Directors resolved to set the annual cap in respect of the service fees for the provision of port and port-related services receivable by the Group from CMPG Group for the year ending 31 December 2020 as RMB24,000,000 (equivalent to approximately HK$27,000,000) and the annual cap in respect of the service fees for port and freight forwarding services payable by the Group to CMPG Group for the year ending 31 December 2020 as RMB20,000,000 (equivalent to approximately HK$22,000,000). CMPG is a substantial shareholder of the Company, and accordingly, CMPG is a connected person of the Company.

(ix) As the 2019 Comprehensive Services Framework Agreement and 2019 CMPG Services Framework Agreement are of similar nature or otherwise connected, the port and port-related services provided by the Group to (i) Sinotrans & CSC and its associates and (ii) CMPG Group will be aggregated and treated as if they were one transaction. Similarly, the port-related agency service provided by (i) Sinotrans & CSC and (ii) CMPG Group and its associates to the Group will be aggregated and treated as if they were one transaction. The Directors resolved to set an aggregate annual cap in respect of the annual aggregate maximum amount of port and port-related service fees receivable by the Group and its associates from the CMG Group and its associates for the year ended 31 December 2019 at RMB75,000,000 (equivalent to approximately HK$85,200,000) and an aggregate annual cap in respect of the annual aggregate maximum amount of port-related agency service fees payable by the Group and its associates to the CMG Group and its associates for the year ended 31 December 2019 at RMB38,000,000 (equivalent to approximately HK$43,200,000). The annual aggregate port and port-related service fees received and receivable by the Group and its associates from the CMG Group and it associates for the year ended 31 December 2019 was RMB63,100,000 (equivalent to approximately HK$71,500,000) and the aggregate port-related agency service fees paid and payable by the Group and its associates to the CMG Group and its associates in connection with the service period in the year ended 31 December 2019 was RMB17,300,000 (equivalent to approximately HK$19,600,000).

(x) On 11 October 2016, Shenzhen Jinyu Rongtai Investment Development Company Limited (深圳金域融泰投資發展有限公司) ("**Shenzhen Jinyu**"), an indirect wholly-owned subsidiary of the Company, and CMPM entered into a supplemental property services agreement to amend certain payment terms under a previous property services agreement, which is in relation to the provision of certain property services (such as cleaning, repair and maintenance, security and other daily management services) by CMPM for a property. The term of the property services agreement (as amended by the supplemental property services agreement) is three years from the date of completion of construction of the property, which is 11 March 2016. On 28 October 2016, the Directors resolved to set the annual caps in respect of the fees payable to CMPM under the agreement at RMB13,000,000 (equivalent to approximately HK$15,100,000), RMB13,000,000 (equivalent to approximately HK$15,100,000) and RMB2,600,000 (equivalent to approximately HK$3,000,000) for the year ended 31 December 2017, for the year ended 31 December 2018 and for the two months and eleven days ended 11 March 2019, respectively. The aggregate amount of fees paid and payable by Shenzhen Jinyu in connection with the service period in the year ended 31 December 2019 was RMB276,000 (equivalent to approximately HK$313,000). CMPM is an indirect subsidiary of CMG, the ultimate holding company of the Company, and accordingly, a connected person of the Company.

(xi) On 23 December 2016, the Company and China Merchants Finance entered into a financial services agreement (the "**2016 Financial Services Agreemen**t") for a term of three years commencing from the date of completion of the proposed merger between CMG and Sinotrans & CSC to set out the framework for future transactions in relation to, inter alia, the depositing of money by the Group with China Merchants Finance at rates no less than those offered by major domestic commercial banks. On the same day, the Directors resolved to set the cap in respect of the aggregate amount of deposit that may be placed by the Group with China Merchants Finance at any point of time during the term of the financial services agreement at HK$50,000,000. On 31 March 2017, the Directors resolved to further revise the cap in respect of the aggregate amount of deposit that may be placed by the Group with China Merchants Finance at any point of time during the term of the financial services agreement at HK$500,000,000 and on 4 October 2017, the Directors further revised the cap in respect of the aggregate amount of deposit that may be placed by the Group with China Merchants Finance at any point of time during the term of the financial services agreement at HK$3,500,000,000. The maximum amount of deposit placed by the Group during the year ended 31 December 2019 was HK$684,800,000. On 19 December 2019, in view of the expiry of the 2016 Financial Services Agreement on 22 December 2019, the Company and China Merchants Finance entered into the new financial services agreement (the "**2020 Financial Services Agreement**") for a term of three years commencing on 23 December 2019 and ending on 22 December 2022. With respect to the depositing of money by the Group with China Merchants Finance at any point of time during the term of the 2020 Financial Services Agreement, the Directors resolved to set the maximum amount of deposit at HK$2,100,000,000. With respect to (i) the fees payable by the Group for the provision of clearing and settlement services; (ii) the fees payable by the Group for the provision of foreign exchange clearance and settlement services and (iii) the fees payable by the Group for the provision of other financial services for each of the years ending 31 December 2020, 2021 and 2022 under the 2020 Financial Services Agreement, the Directors resolved to set the annual caps at HK$10,000,000, HK$10,000,000 and HK$10,000,000, respectively. China Merchants Finance is a subsidiary of CMG, the ultimate holding company of the Company, and accordingly, a connected person of the Company.

(xii) On 17 December 2018, China Merchants (Luxembourg) S.a.r.l. ("**CM Luxembourg**"), an indirect wholly-owned subsidiary of the Company and Sinotrans Air entered into a proxy services agreement for a term of one year commencing on 1 January 2019 and ending on 31 December 2019 (the "**2019 Proxy Services Agreement**"). Pursuant to the 2019 Proxy Services Agreement, Sinotrans Air will provide proxy services, including, among others, freight purchase, cargo inspection, customs clearance, warehousing, document processing, in relation to international transportation to CM Luxembourg (and vice versa). The management fees under the proxy services agreement are negotiated on an arm's length basis with reference to the market management fees of similar services and the volume of services required by CM Luxembourg. It is estimated that the management fees payable by CM Luxembourg to Sinotrans Air are approximately EUR4,000,000 (equivalent to approximately HK$35,400,000). The Directors resolved to set the annual cap in respect of the aggregate management fees payable under the 2019 Proxy Services Agreement for the year ended 31 December 2019 at EUR4,000,000 (equivalent to approximately HK$35,400,000). The aggregate management fee paid and payable under the 2019 Proxy Services Agreement in connection with the service period in the year ended 31 December 2019 was RMB464,000 (equivalent to approximately HK$526,000). On 19 December 2019, in view of the expiry of the 2019 Proxy Services Agreement on 31 December 2019, CM Luxembourg and Sinotrans Air entered into a new proxy services agreement for a term of one year commencing on 1 January 2020 and ending on 31 December 2020. On the same day, the Directors resolved to set the annual cap in respect of the aggregate management fees payable under the new proxy services agreement for the year ending 31 December 2020 at EUR4,000,000 (equivalent to approximately HK$34,000,000). Sinotrans Air is an indirect subsidiary of CMG, the ultimate holding company of the Company, and accordingly, a connected person of the Company.

(xiii) On 6 November 2018, the Company and CMHIT, a subsidiary of the Company, entered into a comprehensive services framework agreement (the "**2019 CMHIT Comprehensive Services Framework Agreement**") to set out the framework for future transactions in relation to the provision of technology consulting services, software development and information systems integration services by CMHIT to other members of the Group. The Comprehensive Services Framework Agreement is valid until 31 December 2019 with an option to extend. The Directors also resolved to set the annual caps in respect of the service fees payable by the Group to CMHIT for each of the two years ended 31 December 2018 and 2019 at RMB16,000,000 (equivalent to approximately HK$18,000,000) and RMB18,000,000 (equivalent to approximately HK$20,200,000), respectively. On 9 August 2019, the Board resolved to revise the annual cap in respect of the service fees payable by the Group to CMHIT for the year ended 31 December 2019 at RMB90,000,000 (equivalent to approximately HK$102,300,000). The amount of service fees paid and payable by the Group to CMHIT in connection with the service period in the year ended 31 December 2019 was RMB29,200,000 (equivalent to approximately HK$33,100,000). On 19 December 2019, in view of the expiry of the 2019 CMHIT Comprehensive Services Framework Agreement on 31 December 2019, the Company and CMHIT entered into the 2020 CMHIT Comprehensive Services Framework Agreement for a term of one year commencing on 1 January 2020 and ending on 31 December 2020. The Directors resolved to set the following annual cap in respect of the service fees payable by the Group to CMHIT for the year ending 31 December 2020 at RMB90,000,000 (equivalent to approximately HK$100,000,000). CMHIT is held by the Company and CMPG as to 76.84% and 23.16%, respectively. Since CMPG is a substantial shareholder of the Company, CMPG is a connected person of the Company, and accordingly, CMHIT is a connected subsidiary of the Company.

(xiv) On 9 August 2019, Shenzhen Jinyu, an indirect wholly-owned subsidiary of the Company, and SCMPI entered into a property services agreement (the "**2019 Property Services Agreement**") for a term of three years commencing on 1 July 2019 and ending on 30 June 2022. Pursuant to the 2019 Property Services Agreement, Shenzhen Jinyu engages SCMPI to provide lease management and operational management services in relation to a property located in Nanhai Yikumeng Industrial Building located in the Guangdong Province (the "**Target Property**"). Shenzhen Jinyu agrees to pay to SCMPI (i) a management fee of 6% of any operational income actually received by Shenzhen Jinyu (including but not limited to rental fees received from the rental of advertisement space and venue space at the Target Property); (ii) a commission fee of 6% of any annual income received by Shenzhen Jinyu from the rental of car parks at the Target Property; and (iii) any expense (including human resources costs) incurred by SCMPI under the 2019 Property Management Services Agreement. The Directors resolved to set the annual caps in respect of the fees payable to SCMPI under the 2019 Property Management Services Agreement for the six months ended 31 December 2019, the year ending 31 December 2020 and the year ending 31 December 2021 as RMB4,400,000 (equivalent to approximately HK$5,000,000), RMB9,200,000 (equivalent to approximately HK$10,500,000), and RMB9,600,000 (equivalent to approximately HK$10,900,000), respectively. The amount of service fees paid and payable by the Group to SCMPI in connection with the service period in the year ended 31 December 2019 was RMB4,200,000 (equivalent to approximately HK$4,800,000). SCMPI is an indirect wholly-owned subsidiary of CMG, and accordingly, a connected person of the Company.

(k) The Independent Non-executive Directors have reviewed the continuing connected transactions set out in paragraph (j) of this section above. In their opinion, these transactions were:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreements governing such transactions and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Independent Non-executive Directors further opined that:

(i) in respect of the lease by Euroasia to CMCS of Tsing Yi Leased Land, details of which are set out in note (i) to paragraph (j) of this section, the aggregate rental fees for the year ended 31 December 2019 have not exceeded HK$15,500,000, the annual cap for the year ended 31 December 2019;

(ii) in respect of the lease by CMSIZ to SCMPS of 14 parcels of land in Shekou, details of which are set out in note (ii) to paragraph (j) of this section, the aggregate rental fees for the year ended 31 December 2019 have not exceeded RMB21,700,000, the annual cap for the year ended 31 December 2019;

(iii) the lease agreements set out in notes (i) to (ii) to paragraph (j) of this section are of a similar nature or otherwise connected, and thus will need to be aggregated as if they were one transaction. In addition, members of the Group and other associates of the CMG Group have also entered into other lease agreements and management agreements requiring the payment of rental or management service fees by members of the Group to the corresponding associates of the CMG Group which individually, are de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules. However, given these are also of a similar nature or otherwise connected among themselves or with the lease agreement set out in notes (i) to (ii) to paragraph (j) of this section, these will also need to be aggregated as if they were one transaction. The aggregate rental and management service fees paid by the Group under these lease agreements and management agreements for the year ended 31 December 2019 has not exceeded RMB130,000,000, the aggregate annual cap for the year ended 31 December 2019;

(iv) in respect to the leasing of an office space in Qianhai Shenzhen under the CMPG Tenancy Agreement, details of which are set out in note (iv) to paragraph (j) of this section, the aggregate rental fees for the year ended 31 December 2019 have not exceeded RMB9,500,000, the annual cap for the year ended 31 December 2019;

(v) members of the Group and other associates of the CMG Group have entered into various lease agreements of which rental income is receivable by members of the Group from the CMG Group and its associates which individually are de minimis continuing connected transaction pursuant to Rule 14A.76(1) of the Listing Rules. However, given these lease agreements, together with the lease agreement set out in note (iv) to paragraph (j) of this section, are of a similar nature or otherwise connected, these lease agreements will need to be aggregated as if they were one transaction. The aggregate rental fees received by the Group under these lease agreements for the year ended 31 December 2019 has not exceeded RMB60,000,000, being the aggregate annual cap for rental fees received by the Group for the year ended 31 December 2019;

(vi) in respect of the provision of ship berthing services by Yiu Lian to CMCS, details of which are set out in note (vi) to paragraph (j) of this section, the aggregate ship berthing service fees paid has not exceed HK$14,500,000, the annual cap for the year ended 31 December 2019;

(vii) in respect of the receipt of agency services from, and provision of port-related services to, members of the Sinotrans & CSC group, details of which are set out in note (vii) to paragraph (j) of this section, the aggregate service fees received for the year ended 31 December 2019 have not exceeded RMB50,000,000, the aggregate annual cap for the services fees for the year ended 31 December 2019 and the aggregate agency fees paid for the year ended 31 December 2019 have not exceeded RMB8,000,000, the aggregate annual cap for the agency fees for the year ended 31 December 2019;

(viii) in respect of the receipt of port and freight forwarding services from and the provision of port and port-related services to, the CMPG Group, details of which are set out in note (viii) to paragraph (j) of this section, the aggregate service fees for the provision of port and port-related services receivable by the Group from CMPG Group for the year ended 31 December 2019 have not exceeded RMB25,000,000, the aggregate annual cap for the services fees for the year ended 31 December 2019 and the aggregate service fees for port and freight forwarding services payable by the Group to CMPG Group for the year ended 31 December 2019 have not exceeded RMB30,000,000, the aggregate annual cap for the services fees for the year ended 31 December 2019;

(ix) as the 2019 Comprehensive Services Framework Agreement and 2019 CMPG Services Framework Agreement are of similar nature or otherwise connected, the port and port-related services provided by the Group to (i) Sinotrans & CSC and its associates and (ii) CMPG Group will be aggregated and treated as if they were one transaction. Similarly, the port-related agency service provided by (i) Sinotrans & CSC and (ii) CMPG Group and its associates to the Group will be aggregated and treated as if they were one transaction. In respect of the receipt of port-related agency service from and the provision of port and port-related service fees to, the CMG Group, details of which are set out in note (ix) to paragraph (j) of this section, the aggregate amount of port and port-related service fees receivable by the Group and its associates from the CMG Group and it associates for the year ended 31 December 2019 have not exceeded RMB75,000,000, the aggregate annual cap for the services fees for the year ended 31 December 2019 and the aggregate service fees payable by the Group and its associates to the CMG Group and its associates for the year ended 31 December 2019 have not exceeded RMB38,000,000, the aggregate annual cap for the services fees for the year ended 31 December 2019;

(x) in respect of the provision of property services to CMPM, details of which are set out in note (x) to paragraph (j) of this section, the property service fees paid for the service period in the year ended 31 December 2019 have not exceeded RMB2,600,000, the annual cap for the two months and eleven days ended 11 March 2019;

(xi) in respect of the placing of deposits with China Merchants Finance, details of which are set out in note (xi) to paragraph (j) of this section, the maximum amount of deposit that was made by the Group with China Merchants Finance during the year ended 31 December 2019 did not exceed HK$3,500,000,000, the relevant cap as revised for the year ended 31 December 2019;

(xii) in respect of the provision of proxy services by Sinotrans Air, details of which are set out in note (xii) to paragraph (j) of this section, the aggregate management fee paid under the Proxy Services Agreement for the year ended 31 December 2019 did not exceed EUR4,000,000, the annual cap for the service fees for the year ended 31 December 2019;

(xiii) in respect of the technology consulting services provided by CMHIT, details of which are set out in note (xiii) to paragraph (j) of this section, the amount of service fees paid by the Group to the CMHIT for the year ended 31 December 2019 did not exceed RMB90,000,000, the annual cap for service fees for the year ended 31 December 2019; and

(xiv) in respect of the property management services provided by SCMPI, details of which are set out in note (xiv) to paragraph (j) of this section, the amount of service fees paid by the Group to SCMPI for the service period in the year ended 31 December 2019 did not exceed RMB4,400,000, the annual cap for the service fees for the six months ended 31 December 2019.

The Company has followed the pricing terms and policies set out in respect of each of the continuing connected transaction listed in paragraph (j) of this section. Save as disclosed above and in the section headed "Related Party Transactions" in note 43 to the consolidated financial statements, there are no other contract, of significance between the Company or any of its subsidiaries, and controlling shareholders or any of its subsidiaries submitted, at the end of the year or at any time during the year.

The Company confirms save and except for those connected transactions or continuing connected transactions under the Listing Rules set out in this section headed "Connected Transactions" of the Report of the Directors, the other transactions were not regarded as connected transactions or continuing connected transactions under the Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules. The connected transactions and continuing connected transactions as disclosed in this section headed "Connected Transactions" of the Report of the Directors have complied with the requirements of Chapter 14A of the Listing Rules.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised)"Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in paragraph (j) of this section in pages 93 to 97 of the Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company had been entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of sales and purchases attributable to the Group's five largest customers and suppliers represented less than 30% of the Group's total sales and purchases in 2019, respectively. The Group has strived to maintain a good relationship with its major customers and suppliers.

At no time during the year had the Directors, their close associates or any shareholder (whom to the knowledge of the Directors own(s) more than 5% of the Company's issued shares) had any interest in these major customers and suppliers.

EMPLOYEES

The Group's key relationships with its employees are set out in the Management Discussion and Analysis on pages 14 to 29 of this Annual Report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under Rule 8.08 of the Listing Rules.

AUDITOR

The financial statements have been audited by Deloitte Touche Tohmatsu who would retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

There has been no change in the Company's auditor in any of the preceding three years.

On behalf of the Board
Deng Renjie
Chairman
Hong Kong, 15 April 2020

Independent Auditor's Report

Deloitte. 德勤

TO THE MEMBERS OF
CHINA MERCHANTS PORT HOLDINGS COMPANY LIMITED
招商局港口控股有限公司
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of China Merchants Port Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 106 to 239, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Accounting for the Group's interests in associates and joint ventures	
We identified the accounting for the Group's interests in associates and joint ventures as a key audit matter due to the significance of these investments to the Group's consolidated financial statements as a whole. The Group invested in a number of associates and joint ventures whose principal activities include ports operation, bonded logistics operation and other operations as set out in notes 45 and 46 to the consolidated financial statements. The Group's share of profits less losses of its associates and joint ventures for the year ended 31 December 2019 was HK$4,295 million in aggregate, representing approximately 46% of the profit for the year of the Group as disclosed in the consolidated statement of profit or loss and the Group's interests in its associates and joint ventures was HK$67,700 million in aggregate as at 31 December 2019, representing approximately 72% of the net assets of the Group as set out in the consolidated statement of financial position.	Our procedures in relation to the accounting for the Group's interests in associates and joint ventures included: • Identifying the associates and joint ventures which are considered by the management of the Group to be of significance to the Group's consolidated financial statements as a whole; • Obtaining an understanding of these associates and joint ventures by reading their financial information and discussing with their respective management about the financial performance, significant events occurred in the year and the key areas of judgement made in preparing their financial information to identify and assess the risks that are significant to the audit of the Group's consolidated financial statements; • Meeting with the respective auditors of these associates and joint ventures to discuss their assessment of risks and identification of areas of audit focus to evaluate the appropriateness of their work; • Assessing the sufficiency and appropriateness of audit evidence obtained from work performed by auditors of these associates and joint ventures of the Group by reviewing their audit documentation where we considered necessary; and • Evaluating the appropriateness of significant consolidation adjustments made by the management of the Group to conform the accounting policies of these associates and joint ventures to those of the Group for like transactions and events in similar circumstances.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill allocated to ports operation in Pearl River Delta ("PRD") and Brazil	
We identified the impairment assessment of goodwill allocated to the Group's ports operation in PRD and Brazil as a key audit matter due to the involvement of significant management judgement and assumptions in this assessment. As disclosed in note 16(b) to the consolidated financial statements, the carrying amount of goodwill allocated to the Group's ports operation in PRD amounted to HK$2,345 million and that in Brazil amounted to HK$3,959 million as at 31 December 2019. For the purpose of assessing impairment, the recoverable amount of the Group's ports operation in PRD has been determined by the management of the Group based on value in use calculations using financial budgets based on past performance and expectation for market development, where the key inputs parameters include growth rates and discount rates. The recoverable amount of the Group's ports operation in Brazil has been determined by the management of the Group based on the fair value less costs of disposal of a recent transaction. Based on the management's assessment, there is no impairment of goodwill allocated to any of the Group's ports operation in PRD or Brazil as at 31 December 2019 based on the calculations of value in use and fair value loss costs of disposal, of PRD and Brazil respectively.	Our procedures in relation to the impairment assessment of goodwill of the Group's ports operation in PRD and Brazil included: • Working with our internal valuation specialists to assess the appropriateness of basis of calculation of the value in use and fair value less costs of disposal, prepared by the management; • Evaluating the reasonableness of the management's estimate of growth rates in determining the value in use with reference to the historical performance and the latest budgets of the Group and market data; • Working with our internal valuation specialists to assess the reasonableness of the discount rates used by the management in determining the value in use with reference to the current market risk-free rate of interest and the industry specific risk factor; • Working with our internal valuation specialists to assess the reasonableness of the valuation model used by the management in determining the fair value less costs of disposal by reference to the recent transaction of the operating entity engaging in the Group's ports operation in Brazil; and • Checking the mathematical accuracy of the management's estimates of the value in use calculation of the recoverable amount of the Group's ports operation in PRD and fair value less costs of disposal of the recoverable amount of the Group's ports operation in Brazil.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chung Chi Man.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
15 April 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Note	2019 HK$'million	2018 HK$'million
Revenue	5	**8,898**	10,160
Cost of sales		**(5,182)**	(5,771)
Gross profit		**3,716**	4,389
Other income and other gains, net	8	**6,948**	3,391
Administrative expenses		**(1,421)**	(1,766)
Finance income	12	**214**	319
Finance costs	12	**(1,996)**	(1,909)
Finance costs, net	12	**(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	13	**(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
Dividends	14	**2,752**	3,162
Earnings per share for profit attributable to equity holders of the Company	15		
Basic (HK cents)		**247.84**	219.54

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Note	2019 HK$'million	2018 HK$'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	39	**—**	(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	2019 HK$'million	2018 HK$'million
ASSETS			
Non-current assets			
Goodwill	16	**6,931**	7,922
Intangible assets	16	**10,244**	11,132
Property, plant and equipment	17	**23,870**	29,212
Right-of-use assets	18	**15,435**	—
Investment properties	19	**8,246**	8,332
Land use rights	20	**—**	10,973
Interests in associates	22	**58,052**	45,821
Interests in joint ventures	23	**9,648**	11,959
Other financial assets	24	**2,668**	3,399
Other non-current assets	25	**1,218**	328
Deferred tax assets	36	**260**	60
		136,572	129,138
Current assets			
Inventories	26	**125**	108
Other financial assets	24	**905**	—
Debtors, deposits and prepayments	27	**3,435**	3,377
Taxation recoverable		**35**	7
Cash and bank balances	28	**7,800**	7,175
		12,300	10,667
Non-current assets held for sale	29	**210**	132
		12,510	10,799
Total assets		**149,082**	139,937

	Note	2019 HK$'million	2018 HK$'million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	30	40,614	39,070
Reserves		37,169	33,820
Proposed dividend	14	2,000	2,431
		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	33	29,419	33,622
Lease liabilities	34	918	—
Other non-current liabilities	35	5,421	5,806
Deferred tax liabilities	36	3,668	3,354
		39,426	42,782
Current liabilities			
Creditors and accruals	37	4,707	3,684
Bank and other borrowings	33	8,995	5,234
Lease liabilities	34	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

The consolidated financial statements on pages 106 to 239 were approved and authorised for issue by the Board of Directors on 15 April 2020 and are signed on its behalf by:

Mr. Deng Renjie
DIRECTOR

Mr. Bai Jingtao
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Note	Attributable to equity holders of the Company				Non-controlling interests	Total
		Share capital HK$'million	Other reserves HK$'million (note 32)	Retained earnings HK$'million	Total HK$'million	HK$'million	HK$'million
As at 31 December 2018 (audited)		39,070	2,968	33,283	75,321	12,683	88,004
Adjustments (note 2.1)		—	—	(118)	(118)	(19)	(137)
As at 1 January 2019 (adjusted)		39,070	2,968	33,165	75,203	12,664	87,867
COMPREHENSIVE INCOME							
Profit for the year		—	—	8,362	8,362	876	9,238
Other comprehensive (expense)/income							
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures		—	(3,103)	—	(3,103)	(299)	(3,402)
Release of the fair value of equity instruments at FVTOCI, net of deferred taxation		—	(5)	5	—	—	—
Share of other reserves of associates and a joint venture		—	21	—	21	—	21
Net actuarial loss on defined benefit plans of subsidiaries		—	—	(2)	(2)	(1)	(3)
Share of net actuarial loss on defined benefit plans of associates		—	—	(30)	(30)	—	(30)
Total other comprehensive expense for the year, net of tax		—	(3,087)	(27)	(3,114)	(300)	(3,414)
Total comprehensive (expense)/ income for the year		—	(3,087)	8,335	5,248	576	5,824
TRANSACTIONS WITH OWNERS							
Issue of shares in lieu of dividends	30	1,544	—	—	1,544	—	1,544
Transfer to reserves		—	207	(207)	—	—	—
Disposal of interests in subsidiaries to non-controlling equity holders without losing control therein	21(b)	—	572	42	614	1,330	1,944
Share of other changes in equity attributable to equity holders of associates		—	329	—	329	—	329
Repayment of capital contribution to a non-controlling equity holder		—	—	—	—	(2)	(2)
Capital contribution to a subsidiary		—	—	—	—	31	31
Dividends	47	—	—	(3,183)	(3,183)	(269)	(3,452)
Contribution from a non-controlling equity holder of a subsidiary		—	28	—	28	21	49
Total transactions with owners for the year		1,544	1,136	(3,348)	(668)	1,111	443
As at 31 December 2019		40,614	1,017	38,152	79,783	14,351	94,134

	Note	Attributable to equity holders of the Company				Non-controlling interests	Total
		Share capital HK$'million	Other reserves HK$'million (note 32)	Retained earnings HK$'million	Total HK$'million	HK$'million	HK$'million
As at 1 January 2018		38,207	5,043	30,197	73,447	16,194	89,641
COMPREHENSIVE INCOME							
Profit for the year		—	—	7,245	7,245	710	7,955
Other comprehensive (expense)/income							
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures		—	(3,369)	—	(3,369)	(439)	(3,808)
Increase in fair value of equity instruments at FVTOCI, net of deferred taxation		—	44	—	44	76	120
Share of other reserves of associates and a joint venture		—	(146)	—	(146)	—	(146)
Net actuarial loss on defined benefit plans of subsidiaries		—	—	(24)	(24)	—	(24)
Share of net actuarial gain on defined benefit plans of an associate and a joint venture		—	—	1	1	—	1
Release of reserves upon disposal of subsidiaries		—	1,055	(1,153)	(98)	—	(98)
Total other comprehensive expense for the year, net of tax		—	(2,416)	(1,176)	(3,592)	(363)	(3,955)
Total comprehensive (expense)/income for the year		—	(2,416)	6,069	3,653	347	4,000
TRANSACTIONS WITH OWNERS							
Issue of shares in lieu of dividends	30	863	—	—	863	—	863
Acquisition of subsidiaries	40	—	—	—	—	226	226
Transfer to reserves		—	318	(318)	—	—	—
Share of other changes in equity attributable to equity holders of associates		—	23	—	23	—	23
Repayment of capital contribution to a non-controlling equity holder		—	—	—	—	(2)	(2)
Capital contribution to subsidiaries		—	—	—	—	48	48
Dividends	47	—	—	(2,665)	(2,665)	(874)	(3,539)
Obligation arising from a put option to non-controlling equity holders of subsidiaries	35(b)	—	—	—	—	(579)	(579)
Disposal of subsidiaries	39	—	—	—	—	(2,677)	(2,677)
Total transactions with owners for the year		863	341	(2,983)	(1,779)	(3,858)	(5,637)
As at 31 December 2018		39,070	2,968	33,283	75,321	12,683	88,004

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 HK$'million	2018 HK$'million
Cash flows from operating activities			
Net cash inflow from operations	38(a)	**4,954**	4,547
Hong Kong Profits Tax paid		**(3)**	(4)
PRC corporate income tax paid		**(331)**	(329)
Overseas Profits Tax paid		**(78)**	(31)
Withholding tax paid on dividends received		**(211)**	(203)
Dividends received from associates and joint ventures		**1,979**	2,242
Net cash generated from operating activities		**6,310**	6,222
Cash flows used in investing activities			
Proceeds from disposal of subsidiaries (net of cash and cash equivalents disposed of, and tax paid)	39	**—**	4,159
Proceeds from disposal of property, plant and equipment		**82**	14
Compensation for resumption of land parcels at Qianhai received		**6,457**	—
Compensation for resumption of land parcels at Shantou received		**516**	—
Repayment from an associate		**—**	143
Interest income received		**217**	294
Investments in associates and joint ventures		**(8,905)**	(4,221)
Investment in financial assets at FVTPL		**(49)**	—
Payment of acquisition of assets through acquisition of a subsidiary in prior year (net of deposit previously paid and cash and cash equivalents acquired)	41	**—**	(10)
Purchase of property, plant and equipment, investment properties, land use rights and port operating rights		**(2,677)**	(2,564)
Acquisition of right-of-use assets		**(217)**	—
Payments relating to disposal of an available-for-sale financial asset in previous year		**—**	(30)
Payments relating to disposal of subsidiaries in prior year		**(78)**	—
Payment of acquisition of subsidiaries (net of cash and cash equivalents acquired) completed in previous years	40		
– completed during the year ended 31 December 2018		**—**	(5,628)
– completed in previous years		**—**	(5,366)
Placement of other deposits and restricted bank balance		**(1,575)**	(1,968)
Deposit paid for acquisition of a subsidiary		**—**	(177)
Repayment from a related party		**1,177**	—
Proceeds from withdrawal of other deposits and restricted bank balance		**2,642**	—
Net cash used in investing activities		**(2,410)**	(15,354)
Net cash inflow/(outflow) before financing activities carried forward		**3,900**	(9,132)

	Note	2019 HK$'million	2018 HK$'million
Net cash inflow/(outflow) before financing activities brought forward		**3,900**	(9,132)
Cash flows (used in)/from financing activities			
Proceeds from bank loans		**7,052**	23,873
Net proceeds on issue of notes payable		**—**	12,463
Loans from fellow subsidiaries		**903**	1,238
Loan from immediate holding company		**1,032**	—
Capital contributions from non-controlling equity holders of subsidiaries		**31**	48
Dividends paid to ordinary shareholders		**(1,639)**	(1,802)
Dividends paid to non-controlling equity holders of subsidiaries		**(213)**	(1,016)
Interests paid		**(1,998)**	(1,685)
Repayment of bank loans		**(7,042)**	(22,930)
Repayment of notes payable		**(617)**	(2,337)
Repayment of loans from shareholders		**—**	(178)
Repayment of loan from immediate holding company		**(661)**	—
Repayment of loans from fellow subsidiaries		**(490)**	(2,323)
Repayment of loan from an associate		**(276)**	—
Repayment of lease liabilities		**(116)**	—
Repayment of capital contribution to a non-controlling equity holder		**(2)**	(2)
Proceeds from disposal of partial interests in subsidiaries	21(b)	**1,944**	—
Net cash (used in)/from financing activities		**(2,092)**	5,349
Increase/(decrease) in cash and cash equivalents		**1,808**	(3,783)
Cash and cash equivalents at 1 January		**5,238**	9,247
Effect of foreign exchange rate changes		**(107)**	(226)
Cash and cash equivalents at 31 December, represented by cash and bank balances		**6,939**	5,238

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. GENERAL INFORMATION

China Merchants Port Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in ports operation, bonded logistics operation and property investment.

The Company is a limited liability company incorporated in Hong Kong and has its shares listed on The Stock Exchange of Hong Kong Limited (the "HKSE").

As at 31 December 2019, China Merchants Port Group Co., Ltd. ("CMPG", a company established in the People's Republic of China ("PRC") and whose shares are listed on the Shenzhen Stock Exchange. CMPG, together with its subsidiaries, the "CMPG Group") directly held 40.91% of the total issued share capital of the Company. Pursuant to an entrustment agreement with China Merchants Holdings (Hong Kong) Company Limited ("CMHK", a company incorporated in Hong Kong and an indirect subsidiary of China Merchants Group Limited ("CMG")) (the "Acting in Concert Agreement"), CMPG has the power to direct the voting right over approximately 21.86% of the total issued share capital of the Company held by China Merchants Union (BVI) Limited ("CMU", a company incorporated in the British Virgin Islands held as to 50% by CMG), and accordingly, has the power to direct the voting right over 62.77% of the total issued share capital of the Company. The directors of the Company regard therefore CMPG as immediate holding company.

CMG, directly and indirectly, including through CMPG Group as described above, and its other subsidiaries held an effective interest of approximately 41.41% of the issued share capital of the Company. CMG therefore, directly and indirectly, including through CMPG and its subsidiaries, and CMU, has the power to direct voting right over approximately 62.85% of the total issued share capital of the Company. Accordingly, the directors of the Company regard CMG as being the ultimate holding company.

CMG is a state-owned enterprise registered in the PRC and regulated and directly managed by the State-owned Assets Supervision and Administration Commission of the State Council, the PRC government.

The address of the Company's registered office is 38/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies of the Group applied below are the same as the accounting policies of the Group's reportable segments. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 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. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the HKSE (the "Listing Rules").

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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Leases" ("HKFRS 16", since 1 January 2019) or Hong Kong Accounting Standard ("HKAS") "Leases" ("HKAS 17", before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets" ("HKAS 36").

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the result of the valuation technique equals the transaction price.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(i) New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(i) New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17, and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been 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;

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; and

iv. used hindsight based on facts and circumstances as of date of initial application in determining the lease term for the Group's leases with extension and termination option.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(i) New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 (continued)

As a lessee (continued)

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%.

	At 1 January 2019 HK$'million
Operating lease commitments as at 31 December 2018	1,993
Less: Short-term leases	(11)
Total future finance costs	(998)
Lease liabilities discounted at relevant incremental borrowing rates	984
Add: Lease liabilities resulting from lease modifications of existing leases (Note)	27
Extension options reasonably certain to be exercised	5
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	1,016
Add: Obligations under finance leases recognised at 31 December 2018 (included in creditors and accruals and other non-current liabilities)	82
Lease liabilities as at 1 January 2019	1,098
Analysed as:	
Current	135
Non-current	963
	1,098

Note: The Group renewed the leases of leasehold land and buildings commencing after the date of initial application. They are accounted for as lease modifications of the existing contracts upon application of HKFRS 16.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(i) New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 (continued)

As a lessee (continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets HK$'million
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 and reclassified from property, plant and equipment and other receivables	7,091
Reclassified from land use rights (Note)	10,973
	18,064
By class:	
Land use rights	10,973
Leasehold land and buildings	164
Harbour works, buildings and dockyard	6,037
Plant, machinery, furniture and equipment	159
Others	731
	18,064

Note: Upfront payments for leasehold land have been classified as land use rights as at 31 December 2018. Upon application of HKFRS 16, land use rights amounting to HK$10,973 million were reclassified to right-of-use assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(i) New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 (continued)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no material impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on a straight-line basis over the extended lease term.

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under creditors and accruals. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. As at 1 January 2019, the discounting effect is insignificant.

(c) Effective on 1 January 2019, the Group has applied HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(i) New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 (continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2018 HK$'million	Adjustments HK$'million	**Carrying amounts under HKFRS 16 at 1 January 2019 HK$'million**
Non-current assets				
Property, plant and equipment	(b)	29,212	(6,184)	**23,028**
Right-of-use assets		—	18,064	**18,064**
Land use rights		10,973	(10,973)	**—**
Current assets				
Debtors, deposits and prepayments	(c)	3,377	(48)	**3,329**
Capital and reserves				
Reserves		33,820	(118)	**33,702**
Non-controlling interests		12,683	(19)	**12,664**
Non-current liabilities				
Other non-current liabilities	(b)	5,806	(47)	**5,759**
Lease liabilities		—	963	**963**
Current liabilities				
Creditors and accruals	(b)	3,684	(55)	**3,629**
Lease liabilities		—	135	**135**

Notes:

(a) For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

(b) The Group reclassified the obligations under finance leases of HK$35 million and HK$47 million to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

(c) Upfront rental payments from the PRC and Sri Lanka for own used properties were classified as prepayments as at 31 December 2018. Upon application of HKFRS 16, prepayments amounting to HK$48 million were reclassified to right-of-use assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(ii) New and amendments to HKFRSs in issue but are not yet effective for the financial year beginning 1 January 2019 and have not been early adopted by the Group

		Effective for annual periods beginning on or after (Note a)
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 3	Definition of a Business	Note (b)
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Note (c)
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform	1 January 2020

Notes:

(a) Early application permitted for these new standards or amendments to existing standards.

(b) Effective for business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

(c) Effective for annual periods beginning on or after a date to be determined.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the "Amendments to References to the Conceptual Framework in HKFRS Standards", will be effective for annual periods beginning on or after 1 January 2020.

The Group is assessing the impact of these new and amended standards. The Group will apply these new and amended HKFRSs, when they become effective in respective annual periods.

Other than as set out below, the directors of the Company do not anticipate that the application of other new and amendments to HKFRSs will have material impact to the consolidated financial statements in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(ii) New and amendments to HKFRSs in issue but are not yet effective for the financial year beginning 1 January 2019 and have not been early adopted by the Group (continued)

Amendments to HKAS 1 and HKAS 8

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries as at 31 December.

(i) Subsidiaries

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its investment with the investee; and
- has the ability to use its power to affect the returns of the investee.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it the power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(i) Subsidiaries (continued)

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated in full on consolidation.

Non-controlling interests represent the portion of the net assets of the relevant subsidiaries attributable to interests that are not owned by the Company upon liquidation, whether directly or indirectly and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Company.

(a) Business combinations

The Group applies the acquisition method of account for business combinations, other than business combination under common control. The consideration transferred for the acquisition of a subsidiary is the aggregate fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(i) Subsidiaries (continued)

(a) Business combinations (continued)

At the acquisition date, identifiable assets acquired and liabilities and contingent liabilities assumed are initially recognised at their fair values, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" ("HKAS 12") and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date;
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which the lease term ends within 12 months of the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKFRS 9 "Financial Instruments" ("HKFRS 9"), or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in the consolidated statement of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(i) Subsidiaries (continued)

(a) Business combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held interest in the acquiree is remeasured to fair value at the latest acquisition date and the resulting gain or loss, if any, is recognised in the profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed as at acquisition date. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of profit or loss as a bargain purchase gain after reassessment of all identifiable assets and liabilities.

(b) Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

(c) Changes in ownership interests in existing subsidiaries without change of control

Transactions with non-controlling interests that do not result in change of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interest's proportional interests. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(i) Subsidiaries (continued)

(d) Disposal of subsidiaries or cash-generating units ("CGU")

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, a joint venture or a financial asset. Difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill) and liabilities of the subsidiary attributable to the owners of the Company is recognised in the consolidated statement of profit or loss. In addition, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of profit or loss, or transferred to another category of equity as specified/ permitted by applicable HKFRSs.

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

(ii) Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Interests in associates are accounted for using the equity method of accounting.

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating party has unilateral control over the economic activity.

The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. For associates and joint ventures using accounting policies that differ from those of the Group for like transactions and events in similar circumstances, appropriate adjustments have been made to conform the accounting policies of the associates and/or the joint ventures to those of the Group. Under the equity method, an investment is initially recognised at cost from the date on which the investee becomes an associate or a joint venture, and the carrying amount is increased or decreased to adjust for the post-acquisition changes in the investor's share of the net assets of the investee after the date of acquisition. The Group's interests in associates and joint ventures include goodwill identified on acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(ii) Associates and joint ventures (continued)

The Group's share of profits or losses of associates and joint ventures is recognised in the consolidated statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in that associate or joint venture, including any long-term interests that in substance, form part of the Group's net investment in the associate or joint venture, the Group discontinues recognising its shares of further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates or joint ventures are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates or joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retain an interest of the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the previous carrying amount of the associate or joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to the consolidated statement of profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(ii) Associates and joint ventures (continued)

If the ownership interest in an associate or a joint venture is reduced but the Group continues to use the equity method, the difference between the carrying amount of the underlying assets and liabilities attributable to the interests disposed of and the consideration received, if any, is credited or charged to the profit or loss as gain/loss on disposal of interest in associates and/or joint ventures. In addition, the proportionate share of the amounts relating to that reduction in ownership interest previously recognised in other comprehensive income is reclassified to profit or loss if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the key management team of the Company that makes strategic decisions.

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is the Company's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in consolidated statement of profit or loss, except for exchange differences on foreign currency borrowing relating to assets under construction for future productive use, which are included in the cost of those assets and are regarded as an adjustment to interest costs on those foreign currency borrowings.

All foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "other income and other gains, net".

Translation differences on non-monetary financial assets, such as equity investments classified as FVTOCI are included in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (continued)

(iii) Group companies

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the year end exchange rate;
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the year end exchange rate. Exchange differences arising therefrom are recognised in other comprehensive income.

(iv) Disposal and partial disposal of foreign operation

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to consolidated statement of profit or loss.

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

2.5 Property, plant and equipment

Property, plant and equipment comprise mainly land and buildings, harbour works, buildings and dockyard, plant, machinery, furniture and equipment, vessels and ships, motor vehicles and leasehold improvements. Leasehold land classified as finance lease under HKAS 17 (prior to 1 January 2019) and all other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the period in which they are incurred.

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of HKFRS 16) or "land use rights" (before application of HKFRS 16) in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Leasehold land classified as finance lease under HKAS 17 (prior to 1 January 2019) commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation of other assets is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Shorter of remaining lease term of 50 years or useful life
Buildings	Shorter of the lease term or 50 years
Harbour works, buildings and dockyard	8 to 40 years
Plant and machinery	3 to 20 years
Furniture and equipment	3 to 20 years
Vessels and ships	15 to 25 years
Motor vehicles	5 to 10 years
Leasehold improvements	Shorter of the lease term or 5 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

No depreciation is provided on assets under construction. All direct costs relating to the construction of property, plant and equipment including interests and finance costs and foreign exchange differences of the related borrowed funds up to the extent that they are regarded as an adjustment to interest costs during the construction period are capitalised as the cost of the property, plant and equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income and other gains, net" in the consolidated statement of profit or loss.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant prepaid lease payment) at the date of transfer is recognised in other comprehensive income and accumulated in equity. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained earnings.

2.6 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose. Effective 1 January 2019, investment properties also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recognised in the consolidated statement of profit or loss as part of a valuation gain or loss in "other income and other gains, net".

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

An investment property is transferred to property, plant and equipment at the fair value when there is a change of use, as evidenced by commencement of owner-occupation of the relevant properties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Goodwill and intangible assets

(i) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and, liabilities and contingent liabilities assumed as at acquisition date.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

(ii) Port operating rights

Port operating right primarily resulted from the entering of agreement for the right to construct, operate, manage and develop container terminals. Operating right is carried at cost less accumulated amortisation and impairment. Amortisation is calculated using an economic usage basis which is based on the ratio of minimum guaranteed output volume compared to the total minimum guaranteed output volume over the periods which the Group is granted the operating rights on the relevant container terminals. When the pattern of consumption of future economic benefits of the asset cannot be determined reliably, the straight-line method over the period in which the Group operates the relevant terminals is used. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(iii) Other intangible assets

Other intangible assets acquired are recognised at fair value at the acquisition date. For those items having finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method over the expected life of 5 to 50 years. Those with indefinite useful lives that are acquired in a business combination are carried at cost less any subsequent accumulated impairment losses.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of gain or loss on disposal (or any of the CGU within group of CGUs in which the Group monitors goodwill). Intangible assets are derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss in the period when the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets

Tangible and intangible assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, the recoverable amount of tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs. In addition, corporate assets are allocated to individual CGUs when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss. Non-financial assets other than goodwill that suffered from an impairment are reviewed for possible reversal of the impairment at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.9 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2.10 Financial assets

(i) Classification

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" ("HKFRS 3") applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

(ii) Recognition and measurement

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Equity instruments designated as at FVTOCI

At the date of initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income and other gains, net" line item in the consolidated statement of profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend earned on the financial asset and is included in the "other income and other gains, net" line item in the consolidated statement of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

(iii) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the other reserves is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

2.11 Impairment of financial assets and financial guarantee contracts

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets and financial guarantee contracts which are subject to impairment under HKFRS 9 (including trade debtors, other debtors and other financial assets). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the trade debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade debtors. The ECL on these assets are assessed individually for trade debtors with significant balances and collectively for others based on internal credit rating with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets and financial guarantee contracts (continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets and financial guarantee contracts (continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower' financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For financial guarantee contracts, the Group is required to make payments only in the event of a default by the debtors in accordance with the terms of the instruments that are guaranteed. Accordingly, the expected losses are the present value of the expected payments to reimburse the holders for a credit loss that it incurs less any amounts that the Group expects to receive from the holders, the debtors or any other parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets and financial guarantee contracts (continued)

Measurement and recognition of ECL (continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade debtors are assessed as a separate group. Amounts due from/advances to fellow subsidiaries/associates/joint ventures/a related party and dividend receivables are assessed for ECL on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

Except for financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade debtors where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in reserve without reducing the carrying amount of these debt instruments/receivables. Such amount represents the changes in reserve in relation to accumulated loss allowance.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection from debtors are expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within bank and other borrowings in current liabilities.

2.15 Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial liabilities and equity (continued)

Financial liabilities at FVTPL (continued)

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Other financial liabilities at amortised cost

Other financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.16 Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer), is held primarily for trading, or the Group has no unconditional right to defer the settlement for at least 12 months after the end of the reporting period. If not, they are presented as non-current liabilities.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

2.18 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(i) Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. However, deferred tax are not recognised if they arise from the initial recognition of goodwill, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets and liabilities are determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the asset is realised or the liability is settled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (continued)

(ii) Deferred tax (continued)

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the economic benefits embodied in the properties will be recovered).

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax is provided on temporary differences arising on interests in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

(iii) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied to the same taxable entity by the same taxation authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits

(i) Pension obligations

Group companies operate various pension schemes contribution. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined contribution and defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group contributes to defined contribution provident funds, including the scheme set up under the Hong Kong Mandatory Provident Fund Schemes Ordinance ("MPF Scheme"), which are available to all employees in Hong Kong. In accordance with the terms of the provident funds, contributions to the schemes by the Group and the employees are calculated as a percentage of the employees' basic salaries. For the MPF Scheme, both the employees and the employer are required to contribute 5% of the employees' monthly salaries up to a specified maximum amount ("mandatory contribution") and employees can choose to make additional contributions. The employees are entitled to 100% of the employer's mandatory contributions upon their retirement age of 65 years old, death or total incapacity. For the schemes other than the MPF Scheme, the unvested benefits of employees forfeited upon termination of employment can be utilised by the Group to reduce future levels of contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (continued)

(i) Pension obligations (continued)

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

The Group presents the first two components of defined benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs.

(ii) Other post-employment obligations

The Group also participates in the employee retirement benefits plan of the respective governments in various jurisdiction where the Group operates. The Group is required to make monthly contributions calculated as a percentage of the monthly payroll costs and the respective municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group.

The Group's contributions to the schemes are expensed as incurred.

(iii) Termination obligations

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs. Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (continued)

(iv) Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset. A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

2.20 Provisions

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

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

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

2.21 Revenue from contracts with customers

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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue from contracts with customers (continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Refund liabilities

The Group recognises a refund liability if the Group expects to refund some or all of the consideration received from customers.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases

(i) Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2.1)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(ii) The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2.1)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of plant, machinery, furniture and equipment and other categories under "property, plant and equipment" line item, that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases (continued)

(ii) The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2.1) (continued)

Right-of-use assets (continued)

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease terms.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase option, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases (continued)

(ii) The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2.1) (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(iii) The Group as a lessee (prior to 1 January 2019)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (including the cost of acquiring land held under operating leases net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term liabilities. The interest element of the finance cost is charged to the consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leases (continued)

(iv) The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

(v) The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2.1)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2.23 Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the Group’s consolidated financial statements in the period in which the dividends are authorised by the Company’s shareholders.

Dividends proposed before the consolidated financial statements were authorised for issue but not yet authorised by the Company’s shareholders during the period is presented separately as proposed dividend under equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group.

2.25 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale. When a sale plan involves disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9 and investment properties, which continue to be measured in accordance with the accounting policies as set out in respective sections.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's principal activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, fair value interest rate risk and cash flow interest rate risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise any potential adverse effects on the Group's financial performance. Risk management is carried out by senior management of the Group under policies approved by the directors of the Company.

(i) Market risk

(a) Foreign exchange risk

Majority of the subsidiaries of the Company operate in Mainland China and most of their transactions are denominated in Renminbi, Hong Kong dollar or United States dollar. The Group is exposed to foreign exchange risk primarily through sales and purchases, capital expenditure and expenses transactions that are denominated in currencies other than the functional currency of the subsidiaries.

The Group considers its foreign currency exposure is mainly arising from the exposure of Hong Kong dollar against Renminbi, United States dollar, Euro and Brazilian Real.

The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group is presently not using forward exchange contracts to hedge foreign exchange risk arising from sales and purchase, capital expenditure and expenses transactions.

The Group also regularly monitors its portfolio of local and international customers and the currencies in which the transactions are denominated so as to minimise the Group's exposure to foreign exchange risk.

As at 31 December 2019, 59% (2018: 65%) of the Group's borrowings are denominated in United States dollar, 23% (2018: 23%) are denominated in Renminbi, 5% (2018: 5%) are denominated in Euro, 5% (2018: 5%) are denominated in Brazilian Real and 8% (2018: 2%) are denominated in Hong Kong dollar. Majority of the Group's operating subsidiaries draw loans in their functional currencies to finance their funding requirements and no significant foreign exchange risk is expected to arise from these borrowings. The Group also utilised its United States dollar and Renminbi denominated notes payable to finance its capital investments and working capital.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(i) Market risk (continued)

(a) Foreign exchange risk (continued)

At 31 December 2019, if Renminbi had strengthened/weakened against the other currencies by 3% (2018: 3%) with all other variables held constant, profit for the year would have been approximately HK$100 million lower/higher (2018: HK$48 million higher/lower) mainly as a result of decrease/increase (2018: increase/decrease) in net foreign exchange gains on translation of cash and cash equivalents, debtors, creditors and bank and other borrowings denominated in non-functional currencies of the relevant group companies.

At 31 December 2019, if United States dollar had strengthened/weakened against the other currencies by 0.5% (2018: 0.1%) with all other variables held constant, profit for the year would have been approximately HK$98 million lower/higher (2018: HK$21 million higher/lower) mainly as a result of decrease/increase (2018: increase/decrease) in net foreign exchange gains on translation of cash and cash equivalents, debtors, creditors and bank and other borrowings denominated in non-functional currencies of the relevant group companies.

(b) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group that are classified on the consolidated statement of financial position as financial assets at FVTPL and equity instruments at FVTOCI. At 31 December 2019, if there had been a 10% (2018: 10%) increase/decrease in the prices of the respective equity instruments with all other variables held constant, (i) profit for the year ended 31 December 2019 would increase/decrease by HK$265 million (2018: HK$238 million) as a result of the changes in fair value of the financial assets at FVTPL and (ii) other comprehensive income, net of deferred tax, for the year ended 31 December 2019 would increase/decrease by HK$1 million (2018: HK$11 million) as a result of the changes in fair value of the equity instruments at FVTOCI. The Group is not exposed to commodity price risks and has not entered into any derivatives to manage exposures of price risk.

(c) Fair value interest rate risk and cash flow interest rate risk

The Group's interest rate risk mainly arises from interest-bearing borrowings. Financial assets and financial liabilities issued at variable rates expose the Group to cash flow interest rate risk whilst borrowings issued and lease liabilities at fixed rates expose the Group to fair value interest rate risk.

The Group adopts a policy of maintaining an appropriate mix of fixed and floating rate borrowings which is achieved primarily through the contractual terms of borrowings. The position is regularly monitored and evaluated by reference of anticipated changes in market interest rate. The Group did not use any interest rate swap to hedge its interest rate risk during the year.

Other than advances to an associate and a joint venture and bank deposits as at 31 December 2019, the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Accordingly, management does not anticipate any significant impact resulting from changes in interest rates on interest-bearing assets.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(i) Market risk (continued)

(c) Fair value interest rate risk and cash flow interest rate risk (continued)

At 31 December 2019, if interest rates on borrowings had been 100 basis points (2018: 100 basis points) higher/lower with all other variables held constant, post-tax profit for the year would have been HK$106 million (2018: HK$118 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(ii) Credit risk and impairment assessment

Credit risk arises if a customer or other counterparty fails to meet its contractual obligations. As at 31 December 2019, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of contingent liabilities in relation to financial guarantees provided by the Group is disclosed in note 42(e).

Credit risk on trade debtors is managed by the management of the individual business units and monitored by the Group's management on a group basis. The Group's trade debtors are mainly contributed by ports operation where their customers are mainly sizable and renowned international liners or market leaders in their industries with manageable credit risk. Management assesses, reviews and updates credit profile of the Group's trade debtors by considering its financial position, past experience and other relevant factors, in order to identify if any are of higher risks of default. For trade debtors spotted as of higher credit risks, management of the Group also implemented measures such as tightened credit terms and closer monitoring of the settlement patterns. Debtors with overdue balances will be requested to settle their outstanding balance. In addition, the Group performs impairment assessment under ECL model on trade balances individually for trade debtors with significant balances and collectively for others based on appropriate groupings. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Regarding advances to fellow subsidiaries, associates, joint ventures and a related party, the management of the Group assesses the recoverability by reviewing the financial position and results of the related parties periodically and considers the credit risk to be insignificant. The Group had concentration of credit risk on amount due from a related party as at 31 December 2018 and credit risk of which was considered by the Group's management as limited because the amount was fully secured, as set out in note 27. The full amount has been settled during the year.

The Group accounts for its credit risk on other debtors by performing credit evaluation and appropriately providing expected credit losses on a timely basis. The credit evaluations focus on the historical loss rates and adjusts for information specific to the other debtors and forward looking information.

The Group has policies that limit the amount of credit exposure to any financial institutions. The Group's bank deposits are all deposited in reputable banks or financial institutions. Management considers that the credit risk associated with the deposits with these banks and financial institutions is low.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(ii) Credit risk and impairment assessment (continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade debtors	Financial assets other than trade debtors
A	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit-impaired	12m ECL
B	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL - not credit-impaired	12m ECL
C	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
D	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(ii) Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets and financial guarantee contracts which are subject to ECL assessment:

	Note	External credit rating	Internal credit rating	12m or lifetime ECL	2019 Gross carrying amount HK$'million	2019 Gross carrying amount HK$'million	2018 Gross carrying amount HK$'million	2018 Gross carrying amount HK$'million
Financial assets at amortised cost								
Trade debtors (Note (a))	27	N/A	A	Lifetime ECL (not credit-impaired)	442		312	
			B	Lifetime ECL (not credit-impaired)	397		515	
			C	Lifetime ECL (not credit-impaired)	75		165	
			D	Lifetime ECL (credit-impaired)	89	1,003	68	1,060
Amounts due from fellow subsidiaries (Note (b))	27	N/A	B	12m ECL	10	10	12	12
Amounts due from associates (Note (b))	27	N/A	B	12m ECL	134	134	136	136
Advance to an associate (Note (b))	24	N/A	B	12m ECL	11	11	11	11
Amounts due from joint ventures (Note (b))	27	N/A	B	12m ECL	2	2	19	19
Advance to a joint venture (Note (b))	24	N/A	B	12m ECL	905	905	895	895
Amount due from a related party (Note (b))	27	N/A	B	12m ECL	—	—	1,183	1,183
Dividend receivables (Note (b))	27	N/A	A	12m ECL	498	498	297	297
Other debtors (Note (b))	27	N/A	B	12m ECL	1,761		573	
			D	Lifetime ECL (credit-impaired)	38	1,799*	39	612*
Cash and bank balances (Note (b))	28	A1 to Ba2	N/A	12m ECL	7,800	7,800	7,175	7,175
Other item								
Financial guarantee contracts (Note (c))	42(e)	N/A	A	12m ECL	314	314	500	500

* The gross carrying amounts disclosed above include the relevant interest receivables which are also included in note 27.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(ii) Credit risk and impairment assessment (continued)

Notes:

(a) For the trade debtors, the Group applied the simplified approach in HKFRS 9 to measure loss allowance at lifetime ECL. Except for debtors with significant outstanding balances, the Group determines the expected credit losses on these items by internal credit rating with appropriate groupings.

(b) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due HK$'million	Not past due/ no fixed repayment terms HK$'million	Total HK$'million
2019			
Amounts due from fellow subsidiaries	—	**10**	**10**
Amounts due from associates	—	**134**	**134**
Advance to an associate	—	**11**	**11**
Amounts due from joint ventures	—	**2**	**2**
Advance to a joint venture	—	**905**	**905**
Dividend receivables	—	**498**	**498**
Other debtors	**38**	**1,761**	**1,799**
Cash and bank balances	—	**7,800**	**7,800**
2018			
Amounts due from fellow subsidiaries	—	12	12
Amounts due from associates	—	136	136
Advance to an associate	—	11	11
Amounts due from joint ventures	—	19	19
Advance to a joint venture	—	895	895
Amount due from a related party	—	1,183	1,183
Dividend receivables	—	297	297
Other debtors	39	573	612
Cash and bank balances	—	7,175	7,175

(c) For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(ii) Credit risk and impairment assessment (continued)

The following table summarises average loss rates of each internal credit rating of trade debtors:

Internal credit rating	Average loss rate 2019	2018
A	**0.01%**	0.01%
B	**0.08%**	0.06%
C	**1.57%**	1.28%
D	**93.82%**	78.51%

The estimated loss rates are estimated based on historical observed default rates over the expected life of trade debtors and background check results are adjusted for forward-looking information that is available without undue cost or effort. The internal credit rating of trade debtors is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows the movement in lifetime ECL that has been recognised for trade debtors.

	Lifetime ECL (not credit-impaired) HK$'million	Lifetime ECL (credit-impaired) HK$'million	Total HK$'million
As at 1 January 2018	—	52	52
Impairment losses recognised	5	—	5
Impairment losses reversed	—	(8)	(8)
Exchange adjustments	(1)	1	—
As at 31 December 2018	**4**	**45**	**49**
Impairment losses recognised	**1**	**38**	**39**
Impairment losses reversed	**(1)**	**—**	**(1)**
Exchange adjustments	**—**	**(2)**	**(2)**
As at 31 December 2019	**4**	**81**	**85**

The Group makes full provision for a trade debtor when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, or when the trade debtors are over three years past due, whichever occurs earlier.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(ii) Credit risk and impairment assessment (continued)

The following table shows reconciliation of loss allowances that has been recognised for other debtors.

	Lifetime ECL (credit-impaired) HK$'million
As at 1 January 2018	30
Impairment losses recognised	12
Impairment losses reversed	(1)
Exchange adjustments	(2)
As at 31 December 2018	**39**
Exchange adjustments	**(1)**
As at 31 December 2019	**38**

The Group makes full provision for other debtors when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, or when the other debtors are over three years past due, whichever occurs earlier.

For financial guarantee contracts, the maximum amount that the Group has guaranteed under the respective contracts was HK$314 million as at 31 December 2019 (2018: HK$500 million). As at 31 December 2019 and 2018, the directors of the Company have performed impairment assessment, and concluded that the loss allowance for financial guarantee contracts, if any, should not be material to these consolidated financial statements.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(iii) Liquidity risk

Cash flow forecasts are prepared by management. Management monitors rolling forecasts on the Group's liquidity requirements to ensure the Group maintains sufficient liquidity reserve to support sustainability and growth of the Group's and the Company's business. Currently, the Group and the Company finance the working capital requirements through a combination of funds generated from operations and borrowings.

The rolling forecasts of the Group's liquidity reserve comprise undrawn facilities of bank loans and other debt financing instruments (note 33(g)) and cash and bank balances (note 28) on the basis of expected cash flow. The Group aims to maintain flexibility in funding while minimising its overall costs by keeping a mix of committed and uncommitted credit lines available.

In preparing the consolidated financial statements of the Group, the directors of the Company has given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK$3,012 million as at 31 December 2019. In the opinion of the directors of the Company, the Group will be able to continue as a going concern at least in the coming twelve months taking into consideration the working capital estimated to be generated from operating activities and the undrawn facilities of bank loans and other debt financing instruments. Based on this, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet in full its financial obligations as and when they fall due for the foreseeable future. Accordingly, the directors of the Company consider that it is appropriate to prepare these consolidated financial statements on a going concern basis.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows including both interest and principal.

	Within 1 year		Between 1 and 2 years		Between 2 and 5 years		More than 5 years		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'million	HK$'million	**HK$'million**	HK$'million	**HK$'million**	HK$'million	**HK$'million**	HK$'million	**HK$'million**	HK$'million
Interest-bearing debts	**10,557**	7,034	**3,602**	5,522	**19,432**	22,542	**11,093**	11,791	**44,684**	46,889
Other financial liabilities included in creditors and accruals	**3,099**	2,978	**—**	—	**—**	—	**—**	—	**3,099**	2,978
	13,656	10,012	**3,602**	5,522	**19,432**	22,542	**11,093**	11,791	**47,783**	49,867
Lease liabilities	**133**	—	**83**	—	**153**	—	**1,546**	—	**1,915**	—

In addition to the above, a put option granted by the Group to the non-controlling equity holders of subsidiaries with Put Option Liability (as set out in note 35(b)) amounting to HK$818 million (2018: HK$661 million) as at 31 December 2019 is exercisable on or after 23 February 2020.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the overall cost of capital.

The Group prepares a five-year rolling forecast on its capital requirement in anticipation of funding requirement of new capital investments, capital expenditures of existing projects and repayment of borrowings. In order to maintain or adjust the capital structure, the Group may raise additional short-term or long-term borrowings, issue new shares or sell assets of non-core operations to reduce debts.

The Group monitors capital with reference to, inter alia, the net gearing ratios. These ratios are calculated as the aggregate of net interest-bearing debts and lease liabilities divided by total equity.

During the year, the Group's strategy was to maintain desired levels of net gearing ratios and based on which the Group's credit ratings had, inter alia, been reaffirmed at Baa1 by Moody's Asia Pacific Limited and BBB by Standard and Poor's. The net gearing ratios at 31 December 2019 and 2018 were as follows:

	2019 HK$'million	2018 HK$'million
Total interest-bearing debts and lease liabilities (notes 33 and 34)	**39,416**	38,856
Less: cash and bank balances (note 28)	**(7,800)**	(7,175)
Net interest-bearing debts and lease liabilities	**31,616**	31,681
Net gearing ratio:		
Net interest-bearing debts and lease liabilities divided by total equity	**33.6%**	36.0%

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value on a recurring basis by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management engaged qualified external valuers to establish the appropriate valuation techniques and inputs to the models. Information about the valuation techniques and inputs used in determining the fair value of various assets is disclosed below.

(i) Fair value of financial instruments that are measured at fair value on a recurring basis

The following tables present the Group's financial instruments that are measured at fair value at 31 December 2019 and 2018:

	Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million
At 31 December 2019				
Financial assets				
Financial assets at FVTPL	**1,957**	**688**	**3**	**2,648**
Equity instruments at FVTOCI	—	—	**9**	**9**
	1,957	**688**	**12**	**2,657**
Financial liabilities				
Financial liabilities at FVTPL	—	—	**(4,532)**	**(4,532)**
At 31 December 2018				
Financial assets				
Financial assets at FVTPL	1,771	—	612	2,383
Equity instruments at FVTOCI	—	—	110	110
	1,771	—	722	2,493
Financial liabilities				
Financial liabilities at FVTPL	—	—	(4,383)	(4,383)

Set out below is the information about how the fair values of the above financial instruments are determined, including the valuation techniques and inputs used:

The fair value of the freely traded listed equity instruments that are accounted for as financial assets at FVTPL is valued based on the quoted prices in active markets for the identical assets directly.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(i) Fair value of financial instruments that are measured at fair value on a recurring basis (continued)

The unlisted equity instruments of a listed entity as at 31 December 2018 were transferred from level 3 to level 2 as the equity instruments have been listed during the year, and the shares held by the Group are restricted for sale upon listing and as at 31 December 2019.

As at 31 December 2018, the fair value of the unlisted equity instruments of a listed entity that were accounted for as financial assets at FVTPL has valued based on the quoted price of the same listed entity in active market and adjusted for the factor of discount for lack of marketability. If the factor of discount for lack of marketability was 5% higher/lower while all the other variables were held constant, the increase/decrease in fair value of the unlisted equity instruments of a listed entity would be HK$24 million.

The fair value of other unlisted equity instruments as at 31 December 2019 that are accounted for as financial assets at FVTPL or equity instruments at FVTOCI is valued based on Guideline Publicly Traded Company (the "GPTC") method whereas the key inputs to the valuation models include the market multiples, share prices, volatilities and dividend yields of similar companies that are traded in a public market, discount of lack of marketability with reference to the share prices of listed enterprises in similar industries. At 31 December 2019, if any of the significant unobservable input above was 5% higher/lower while all the other variables were held constant, the change in fair value of these unlisted equity instruments would be insignificant.

The fair value of the liabilities arising from the concession arrangements (see note 35) that are accounted for as financial liabilities at FVTPL is valued at the present value of the expected future economic benefits that will flow out of the Group arising from such obligation by using discounted cash flow method. The significant unobservable inputs are the factor of inflation and probability-adjusted business volume. As at 31 December 2019, if factor of inflation was 5% (2018: 5%) higher/lower while all the other variables were held constant, the changes in fair value of the liabilities arising from the concession arrangements would be HK$95 million (2018: insignificant). As at 31 December 2019, if the probability-adjusted business volume was 5% (2018: 5%) higher/lower while all the other variables were held constant, the increase/decrease in fair value of the liabilities arising from the concession arrangements would be HK$143 million (2018: HK$147 million).

The fair value of the Put Option Liability (as defined in note 35) that is accounted for as a financial liability at FVTPL is valued using Black-Scholes option model and the significant unobservable inputs used in the fair value measurement are the exercise price, the risk-free rate, the expected dividend yield, the expected volatility and the time-to-maturity. As at 31 December 2019, if the exercise price was 5% (2018: 5%) higher/lower while all the other variables was held constant, the increase/decrease in fair value of the put option would be insignificant (2018: HK$15 million and HK$13 million respectively). As at 31 December 2019, if any of the significant unobservable inputs, other than the exercise price, was 5% (2018: 5%) higher/lower while all the other variables were held constant, the change in fair value of the put option would be insignificant (2018: insignificant).

There were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets or any reclassification of financial assets in the year.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(i) Fair value of financial instruments that are measured at fair value on a recurring basis (continued)

The following table presents the changes in level 3 instruments for the years ended 31 December 2019 and 2018:

	Financial assets at FVTPL HK$'million	Equity instruments at FVTOCI HK$'million	Financial liabilities at FVTPL HK$'million
Year ended 31 December 2019			
As at 1 January 2019	**612**	**110**	**(4,383)**
Transfer to interests in associates	**(282)**	**(102)**	—
Transfer to level 2	**(469)**	—	—
Additions	**49**	—	—
Written off	**(2)**	—	—
Exchange adjustments	**(2)**	—	**163**
Settlement	—	—	**102**
Unrealised fair value gain/(loss) recognised in profit or loss	**97**	—	**(414)**
Unrealised fair value gain recognised in other comprehensive income (included in other reserves)	—	**1**	—
As at 31 December 2019	**3**	**9**	**(4,532)**
Year ended 31 December 2018			
As at 1 January 2018	752	120	—
Additions	2	—	—
Arising from acquisition of subsidiaries (note 40)	—	—	(5,091)
Disposal	(40)	—	—
Disposal of subsidiaries (note 39)	—	(168)	—
Exchange adjustments	(23)	—	706
Settlement	—	—	151
Unrealised fair value loss recognised in profit or loss	(79)	—	(149)
Unrealised fair value gain recognised in other comprehensive income (included in other reserves)	—	158	—
As at 31 December 2018	612	110	(4,383)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except for listed and unlisted notes stated in note 33, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill

The Group tests, at least annually, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.7. The recoverable amounts of CGUs (or group of CGUs) have been determined based on value in use calculations or fair value less costs of disposal, where the key input parameters include future growth rates, discount rates and recent transactions. These calculations require the use of estimates. Where the actual future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, an impairment loss may arise. Details of the impairment loss calculation are set out in note 16(b).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see above), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control over investees accounted for as subsidiaries

Certain entities are considered to be subsidiaries of the Company despite the interests therein are not more than 50% of the issued share capital of the relevant entities. Based on the contractual power pursuant to the relevant shareholders' agreements between the Group and the other shareholders, the Group has voting rights in the respective investees sufficient to give it the practical ability to direct the relevant activities of each of these investees unilaterally, and hence has control over these investees. Accordingly, those entities are accounted for as subsidiaries of the Company. Further details are set out in note 44.

5. 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 HK$'million	2018 HK$'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 that are fixed from investment properties (Note)	**188**	157
	8,898	10,160

Note: Direct operating expenses incurred for gross rental income from investment properties amounted to HK$56 million (2018: HK$68 million) during the year ended 31 December 2019.

5. REVENUE (CONTINUED)

Performance obligations for contracts with customers

Terminal handling services

The Group provides terminal handling services as described above. Such services are recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue is recognised for these services based on the contract prices, net of discounts, if any. Refund liabilities are recognised at the end of each reporting period for expected discounts payable to customers in relation to sales.

Warehousing services

The Group provides warehousing services as described above. Such services are recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue is recognised for these services based on the contract prices.

6. SEGMENT INFORMATION

The key management team of the Company is regarded as the 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

6. SEGMENT INFORMATION (CONTINUED)

(ii) Bonded logistics operation includes logistic 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

6. SEGMENT INFORMATION (CONTINUED)

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 HK$'million	Yangtze River Delta HK$'million	Bohai Rim HK$'million	Others HK$'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

6. SEGMENT INFORMATION (CONTINUED)

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

6. SEGMENT INFORMATION (CONTINUED)

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)

6. SEGMENT INFORMATION (CONTINUED)

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)

7. PROFIT FOR THE YEAR

	2019 **HK$'million**	2018 HK$'million
Profit for the year has been arrived at after charging:		
Staff costs (including Directors' emoluments) (note 9)	**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. OTHER INCOME AND OTHER GAINS, NET

	2019 HK$'million	2018 HK$'million
Dividend income from equity investments	**122**	54
Gain on disposal of property, plant and equipment	**17**	15
Gain on disposal of subsidiaries (note 39)	**—**	4,400
Gain on resumption of land parcels at Qianhai (Note (a))	**4,820**	—
Gain on resumption of land parcels at Shantou (Note (b))	**688**	—
Increase in fair value of investment properties (note 19)	**105**	376
Gain on deemed disposal of interest in a joint venture (note 23)	**440**	—
Increase/(decrease) in fair value of financial assets at FVTPL	**513**	(1,113)
Increase in fair value of financial liabilities at FVTPL	**(414)**	(149)
Net exchange losses	**(29)**	(277)
Indemnification from related parties (Note (c))	**554**	—
Others	**132**	85
	6,948	3,391

Notes:

(a) During the year ended 31 December 2019, certain land parcels held by the Group and certain members (as set out in note 43) of CMG and its subsidiaries at Qianhai, Shenzhen, the PRC were resumed by Shenzhen Qianhai Shenzhen-Hong Kong Modern Services Commission ("QHSH"), an authority established by the government of the PRC. The government compensation for the resumption 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 compensation (note 25)) at Qianhai held by the Group is RMB5,693 million (equivalent to approximately HK$6,457 million), resulting in a gain on the resumption of HK$4,820 million. Further details are set out in note 43(a)(ix).

(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 were resumed by Shantou Land Reserve Center, an authority established by the government of the PRC. The compensation for the resumption 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 resumption of HK$78 million.

During the year ended 31 December 2019, certain land use rights classified under right-of-use assets and property, plant and equipment at Shantou, Guangdong Province, the PRC of a non-wholly-owned subsidiary of the Company were resumed by Shantou Land Reserve Center. The compensation for resumption 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 resumption 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.

9. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2019 HK$'million	2018 HK$'million
Wages, salaries and bonus	**1,478**	1,630
Retirement benefit scheme contributions (Note)	**299**	302
	1,777	1,932

Note: No forfeiture was utilised for the year ended 31 December 2019 (2018: nil), leaving no available balance at the year end to reduce future contributions.

10. DIRECTORS' EMOLUMENTS

Directors' emoluments comprise payments to the following directors by the Group in connection with their service to and management of the affairs of the Group. The amount paid to each director was as follows:

Name of Director	Fees HK$'million	Salary HK$'million	Discretionary bonus HK$'million (Note (i))	Employer's contribution to pension scheme HK$'million	2019 Total HK$'million	2018 Total HK$'million
Executive Directors:						
Fu Gangfeng (Note (ii))	—	—	—	—	—	—
Su Jian	—	—	—	—	—	—
Xiong Xianliang (Note (iii))	—	—	—	—	—	—
Bai Jingtao (Note (iv))	—	1.65	3.30	0.20	5.15	2.84
Wang Zhixian	—	1.46	2.60	0.14	4.20	2.31
Zheng Shaoping	—	1.46	2.63	0.14	4.23	2.35
Ge Lefu (Note (v))	—	1.64	0.90	0.14	2.68	N/A
Deng Renjie (Note (ix))	N/A	N/A	N/A	N/A	N/A	N/A
Li Xiaopeng (Note (vi))	N/A	N/A	N/A	N/A	N/A	—
Hu Jianhua (Note (vii))	N/A	N/A	N/A	N/A	N/A	—
Wang Hong (Note (iii))	N/A	N/A	N/A	N/A	N/A	—
Shi Wei (Note (iii))	N/A	N/A	N/A	N/A	N/A	—
Independent non-executive Directors:						
Kut Ying Hay	0.28	—	—	—	0.28	0.28
Lee Yip Wah Peter	0.28	—	—	—	0.28	0.28
Li Ka Fai David	0.28	—	—	—	0.28	0.28
Bong Shu Ying Francis	0.28	—	—	—	0.28	0.28
Li Kwok Heem John (Note (viii))	—	—	—	—	—	0.28
Total for the year ended 31 December 2019	1.12	6.21	9.43	0.62	17.38	
Total for the year ended 31 December 2018	1.40	4.06	2.93	0.51		8.90

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were paid for their services as directors of the Company.

10. DIRECTORS' EMOLUMENTS (CONTINUED)

Notes:

(i) Bonus is recommended by the Remuneration Committee and is approved by the Board of Directors, having regard to the Group's operating results, individual performance and comparable market statistics.

(ii) Mr. Fu Gangfeng was appointed as the Chairman of the Board of Directors and as an executive director of the Company on 20 March 2018 and resigned as the Chairman of the Board of Directors and as an executive director of the Company on 13 February 2020.

(iii) Mr. Wang Hong and Ms. Shi Wei resigned as executive directors of the Company and Mr. Xiong Xianliang was appointed as an executive director of the Company on 4 June 2018.

(iv) Mr. Bai Jingtao is the Managing Director of the Board of Directors of the Company.

(v) Mr. Ge Lefu was appointed as an executive director of the Company on 5 June 2019.

(vi) Mr. Li Xiaopeng resigned as the Chairman of the Board of Directors and an executive director of the Company on 11 January 2018.

(vii) Mr. Hu Jianhua resigned as an executive director and the Vice Chairman of the Board of Directors on 30 November 2018.

(viii) Mr. Li Kwok Heem John resigned as an independent non-executive director and member of all committees of the Company on 5 June 2019.

(ix) Mr. Deng Renjie was appointed as the Chairman of the Board of Directors and as an executive director of the Company on 13 February 2020.

(x) There was no arrangement under which a director agreed to waive any remuneration during the year. No remuneration or director's fee from the Company were paid to the executive directors who had not entered into employment contract with the Company.

11. EMPLOYEES' EMOLUMENTS

(a) Emoluments of senior management

Of the ten (2018: eleven) senior management of the Company for the year ended 31 December 2019, four (2018: three) of them are directors of the Company and their remuneration has been disclosed in note 10. The total emoluments of the remaining six (2018: eight) senior management is as follows:

	2019 HK$'million	2018 HK$'million
Salaries, other allowances and benefit-in-kinds	**9**	7
Performance related incentive payments	**9**	6
	18	13

The emoluments fell within the following bands:

	Number of senior management 2019	2018
Below HK$1,500,000	**—**	2
HK$1,500,001 - HK$2,000,000	**1**	4
HK$2,000,001 - HK$2,500,000	**—**	2
HK$2,500,001 - HK$3,000,000	**1**	—
Above HK$3,000,000	**4**	—
	6	8

11. EMPLOYEES' EMOLUMENTS (CONTINUED)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2018: three) are directors (including the chief executive) and two (2018: two) are senior management of the Company whose emoluments are included in notes 10 and 11(a), respectively.

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to any of the directors of the Company or the chief executive of the Group or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company or the chief executive of the Group waived any emoluments during the years ended 31 December 2019 and 2018.

12. FINANCE INCOME AND COSTS

	2019 HK$'million	2018 HK$'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.

13. 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 the 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 HK$'million	2018 HK$'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 resumption of land parcels at Qianhai. Further details are set out in notes 8 and 43(a)(ix). 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 net deferred tax arising from the gain on resumption of land parcels at Qianhai amounting to HK$130 million.

13. TAXATION (CONTINUED)

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the group entities as follows:

	2019 HK$'million	2018 HK$'million
Profit before taxation (excluding share of profits less losses of associates and joint ventures)	**7,461**	4,424
Expected tax calculated at the weighted average applicable tax rate	**1,927**	1,283
Income not subject to tax	**(433)**	(770)
Expenses not deductible for tax purposes	**279**	370
Tax losses and other temporary differences not recognised	**109**	99
Utilisation of previously unrecognised tax losses	**(15)**	(55)
Withholding tax on earnings of subsidiaries, associates and joint ventures	**651**	368
Tax charge	**2,518**	1,295

The weighted average applicable tax rate was 25.8% (2018: 29.0%).

The amount of taxation charged to other comprehensive income represents:

	2019 HK$'million	2018 HK$'million
Deferred taxation		
Arising on income and expense recognised in other comprehensive income:		
Revaluation of equity investments at FVTOCI	**—**	38

14. DIVIDENDS

	2019 HK$'million	2018 HK$'million
Interim dividend, paid, of 22 HK cents (2018: 22 HK cents) per ordinary share	752	731
Final dividend, proposed, of 58 HK cents (2018: 73 HK cents) per ordinary share	2,000	2,431
	2,752	3,162

Details of scrip dividends are set out in note 30.

At a meeting held on 15 April 2020, the Board of Directors proposed a final dividend of 58 HK cents (2018: 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 2019 was based on 3,448,947,770 (2018: 3,329,849,550) shares in issue as at 15 April 2020.

15. 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.

16. GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Intangible assets		
		Port operating rights	Others	Total
	HK$'million (Note (b))	HK$'million (Note (c))	HK$'million (Note (d))	HK$'million
Year ended 31 December 2019				
As at 1 January 2019	**7,922**	**10,548**	**584**	**11,132**
Exchange adjustments	**(991)**	**(531)**	**(99)**	**(630)**
Addition	**—**	**13**	**—**	**13**
Amortisation (Note (a))	**—**	**(271)**	**—**	**(271)**
As at 31 December 2019	**6,931**	**9,759**	**485**	**10,244**
As at 31 December 2019				
Cost	**6,931**	**11,413**	**492**	**11,905**
Accumulated amortisation	**—**	**(1,654)**	**(7)**	**(1,661)**
Net book value	**6,931**	**9,759**	**485**	**10,244**
Year ended 31 December 2018				
As at 1 January 2018	3,628	5,785	140	5,925
Exchange adjustments	(119)	(981)	—	(981)
Addition	—	24	78	102
Acquisition of subsidiaries (note 40)	4,886	5,977	508	6,485
Amortisation (Note (a))	—	(257)	(1)	(258)
Disposal of subsidiaries (note 39)	(473)	—	(141)	(141)
As at 31 December 2018	7,922	10,548	584	11,132
As at 31 December 2018				
Cost	7,922	11,997	590	12,587
Accumulated amortisation	—	(1,449)	(6)	(1,455)
Net book value	7,922	10,548	584	11,132

16. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

Notes:

(a) Amortisation expenses charged for the year are included in the consolidated statement of profit or loss as follows:

	2019 HK$'million	2018 HK$'million
Cost of sales	271	257
Administrative expenses	—	1
	271	258

(b) Goodwill is allocated to groups of CGUs identified according to location of operation and business segment. The goodwill analysed by operating segment is as follows:

	2019 HK$'million	2018 HK$'million
Ports operation		
– Mainland China, Hong Kong and Taiwan		
– Pearl River Delta	2,345	2,391
– Others	627	641
– Brazil	3,959	4,890
	6,931	7,922

The recoverable amount of a CGU is determined based on the higher of fair value less costs of disposal and value in use calculations. The value in use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period and discounted by rates specific to the relevant CGUs. Management determines the financial budgets based on past performance and its expectations for market development, including the expected economic growth in developed and emerging economies in the short-term and medium-term, prospective GDP growth rates of respective regions, future developments of the ports, among others. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below.

The key assumptions used for value in use calculations are as follows:

	Growth rate (Note (i))		Discount rate (Note (ii))	
	2019	2018	2019	2018
Ports operation				
– Mainland China, Hong Kong and Taiwan				
– Pearl River Delta	1% - 3%	3% - 4%	9.79% - 12.30%	7.56%
– Others	3%	5%	9.40% - 12.13%	7.56%
– Brazil (Note (iii))	N/A	3%	N/A	12.87%

16. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

Notes: (continued)

(b) (continued)

Notes:

(i) Weighted average growth rates are used to extrapolate cash flows beyond the five-year budget period which do not exceed the historical trend of the respective CGUs nor the industry growth rate.

(ii) Pre-tax discount rate has been applied to the cash flow projections. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

(iii) The recoverable amount of this CGU as at 31 December 2019 has been determined based on its fair value less costs of disposal of a recent transaction of the same operating entity comprising the CGU as set out in note 21(b), which was higher than the carrying amount of the CGU. The fair value measurement is categorised as level 2 (see note 2.1).

As at 31 December 2019 and 2018, no impairment of any of the CGUs or group of CGUs containing goodwill with indefinite useful live has been identified. Management believes that any reasonably possible change in any of the above assumptions would not cause the aggregate carrying amount of any of the above CGUs to exceed the respective aggregate recoverable amounts.

(c) Included in port operating rights as at 31 December 2019 is an amount of HK$4,147 million (2018: HK$4,376 million) related to the concession for operation of a terminal in the Port of Lomé in Togo for a concession period of 35 years commencing from 2011 granted by the government of Togolese Republic. The carrying amount of the concession represents the aggregate of the fair value as at the date of the business combination under which the Group acquired the concession and the fair value of the construction services carried out to-date less their accumulated amortisation. Amortisation is provided for over the period in which the Group operates the relevant terminals on a straight-line basis. The relevant entity recognises both construction revenue and cost in the amount of HK$3 million (2018: HK$21 million) for the year ended 31 December 2019 by reference to the stage of completion of the construction of the terminal at the end of the reporting period and based on the proportion that contract costs incurred for work performed at the end of the reporting period relative to the estimated total contract costs.

Included in port operating rights as at 31 December 2019 is also an amount of HK$4,548 million (2018: HK$5,076 million) related to the concession for operation of a terminal in Brazil for an concession period of 50 years commencing from 1998 granted by the Brazilian Federal Government. The carrying amount of the concession represents the fair value as at the date of the business combination under which the Group acquired the concession less its accumulated amortisation. Amortisation is provided for over the period in which the Group operates the relevant terminals on an economic usage basis.

The remaining amount of port operating rights amounting to HK$1,064 million (2018: HK$1,096 million) relates to the concession for operation of a terminal built in Colombo of Sri Lanka for a concession period of 35 years commencing from 2011 granted by the government of the Republic of Sri Lanka. The carrying amount of the concession represents the fair value as at the date of the acquisition of the relevant business by the Group less its accumulated amortisation, which is calculated using the economic usage basis. Further details are set out in note 35(c).

(d) Balance as at 31 December 2019 and 2018 mainly represents trademark acquired in a business combination during the year ended 31 December 2018 and is considered by the management of the Group as having an indefinite useful live because it is expected to contribute to the generation of net cash inflows to the Group indefinitely. It is tested for impairment annually and whenever there is an indication that it may have been impaired. No impairment loss of the trademark is recognised for the current year.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'million	Harbour works, buildings and dockyard HK$'million	Plant, machinery, furniture and equipment HK$'million	Others HK$'million (Note (b))	Assets under construction HK$'million (Note (a))	Total HK$'million
Year ended 31 December 2019						
As at 31 December 2018	1,066	16,800	4,317	953	6,076	29,212
Adjustments upon application of HKFRS 16 (note 2.1)	(145)	(5,876)	(151)	(12)	—	(6,184)
As at 1 January 2019 (restated)	921	10,924	4,166	941	6,076	23,028
Exchange adjustments	(15)	(298)	(82)	(12)	112	(295)
Additions	2	268	137	30	2,138	2,575
Disposals	(2)	(126)	(10)	(5)	(38)	(181)
Transfers	2	2,616	677	149	(3,444)	—
Transfers from other non-current assets	—	—	60	—	—	60
Transfers to non-current assets held for sale	—	(74)	—	—	—	(74)
Depreciation (Note (c))	(37)	(576)	(550)	(80)	—	(1,243)
As at 31 December 2019	871	12,734	4,398	1,023	4,844	23,870
As at 31 December 2019						
Cost	1,238	17,800	9,645	1,517	4,844	35,044
Accumulated depreciation and impairment	(367)	(5,066)	(5,247)	(494)	—	(11,174)
Net book value	871	12,734	4,398	1,023	4,844	23,870
Year ended 31 December 2018						
As at 1 January 2018	1,187	21,109	4,949	941	2,694	30,880
Exchange adjustments	(34)	(460)	(178)	(16)	(298)	(986)
Additions	2	52	51	76	2,214	2,395
Acquisition of subsidiaries (note 40)	8	1,325	490	53	577	2,453
Disposals	—	(35)	(38)	(48)	—	(121)
Disposal of subsidiaries (note 39)	(74)	(2,917)	(731)	(147)	(81)	(3,950)
Transfers	25	(1,565)	391	179	970	—
Transfer to non-current assets held for sale	—	(25)	—	—	—	(25)
Depreciation (Note (c))	(48)	(684)	(617)	(85)	—	(1,434)
As at 31 December 2018	1,066	16,800	4,317	953	6,076	29,212
As at 31 December 2018						
Cost	1,412	21,786	9,372	1,483	6,076	40,129
Accumulated depreciation and impairment	(346)	(4,986)	(5,055)	(530)	—	(10,917)
Net book value	1,066	16,800	4,317	953	6,076	29,212

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(a) Included in assets under construction is capitalised interest of HK$70 million (2018: HK$75 million).

(b) Others comprise vessels and ships, motor vehicles and leasehold improvements with net book values of HK$780 million (2018: HK$812 million), HK$50 million (2018: HK$48 million) and HK$193 million (2018: HK$93 million) respectively as at 31 December 2019.

(c) Depreciation expenses charged for the year are included in the consolidated statement of profit or loss as follows:

	2019 HK$'million	2018 HK$'million
Cost of sales	1,200	1,391
Administrative expenses	43	43
	1,243	1,434

(d) As at 31 December 2019, harbour works, buildings and dockyard and assets under construction with aggregate net book value of HK$417 million (2018: HK$413 million) were pledged as security for the Group's bank borrowings (note 33(a)).

18. RIGHT-OF-USE ASSETS

	Land use rights HK$'million	Leasehold land and buildings HK$'million	Harbour works, buildings and dockyard HK$'million	Plant, machinery, furniture and equipment HK$'million	Others HK$'million	Total HK$'million
As at 1 January 2019						
Carrying amount	10,973	164	6,037	159	731	18,064
As at 31 December 2019						
Carrying amount	8,575	148	5,882	136	694	15,435
For the year ended 31 December 2019						
Depreciation charge	(252)	(15)	(164)	(19)	(32)	(482)
Expenses relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16						45
Total cash outflow for the leases						432
Additions to right-of-use assets						266

For both years, the Group leases various items of assets as set out above for its operations. Lease contracts are entered into for fixed term of 12 months to 99 years, but may have extension and termination options as described below. Certain leases of leasehold land and buildings, harbour works, buildings and dockyard and plant, machinery, furniture and equipment were accounted for as finance leases during the year ended 31 December 2018 and carried interest ranging from 4.18% to 4.66%. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

18. RIGHT-OF-USE ASSETS (CONTINUED)

The Group regularly entered into short-term leases mainly for plant, machinery, furniture and equipment. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

As at 31 December 2019, right-of-use assets with a net book value of HK$356 million were pledged as security for the Group's bank borrowings and a loan from a fellow subsidiary (note 33(a)).

19. INVESTMENT PROPERTIES

The Group leases out various offices, residential and other commercial properties under operating leases with rentals payable monthly. The lease contracts run for an initial period up to 15 years.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	2019 HK$'million	2018 HK$'million
As at 1 January	**8,332**	8,411
Exchange adjustments	**(184)**	(396)
Increase in fair value (note 8)	**105**	376
Additions	**1**	1
Transfers to non-current assets held for sale	**(8)**	—
Acquisition of assets through acquisition of a subsidiary (note 41)	**—**	13
Disposal of subsidiaries (note 39)	**—**	(73)
As at 31 December	**8,246**	8,332

The investment properties were revalued at the end of each reporting period by independent and professional qualified valuers not connected to the Group. In determining the fair value of the relevant properties, the Board of Directors of the Company determine the appropriate valuation techniques and inputs for fair value measurements.

19. INVESTMENT PROPERTIES (CONTINUED)

The fair value measurements for all of the Group's investment properties are categorised as level 3 (see note 2.1).

Description	Valuation techniques	Significant unobservable inputs	Relationship of non-observable inputs to fair value
Commercial and residential complex in Shenzhen, the PRC	Investment approach	Monthly market rent, taking into account the growth rate and rent of comparables, at an average of HK$91 (2018: HK$86) per square metre ("sqm") per month.	A significant increase in the rental income would result in a significant increase in the fair value, and vice versa.
		Capitalisation rate, at an average of 6.5% (2018: 6.5%).	A significant increase in the capitalisation rate would result in a significant decrease in the fair value, and vice versa.
Commercial properties in Shenzhen, the PRC	Market comparison approach	Market unit rate, taking into account the transaction dates, floor areas, locations and conditions of the property, which ranged from HK$89,306 to HK$90,422 (2018: HK$83,314 to HK$86,738) per sqm.	A significant increase in the market unit rate used would result in a significant increase in the fair value, and vice versa.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique or level of fair value hierarchy during the year.

20. LAND USE RIGHTS

The Group's interests in land use rights represented prepaid operating lease payments and the movements for the year ended 31 December 2018 were analysed as follows:

	HK$'million
As at 1 January 2018	12,851
Exchange adjustments	(511)
Acquisition of assets through acquisition of a subsidiary (note 41)	45
Transfer to non-current assets held for sale (note 29)	(110)
Amortisation	(278)
Disposal of subsidiaries (note 39)	(1,023)
Disposal	(1)
As at 31 December 2018	10,973

Notes:

(a) The Group's interest in land use rights as at 31 December 2018 were located in:

	HK$'million
Mainland China, medium-term lease	8,920
Other locations outside of Mainland China and Hong Kong, long-term lease	2,053
	10,973

(b) As at 31 December 2018, land use rights with a net book value of HK$184 million were pledged as security for the Group's bank borrowings (note 33(a)).

21. INTERESTS IN SUBSIDIARIES

(a) Composition of the Group

Particulars of the Company's principal subsidiaries at 31 December 2019 are set out in note 44.

(b) Disposal of interests in subsidiaries without losing control

In December 2019, the Company completed the disposal of 25.05% interest in, and 25.05% of the shareholder's loan advanced by the Company to, Xinda Resources Limited ("Xinda", together with its subsidiaries, the "Xinda Group"), a wholly-owned subsidiary of the Company whose principal asset is its interest in 90% of the issued share capital of TCP Participacões S.A. ("TCP", together with its subsidiaries, the "TCP Group"), to individual third parties, for a total cash consideration of HK$1,944 million. The Group's effective interest in TCP decreased from 90% to 67.45% immediately after the disposal.

An amount of HK$1,330 million, being the proportionate share of the carrying amount of the net assets of the Xinda Group, has been transferred to non-controlling interests. The difference of HK$614 million between the increase in the non-controlling interests and the consideration received has been credited to relevant reserves.

(c) Non-wholly-owned subsidiaries of the Group that have material non-controlling interests

The table below shows non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Proportion of ownership interests held by non-controlling interests		Proportion of voting rights held by non-controlling interests		Accumulated non-controlling interests	
	2019	2018	**2019**	2018	**2019**	2018
					HK$'million	HK$'million
Shantou China Merchants Port Group Co., Ltd. ("SPG")	**40%**	40%	**40%**	40%	**3,974**	3,817
Hambantota International Port Group (Private) Limited ("HIPG")	**15%**	15%	**15%**	15%	**3,231**	3,290
Individually immaterial subsidiaries with non-controlling interests					**7,146**	5,576
					14,351	12,683

21. INTERESTS IN SUBSIDIARIES (CONTINUED)

(c) Non-wholly-owned subsidiaries of the Group that have material non-controlling interests (continued)

The summarised financial information of SPG and its subsidiaries (the "SPG Group") and HIPG and its subsidiaries (the "HIPG Group") is prepared in accordance with the significant accounting policies of the Group.

Summarised financial information of the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows in respect of the SPG Group and the HIPG Group is set out below:

	2019	
	SPG Group HK$'million	HIPG Group HK$'million
Financial information of the consolidated statement of profit or loss and other comprehensive income		
Revenue	450	145
Other income and other gains	1,128	—
Expenses and taxation	(1,011)	(303)
Profit/(loss) for the year	567	(158)
Other comprehensive income	—	—
Total comprehensive income/(expense) for the year	567	(158)
Profit/(loss) for the year, attributable to:		
Equity holders of the Company	340	(117)
Non-controlling interests of the Group	227	(41)
	567	(158)
Total comprehensive income/(expense) for the year, attributable to:		
Equity holders of the Company	340	(117)
Non-controlling interests of the Group	227	(41)
	567	(158)
Dividends paid to non-controlling interests of the Group	—	—
Financial information of the consolidated statement of cash flows		
Net cash inflow from operating activities	96	1
Net cash inflow/(outflow) from investing activities	399	(37)
Net cash (outflow)/inflow from financing activities	(8)	44
Net cash inflow	487	8

21. INTERESTS IN SUBSIDIARIES (CONTINUED)

(c) Non-wholly-owned subsidiaries of the Group that have material non-controlling interests (continued)

	2018	
	SPG Group HK$'million	HIPG Group HK$'million
Financial information of the consolidated statement of profit or loss and other comprehensive income		
Revenue	483	133
Other income and other gains	154	—
Expenses and taxation	(567)	(298)
Profit/(loss) for the year	70	(165)
Other comprehensive income	—	—
Total comprehensive income/(expense) for the year	70	(165)
Profit/(loss) for the year, attributable to:		
Equity holders of the Company	42	(121)
Non-controlling interests of the Group	28	(44)
	70	(165)
Total comprehensive income/(expense) for the year, attributable to:		
Equity holders of the Company	42	(121)
Non-controlling interests of the Group	28	(44)
	70	(165)
Dividends paid to non-controlling interests of the Group	—	—
Financial information of the consolidated statement of cash flows		
Net cash inflow from operating activities	133	37
Net cash outflow from investing activities	(1,220)	(17)
Net cash outflow from financing activities	(335)	—
Net cash (outflow)/inflow	(1,422)	20

21. INTERESTS IN SUBSIDIARIES (CONTINUED)

(c) Non-wholly-owned subsidiaries of the Group that have material non-controlling interests (continued)

Summarised financial information of the consolidated statement of financial position of the SPG Group and the HIPG Group is set out below:

	2019		2018	
	SPG Group HK$'million	**HIPG Group HK$'million**	SPG Group HK$'million	HIPG Group HK$'million
Non-current assets	**6,401**	**10,624**	6,128	10,787
Current assets	**5,748**	**48**	5,194	45
Current liabilities	**(793)**	**(111)**	(593)	(52)
Non-current liabilities	**(901)**	**—**	(892)	—
	10,455	**10,561**	9,837	10,780
Equity attributable to:				
Equity holders of the Company	**6,481**	**7,330**	6,020	7,490
Non-controlling interests of the Group	**3,974**	**3,231**	3,817	3,290
	10,455	**10,561**	9,837	10,780

(d) At no time had there been any significant restriction imposed on the Group on its ability to access or use the assets or settle the liabilities of any entities of the Group.

22. INTERESTS IN ASSOCIATES

	2019 **HK$'million**	2018 HK$'million
Share of net assets of associates, net of impairment:		
Listed associates	**28,424**	26,984
Unlisted associates	**24,460**	13,616
	52,884	40,600
Goodwill:		
Listed associates	**2,394**	2,447
Unlisted associates	**2,774**	2,774
	5,168	5,221
Total	**58,052**	45,821

In prior years, the directors of the Company conducted a review of the Group's interest in a listed associate with reference to its economic outlooks and assessed its recoverable amount, with reference to its value in use and fair value less costs of disposal. The recoverable amount was determined to be the then fair value less costs of disposal (where the fair value was valued based on quoted prices in active markets for the identical asset directly and categorised as level 1 of the fair value measurement hierarchy) and was less than the carrying amount of the Group's interest in the said listed associate by HK$739 million. Accordingly, impairment loss of the same amount was recognised in profit or loss in prior years.

The management of the Group carried out an assessment as at 31 December 2019 and 2018 for whether there is any indication that the impairment loss recognised in prior years for the listed associate may no longer exist or may be decreased. The management of the Group concluded that the indications of impairment previously identified still existed as at 31 December 2019 and 2018, no reversal of impairment loss has been recognised.

Particulars of the Group's principal associates at 31 December 2019 are set out in note 45.

The Group's material associate at the end of the reporting period includes Shanghai International Port (Group) Co., Ltd. ("SIPG"). All of the Group's associates are accounted for using equity method in the consolidated financial statements.

Summarised financial information in respect of SIPG and its subsidiaries (the "SIPG Group") is set out below. Other associates invested by the Group are not individually material. The summarised financial information below represents the financial information of the SIPG Group prepared in accordance with the significant accounting policies of the Group.

22. INTERESTS IN ASSOCIATES (CONTINUED)

(a) Material associate

	SIPG Group	
	2019	2018
	HK$'million	HK$'million
Financial information of the consolidated statement of profit or loss and other comprehensive income		
Revenue	**40,945**	45,079
Profit for the year, attributable to equity holders of the associate	**10,265**	11,441
Other comprehensive (expense)/income for the year, attributable to equity holders of the associate	**(187)**	359
Total comprehensive income for the year, attributable to equity holders of the associate	**10,078**	11,800
Dividends received from the associate by the Group during the year	**1,087**	1,318
Financial information of consolidated statement of financial position		
Non-current assets	**116,995**	113,378
Current assets	**45,014**	54,436
Current liabilities	**(21,553)**	(36,157)
Non-current liabilities	**(38,235)**	(36,702)
Net assets of the associate	**102,221**	94,955

22. INTERESTS IN ASSOCIATES (CONTINUED)

(a) Material associate (continued)

	SIPG Group	
	2019	2018
	HK$'million	HK$'million
Reconciliation to the carrying amounts of interests in the associate:		
Net assets of the associate	**102,221**	94,955
Less: non-controlling interests	**(9,758)**	(7,763)
Net assets attributable to equity holders of the associate	**92,463**	87,192
Proportion of the Group's interests in the associate	**26.77%**	26.77%
Net assets attributable to the Group's interests in the associate	**24,752**	23,341
Goodwill	**2,389**	2,443
Carrying amount of the Group's interests in the associate	**27,141**	25,784
Market value of the listed associate, valued based on the quoted prices in active market for the identical asset directly, and categorised as level 1 of the fair value hierarchy of the Group's interests in the associate	**39,952**	36,669

(b) Aggregate of other associates

	2019	2018
	HK$'million	HK$'million
The Group's share of:		
Profit for the year	**1,016**	1,262
Other comprehensive income/(expense)	**252**	(224)
Total comprehensive income	**1,268**	1,038
Aggregate carrying amount of the Group's interests in these associates	**30,911**	20,037

23. INTERESTS IN JOINT VENTURES

	2019 HK$'million	2018 HK$'million
Share of net assets of unlisted joint ventures	9,648	11,908
Goodwill	—	51
	9,648	11,959

Deemed disposal of a joint venture engaged in port operation in Zhanjiang, the PRC and reclassification to interest in an associate in 2019

During the year ended 31 December 2019, 1,853,518,190 shares of Zhanjiang Port (Group) Co., Ltd. ("ZJG") were issued to a fellow subsidiary and another party independent to the Group. Following the subscription of new shares by the subscribers, the Group's interest in ZJG has been diluted from 40.29% to 27.58%, resulting in a gain on deemed disposal of HK$440 million. Under the new shareholders' agreement, decisions of relevant activities of ZJG do not require unanimous consent from all of its shareholders, including the Group. Hence, the Group no longer recognised its investment in ZJG as interest in a joint venture. The investment in ZJG is accounted for as an interest in an associate as the directors consider the Group has significant influence over the investee.

Acquisitions of joint ventures engaged in port operation in Australia in 2018

On 6 February 2018, the Company entered into an acquisition agreement with CMU and its wholly-owned subsidiary, Gold Newcastle Property Holding Pty Limited ("Gold Newcastle"), pursuant to which CMU and Gold Newcastle agreed to sell and the Group agreed to purchase 50% of the total equity interests in the Port of Newcastle (as defined below). As part of the transaction, CMU also agreed to sell and the Group also agreed to purchase the entire interest in Gold Newcastle. Upon completion, Gold Newcastle becomes a wholly-owned subsidiary of the Company. The total consideration for these acquisitions, including the interest-bearing shareholder's loan from CMU to the Port of Newcastle with a principal amount of Australian dollar ("AUD") 162.5 million, was AUD607.5 million, subject to certain adjustments as set forth in the relevant agreement.

The port of Newcastle comprises various entities and trusts that, through lease and sublease, being granted with all the rights and interests, for a term of approximately 98 years from 30 May 2014 in relation to the largest port on the east coast of Australia (the "Port of Newcastle"). Gold Newcastle is an entity established in Australia by CMU for the sole purpose of holding certain assets comprising the Port of Newcastle. The other 50% interest in Port of Newcastle is held by an independent third party.

The transaction was completed during the year ended 31 December 2018 for a final consideration of AUD605 million (equivalent to approximately HK$3,488 million) and the Group's investment in Port of Newcastle is accounted for as interests in joint ventures as the directors of the Company consider the Group has joint control with the relevant joint venture partner over the investees.

Particulars of the Group's principal joint ventures at 31 December 2019 are set out in note 46.

23. INTERESTS IN JOINT VENTURES (CONTINUED)

The Group's material joint ventures at the end of the reporting period include Port of Newcastle Investments (Property Holdings) Trust (the "PONI Property Trust Group") and Port of Newcastle Investments (Holdings) Trust (the "PONI Corporate Trust Group"). All of the Group's joint ventures are accounted for using equity method in the consolidated financial statements.

Summarised financial information in respect of PONI Property Trust Group and PONI Corporate Trust Group is set out below. Other joint ventures invested by the Group are not individually material. The summarised financial information below represents the financial information prepared in accordance with the significant accounting policies of the Group.

(a) Material joint ventures

	2019		2018	
	PONI Property Trust Group HK$'million	**PONI Corporate Trust Group HK$'million**	PONI Property Trust Group HK$'million	PONI Corporate Trust Group HK$'million
Financial information of the consolidated statement of profit or loss and other comprehensive income				
Revenue	**539**	**913**	266	738
Profit/(loss) for the year, attributable to the equity holders of the joint ventures	**303**	**(212)**	303	(187)
Other comprehensive expense for the year, attributable to the equity holders of the joint ventures	**(49)**	**(2)**	(13)	—
Total comprehensive income/(expense) for the year, attributable to the equity holders of the joint ventures	**254**	**(214)**	290	(187)
Dividends received from the joint ventures by the Group during the year	**33**	**—**	54	—
Financial information of the consolidated statement of financial position				
Non-current assets	**8,273**	**14,748**	7,949	7,965
Current assets	**180**	**170**	75	106
Current liabilities	**(296)**	**(2,274)**	(140)	(106)
Non-current liabilities	**(5,072)**	**(10,591)**	(4,830)	(6,079)
Net assets of the joint ventures	**3,085**	**2,053**	3,054	1,886

23. INTERESTS IN JOINT VENTURES (CONTINUED)

(a) Material joint ventures (continued)

	2019		2018	
	PONI Property Trust Group HK$'million	**PONI Corporate Trust Group HK$'million**	PONI Property Trust Group HK$'million	PONI Corporate Trust Group HK$'million
Reconciliation to the carrying amounts of interests in the joint ventures:				
Net assets attributable to the equity holders of the joint ventures	**3,085**	**2,053**	3,054	1,886
Proportion of the Group's interests in the joint ventures	**50%**	**50%**	50%	50%
Carrying amount of the Group's interests in the joint ventures	**1,543**	**1,027**	1,527	943
Share of profit/(loss) of the joint ventures	**152**	**(106)**	152	(94)

(b) Aggregate of other joint ventures

	2019 HK$'million	2018 HK$'million
The Group's share of:		
Profit for the year	**486**	445
Other comprehensive expense	**(162)**	(300)
Total comprehensive income	**324**	145
Aggregate carrying amount of the Group's interests in these joint ventures	**7,078**	9,489

24. OTHER FINANCIAL ASSETS

	2019 HK$'million	2018 HK$'million
Financial assets at FVTPL (Note (a))	**2,648**	2,383
Equity instruments at FVTOCI (Note (b))	**9**	110
Advance to an associate (Note (c))	**11**	11
Advance to a joint venture (Note (d))	**905**	895
	3,573	3,399
Analysed as:		
Non-current	**2,668**	3,399
Current	**905**	—
	3,573	3,399

Notes:

(a) Financial assets at FVTPL

	2019 HK$'million	2018 HK$'million
Listed equity investments in Hong Kong	**228**	217
Listed equity investments in Mainland China	**1,729**	1,554
Restricted equity investments in Mainland China	**691**	612
	2,648	2,383

91.4% (2018: 90.9%) of the financial assets at FVTPL is denominated in Renminbi and the remaining balance is denominated in Hong Kong dollar. The balances are mandatorily measured at FVTPL.

(b) Equity instruments at FVTOCI

	2019 HK$'million	2018 HK$'million
Unlisted equity investments in Mainland China	**9**	8
Unlisted equity investments in Hong Kong	**—**	102
	9	110

100% (2018: 7.3%) of the equity instruments at FVTOCI is denominated in Renminbi and no remaining balance (2018: 92.7%) is denominated in Hong Kong dollar.

(c) The amount is denominated in Euro, unsecured, interest-bearing at a rate of one-year Euro Interbank Offered Rate plus 50 basis point per annum and repayable in 2021.

(d) The amount is denominated in AUD, unsecured, interest-bearing at a rate of 8% per annum and repayable in 2020.

25. OTHER NON-CURRENT ASSETS

	2019 HK$'million	2018 HK$'million
Prepayments and deposits for purchase of non-current assets	107	244
Right to receive a land use right from QHSH (Note)	1,024	—
Others	87	84
	1,218	328

Note: Amount being the land use right for a land parcel in Shenzhen, the PRC, receivable from QHSH as part of the compensation for the resumption of certain land parcels at Qianhai, Shenzhen, the PRC. Upon receipt of the said land parcel, this amount will be reclassified and included in right-of-use assets. Further details of the transactions are set out in note 43(a)(ix).

26. INVENTORIES

	2019 HK$'million	2018 HK$'million
Raw materials	106	84
Spare parts and consumables	19	24
	125	108

27. DEBTORS, DEPOSITS AND PREPAYMENTS

	2019 HK$'million	2018 HK$'million
Trade debtors from contracts with customers (Note (a))	**1,003**	1,060
Less: allowance for credit losses (Note (a))	**(85)**	(49)
Trade debtors, net (Note (c))	**918**	1,011
Amounts due from fellow subsidiaries (Note (f))	**10**	12
Amounts due from associates (Note (g))	**134**	136
Amounts due from joint ventures (Note (f))	**2**	19
Amount due from a related party (Note (h))	**—**	1,183
Dividend receivables	**498**	297
	1,562	2,658
Other debtors, deposits and prepayments	**1,873**	719
	3,435	3,377

Notes:

(a) Movements in the allowance for credit losses of trade debtors are as follows:

	2019 HK$'million	2018 HK$'million
As at 1 January	**49**	52
Allowance for credit losses	**39**	5
Reversal of allowance	**(1)**	(8)
Exchange adjustments	**(2)**	—
As at 31 December	**85**	49

The allowance for credit losses have been included in administrative expenses in the consolidated statement of profit or loss.

The maximum exposure to credit risk at the reporting date is the carrying value of debtors, deposits and prepayments. The Group does not hold any collateral as security.

(b) Bill receivables of HK$15 million (2018: HK$13 million) are included in trade debtors as at 31 December 2019.

27. DEBTORS, DEPOSITS AND PREPAYMENTS (CONTINUED)

Notes: (continued)

(c) As at 1 January 2018, trade debtors from contracts with customers amounted to HK$1,094 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 HK$'million	2018 HK$'million
0 - 90 days	852	938
91 - 180 days	42	48
181 - 365 days	14	15
Over 365 days	10	10
	918	1,011

(d) As at 31 December 2019, trade debtors of HK$667 million (2018: HK$715 million) and balances with related companies of HK$644 million (2018: HK$1,647 million) are neither past due nor impaired and are fully performing.

(e) As at 31 December 2019, included in the Group's trade debtors balance are debtors with aggregate carrying amount (before any allowance for credit losses) of HK$336 million (2018: HK$345 million) which are past due as at the reporting date. Out of the past due balances, HK$52 million (2018: HK$43 million) has been past due 90 days or more and is not considered as in default as these are related to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered.

(f) The amounts are unsecured, interest-free and expected to be repayable within twelve months from the end of the reporting period.

(g) The balances are unsecured, interest-free and repayable on demand.

(h) The related party is an associate of CMG. The amount at 31 December 2018 was interest-bearing at floating interest rate, repayable within twelve months from the end of the reporting period and secured by the equity interest in an associate of the Group held by the controlling shareholder of the associate. The full amount has been settled during the year.

28. CASH AND BANK BALANCES

	2019 HK$'million	2018 HK$'million
Cash at bank and in hand	4,991	4,750
Short-term time and other deposits (Note (a))	1,948	488
	6,939	5,238
Other deposits (Note (b))	861	793
Restricted bank balance (Note (c))	—	1,144
	7,800	7,175

28. CASH AND BANK BALANCES (CONTINUED)

Cash and bank balances are denominated in the following currencies:

	2019 HK$'million	2018 HK$'million
Hong Kong dollar	**70**	123
Renminbi	**4,973**	4,475
United States dollar	**1,773**	1,484
Euro	**590**	411
Brazilian Real	**334**	616
Other currencies	**60**	66
	7,800	7,175

Notes:

(a) The weighted average effective interest rate on the balances as at the end of the reporting period is approximately 2.15% (2018: 3.22%) per annum. These deposits can be readily convertible to cash before maturity.

(b) The weighted average effective interest rate on the balances as at the end of the reporting period is approximately 3.67% (2018: 3.76%) per annum. These deposits are not convertible to cash until maturity.

(c) The restricted bank balance as at 31 December 2018 represented a deposit with a bank denominated in United States dollar which will be utilised for port and marine-related activities in overseas. The Company was entitled to repatriate any amounts in the bank account at the expiration of an one-year period if no agreement has been reached for the use of the funds. During the year, these balances have been released after the expiration of an one-year period with no agreement being reached.

29. NON-CURRENT ASSETS HELD FOR SALE

During the year ended 31 December 2018, the Group commenced the negotiation with a municipal PRC government, pursuant to which the counter-party agreed to resume a piece of land and harbour works, buildings and dockyard (previously included in land use rights and property, plant and equipment respectively in the consolidated statement of financial position) in Mainland China. As at 31 December 2018, the compensation for resumption were expected to exceed the carrying amount of the relevant assets and, accordingly, no impairment loss has been recognised. The transaction has been completed in the current year.

During the current year, the Group commenced the negotiation with the same municipal PRC government, pursuant to which the counter-party agreed to resume another piece of land and harbour works, buildings and dockyard (previously included in rights-of-use assets and property, plant and equipment respectively in the consolidated statement of financial position) in Mainland China. The compensation for resumption are expected to exceed the carrying amount of the relevant assets and, accordingly, no impairment loss has been recognised. This transaction is expected to be completed within one year from the date of this reclassification and the assets are therefore classified as held for sale as at 31 December 2019.

30. SHARE CAPITAL

	Company			
	Number of shares		Share capital	
	2019	2018	**2019** **HK$'million**	2018 HK$'million
Issued and fully paid:				
As at 1 January	**3,329,849,550**	3,277,619,310	**39,070**	38,207
Issue of scrip dividend shares (Note)	**119,098,220**	52,230,240	**1,544**	863
As at 31 December	**3,448,947,770**	3,329,849,550	**40,614**	39,070

Note: The Company distributed dividends to its shareholders by way of scrip dividends, with a cash alternative to shareholders. Details of ordinary shares issued by the Company as dividends are as follows:

	Date of issue	Number of shares issued
2018 final dividend	18 July 2019	**88,562,988**
2019 interim dividend	15 November 2019	**30,535,232**
2019 Total		**119,098,220**
2018 Total		**52,230,240**

31. SHARE OPTION SCHEME

The existing share option scheme was approved by the shareholders' resolutions of the Company and adopted on 9 December 2011 (the "New Scheme"), under which the Company's directors may, at their discretion, grant to any director or employee of the Company, the intermediate holding company of the Company or any of its subsidiaries or associates at a price of not less than the higher of (i) the closing price of shares as stated in the daily quotation sheet of the HKSE on the date of the offer of grant; and (ii) the average closing price of shares as stated in the daily quotation sheets of the HKSE for the five trading days immediately preceding the date of the offer of grant. The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the old scheme and any other share option schemes adopted must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. The New Scheme is valid and effective for a period of 10 years.

Upon termination of the old scheme on 9 December 2011, no further options will be granted thereunder. However, the rules of the old scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior to its termination, or otherwise to the extent as may be required in accordance with the rules of the old scheme. All options granted under the old scheme prior to its termination will continue to be valid and exercisable in accordance with the rules of the old scheme. The terms of the New Scheme and the old scheme are generally similar.

No share options have been granted under the New Scheme since its adoption nor outstanding during the year upon the expiry of the old scheme.

32. OTHER RESERVES

	Capital reserve HK$'million	Investment revaluation reserve HK$'million	Translation reserve HK$'million	Statutory reserves HK$'million (Note)	Total HK$'million
As at 1 January 2019	**(9)**	**263**	**(59)**	**2,773**	**2,968**
OTHER COMPREHENSIVE INCOME/(EXPENSE)					
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	**—**	**—**	**(3,103)**	**—**	**(3,103)**
Release the fair value of equity instruments at FVTOCI, net of deferred taxation	**—**	**(5)**	**—**	**—**	**(5)**
Share of reserves of associates and a joint venture	**—**	**21**	**—**	**—**	**21**
Other comprehensive income/(expense) for the year, net of tax	**—**	**16**	**(3,103)**	**—**	**(3,087)**
TRANSACTIONS WITH OWNERS					
Transfer from retained earnings	**—**	**—**	**—**	**207**	**207**
Disposal of interests in subsidiaries to non-controlling equity holders without losing control therein	**249**	**—**	**326**	**(3)**	**572**
Share of other changes in equity attributable to equity holders of associates	**329**	**—**	**—**	**—**	**329**
Contribution from a non-controlling equity holder of a subsidiary	**28**	**—**	**—**	**—**	**28**
Total transactions with owners for the year	**606**	**—**	**326**	**204**	**1,136**
As at 31 December 2019	**597**	**279**	**(2,836)**	**2,977**	**1,017**
As at 1 January 2018	(1,250)	404	3,408	2,481	5,043
OTHER COMPREHENSIVE INCOME/(EXPENSE)					
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	—	—	(3,369)	—	(3,369)
Increase in fair value of equity instruments at FVTOCI, net of deferred taxation	—	44	—	—	44
Share of reserves of associates and a joint venture	—	(146)	—	—	(146)
Release of reserves upon disposal of subsidiaries	1,218	(39)	(98)	(26)	1,055
Other comprehensive income/(expense) for the year, net of tax	1,218	(141)	(3,467)	(26)	(2,416)
TRANSACTIONS WITH OWNERS					
Transfer from retained earnings	—	—	—	318	318
Share of other changes in equity attributable to equity holders of associates	23	—	—	—	23
Total transactions with owners for the year	23	—	—	318	341
As at 31 December 2018	(9)	263	(59)	2,773	2,968

Note: Amount mainly represents statutory reserve of the Group's subsidiaries in the PRC. According to the relevant laws in the PRC, the Group's subsidiaries established in the PRC are required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to equity owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.

33. BANK AND OTHER BORROWINGS

	2019 HK$'million	2018 HK$'million
Bank loans		
Unsecured short-term bank loans		
– variable rate	3,330	1,989
– fixed rate	916	359
Unsecured long-term fixed rate bank loans	79	86
Long-term variable rate bank loans		
– unsecured	4,408	6,200
– secured (Note (a))	3,358	3,646
	12,091	12,280
Loan from a non-controlling equity holder of a subsidiary (Note (b))	454	446
Loans from fellow subsidiaries (Notes (a) and (c))	1,027	634
Loan from immediate holding company (Note (d))	366	—
Loan from an associate (Note (e))	—	276
Notes payable (Note (f))		
– US$200 million, 3.5% guaranteed listed notes maturing in 2020	1,557	1,563
– US$500 million, 5% guaranteed listed notes maturing in 2022	3,875	3,890
– US$900 million, 4.375% guaranteed listed notes maturing in 2023	6,964	6,992
– US$500 million, 4.75% guaranteed listed notes maturing in 2025	3,877	3,897
– US$600 million, 5% guaranteed listed notes maturing in 2028	4,616	4,637
– Brazilian Real 428 million, Brazil's National Consumer Price Index ("IPCA") +7.82% listed notes maturing in 2022	796	817
– RMB500 million, 5.15% unlisted notes maturing in 2021	—	571
– RMB2,500 million, 4.89% unlisted notes maturing in 2022	2,791	2,853
	24,476	25,220
Total	38,414	38,856
Less: amounts due within one year included under current liabilities	(8,995)	(5,234)
Non-current portion	29,419	33,622

33. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

(a) As at 31 December 2019, the following assets are pledged against the Group's secured bank loans and a loan from fellow subsidiary (2018: bank loans):

	2019 HK$'million	2018 HK$'million
Property, plant and equipment (note 17)	**417**	413
Right-of-use assets (note 18)	**356**	—
Land use rights (note 20)	**—**	184
	773	597

In addition to the above, the entire shareholdings in two subsidiaries, owned by the Company and its subsidiary as at 31 December 2019 and 2018, are also pledged to various banks for bank facilities granted to the relevant subsidiaries.

(b) The amount is unsecured, interest-bearing at 4.65% (2018: 4.65%) per annum and is not required to be repaid within twelve months from the end of the reporting period.

(c) Included in the amount for the year ended 31 December 2019 and 2018 is loans from fellow subsidiary which is a financial institution approved and regulated by the People's Bank of China and the China Banking Regulatory Commission amounting to HK$860 million (2018: HK$634 million). These amounts are unsecured, interest-bearing at 4.13% to 4.80% (2018: 4.28% to 4.80%) per annum. Except for the amount of HK$357 million (2018: HK$154 million), the remaining balance is repayable within twelve months from the end of the reporting period.

The remaining balance for the year ended 31 December 2019 is a loan from a fellow subsidiary amounting to HK$167 million (2018: nil) which is secured by right-of-use assets and interest bearing at 4.75% (2018: nil) per annum. Except for the amount of HK$161 million (2018: nil), the remaining balance is repayable within twelve months from the end of the reporting period.

(d) The amount is unsecured, interest-bearing at 5% discount to the People's Bank of China Benchmark Interest Rate per annum and repayable within twelve months from the end of the reporting period.

(e) As at 31 December 2018, the amount was unsecured, interest-bearing at floating interest rate per annum and repayable within twelve months from the end of the reporting period. The entire balance has been settled during the current year.

(f) Listed notes issued by subsidiaries of the Company amounting to HK$20,889 million (2018: HK$20,979 million) are secured by corporate guarantees provided by the Company.

During the year ended 31 December 2019, the Group has early repaid in full the RMB500 million, 5.15% unlisted notes maturing in 2021.

The effective interest rate of the Group's notes payables are as follows:

	2019	2018
US$200 million, 3.5% guaranteed listed notes maturing in 2020	**3.64%**	3.64%
US$500 million, 5% guaranteed listed notes maturing in 2022	**5.22%**	5.22%
US$900 million, 4.375% guaranteed listed notes maturing in 2023	**4.57%**	4.57%
US$500 million, 4.75% guaranteed listed notes maturing in 2025	**4.83%**	4.83%
US$600 million, 5% guaranteed listed notes maturing in 2028	**5.18%**	5.18%
Brazilian Real 428 million, IPCA +7.82% listed notes maturing in 2022	**14.66%**	14.66%
RMB500 million, 5.15% unlisted notes maturing in 2021	**N/A**	5.22%
RMB2,500 million, 4.89% unlisted notes maturing in 2022	**4.94%**	4.94%

The fair values of the listed notes payable and the unlisted notes payable were HK$23,529 million (2018: HK$22,558 million) and HK$2,861 million (2018: HK$3,598 million) respectively. The fair value of unlisted notes payable were determined by discounting the future cash flows at the current market interest rate available to the Group and the fair value of the listed notes payable was determined with reference to quoted market price. Other than the listed and unlisted notes payable, the carrying amounts of the bank and other borrowings approximate their fair values as at 31 December 2019 and 2018.

33. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

(g) As at 31 December 2019, the Group has undrawn facilities of bank loan and other debt financing instruments amounting to HK$20,939 million (2018: HK$21,517 million), of which HK$17,434 million (2018: HK$14,712 million) and HK$3,505 million (2018: HK$6,805 million) are committed and uncommitted credit facilities respectively.

(h) The bank and other borrowings as at 31 December 2019 and 2018 are repayable as follows:

	Bank loans		Loan from a non-controlling equity holder of a subsidiary		Loans from fellow subsidiaries		Loan from immediate holding company		Loan from an associate		Listed notes payable		Unlisted notes payable		Total	
	2019 HK$'million	2018 HK$'million	**2019 HK$'million**	2018 HK$'million	**2019 HK$'million**	2018 HK$'million	**2019 HK$'million**	2018 HK$'million	**2019 HK$'million**	2018 HK$'million	**2019 HK$'million**	2018 HK$'million	**2019 HK$'million**	2018 HK$'million	**2019 HK$'million**	2018 HK$'million
Within 1 year	**6,563**	4,478	**–**	–	**509**	480	**366**	–	**–**	276	**1,557**	–	**–**	–	**8,995**	5,234
Between 1 and 2 years	**1,897**	2,351	**–**	–	**69**	–	**–**	–	**–**	–	**249**	1,563	**–**	–	**2,215**	3,914
Between 2 and 5 years	**2,737**	4,206	**–**	–	**287**	63	**–**	–	**–**	–	**11,386**	11,699	**2,791**	3,424	**17,201**	19,392
Within 5 years	**11,197**	11,035	**–**	–	**865**	543	**366**	–	**–**	276	**13,192**	13,262	**2,791**	3,424	**28,411**	28,540
More than 5 years	**894**	1,245	**454**	446	**162**	91	**–**	–	**–**	–	**8,493**	8,534	**–**	–	**10,003**	10,316
	12,091	12,280	**454**	446	**1,027**	634	**366**	–	**–**	276	**21,685**	21,796	**2,791**	3,424	**38,414**	38,856

(i) The effective interest rates of bank loans at the end of the reporting period are as follows:

	2019	2018
Hong Kong dollar	**3.08% to 3.37%**	3.32%
Renminbi	**1.20% to 4.90%**	1.20% to 4.90%
Euro	**3.72% to 5.78%**	3.72% to 5.78%
United States dollar	**2.64% to 4.80%**	3.09% to 5.69%
Brazilian Real	**5.15% to 5.89%**	3.50% to 8.29%

(j) The carrying amounts of bank and other borrowings are denominated in the following currencies:

	2019 HK$'million	2018 HK$'million
Hong Kong dollar	**3,208**	500
Renminbi	**8,887**	8,934
Euro	**1,834**	2,113
United States dollar	**22,749**	25,209
Brazilian Real	**1,736**	2,100
	38,414	38,856

34. LEASE LIABILITIES

	2019 HK$'million
Lease liabilities payable as at 31 December 2019:	
Within 1 year	84
Between 1 and 2 years	34
Between 2 and 5 years	13
More than 5 years	871
	1,002
Less: Amount due for settlement with 12 months shown under current liabilities	(84)
Amount due for settlement after 12 months shown under non-current liabilities	918

The lease liabilities ranged from 1 to 35 years, depending on the classes of assets rented. The Group does not have a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

The Group's weighted average incremental borrowing rate for lease liabilities as at 31 December 2019 is 5.26%.

Lease liabilities of HK$1,002 million are recognised with related right-of-use assets of HK$879 million as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of the Group's lease liabilities are set out in note 3.1(iii).

35. OTHER NON-CURRENT LIABILITIES

	2019 HK$'million	2018 HK$'million
TCP Concession Liabilities (Note (a))	3,610	3,622
Put Option Liability (Note (b))	—	661
Royalty Provision (Note (c))	925	940
Net deferred benefit obligation (Note (d))	420	428
Deferred income	420	63
Others	46	92
	5,421	5,806

Notes:

(a) Amount represents the liabilities arising from the concession arrangements for a port located in Brazil with the local port authority due by the TCP Group (the "TCP Concession Liabilities"). The relevant concession arrangement allows for operations in the relevant port for up to 2048. Pursuant to the said concession arrangements, including the amendments thereto, with the relevant authority, concession payment is payable on a monthly basis and is adjusted from time to time, among other conditions, with reference to an official inflation index in Brazil. The TCP Concession Liabilities are designated as FVTPL at initial recognition upon the completion of the TCP Acquisition (as defined in note 40) and subsequently measured at fair value, with any gains or losses arising on remeasurement (other than those attributable to changes in credit risks of these liabilities) recognised in profit or loss. The current portion of the TCP Concession Liabilities amounting to HK$104 million (2018: HK$100 million) is included in creditors and accruals under current liabilities.

(b) Amount represents gross obligation arising from a put option issued to non-controlling equity holders of subsidiaries during the year ended 31 December 2018 ("Put Option Liability"). The excess of Put Option Liability over the fair value of the put option (as stated in note 40) amounting to HK$579 million at initial recognition was debited to the non-controlling interests. The amount is designated as FVTPL at initial recognition and subsequently measured at fair value, with any gains or losses arising on remeasurement (other than those attributable to changes in credit risks of these liabilities) recognised in profit or loss and is exercisable in 2020 and has been reclassified as current liability as at 31 December 2019 (note 37). Further details are set out in note 40.

(c) Amount represents the minimum guaranteed royalty and premium provision (the "Royalty Provision") under a Build-Operate-Transfer Agreement (the "BOT Agreement") with Sri Lanka Ports Authority ("SLPA") due by a non-wholly-owned subsidiary, Colombo International Container Terminals Limited, to SLPA.

The BOT Agreement was entered into in 2011 for the right to construct, operate, manage and develop Colombo South Container Terminal for 35 years.

The current portion of the Royalty Provision amounting to HK$59 million (2018: HK$56 million) is included in creditors and accruals in current liabilities. The initial recognition of the Royalty Provision is determined by discounting the future annual guaranteed cash flows at the then market rate.

(d) Amount represents the net defined benefit obligation for a defined benefit plan.

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality rate of plan participants both during and after their employment and future salaries of plan participants. An increase in the life expectancy and future salaries of the plan participants will both increase the plan's liability.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out as at 31 December 2019 by an independent qualified professional valuer. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Of the expense for the year, HK$20 million (2018: HK$12 million) has been included in administrative expenses.

The remeasurement of the net defined benefit liability is included in other comprehensive income.

36. DEFERRED TAXATION

The movement in the net deferred tax assets and liabilities is as follows:

	2019 HK$'million	2018 HK$'million
As at 1 January	**(3,294)**	(2,587)
Exchange adjustments	**163**	139
Arising from acquisition of subsidiaries (note 40)	—	(683)
Charged to consolidated statement of profit or loss (note 13)	**(277)**	(160)
Charged to other comprehensive income (note 13)	—	(38)
Disposal of subsidiaries (note 39)	—	35
As at 31 December	**(3,408)**	(3,294)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$1,723 million (2018: HK$1,228 million) to be carried forward against future taxable income. These amount expire in the following years:

	2019 HK$'million	2018 HK$'million
2019	—	95
2020	**122**	122
2021	**148**	152
2022	**430**	365
2023	**590**	494
2024	**433**	—
	1,723	1,228

36. DEFERRED TAXATION (CONTINUED)

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax liabilities

	Withholding tax relating to unremitted earnings		Accelerated tax depreciation allowance		Fair value gains and others		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'million	HK$'million	**HK$'million**	HK$'million	**HK$'million**	HK$'million	**HK$'million**	HK$'million
As at 1 January	**(1,059)**	(909)	**(1,835)**	(1,271)	**(460)**	(458)	**(3,354)**	(2,638)
Exchange adjustments	**30**	49	**128**	84	**13**	19	**171**	152
Arising from acquisition of subsidiaries (note 40)	**—**	—	**—**	(705)	**—**	(17)	**—**	(722)
(Charged)/credited to profit or loss	**(487)**	(199)	**129**	53	**(127)**	(10)	**(485)**	(156)
Charged to other comprehensive income – Revaluation of equity investments at FVTOCI	**—**	—	**—**	—	**—**	(38)	**—**	(38)
Disposal of subsidiaries (note 39)	**—**	—	**—**	4	**—**	44	**—**	48
As at 31 December	**(1,516)**	(1,059)	**(1,578)**	(1,835)	**(574)**	(460)	**(3,668)**	(3,354)

Deferred tax assets

	Provision		Others		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'million	HK$'million	**HK$'million**	HK$'million	**HK$'million**	HK$'million
As at 1 January	**9**	10	**51**	41	**60**	51
Exchange adjustments	**1**	—	**(9)**	(13)	**(8)**	(13)
Arising from acquisition of subsidiaries (note 40)	**—**	—	**—**	39	**—**	39
Credited/(charged) to profit or loss	**10**	(1)	**198**	(3)	**208**	(4)
Disposal of subsidiaries (note 39)	**—**	—	**—**	(13)	**—**	(13)
As at 31 December	**20**	9	**240**	51	**260**	60

37. CREDITORS AND ACCRUALS

	2019 HK$'million	2018 HK$'million
Trade creditors (Note (a))	**338**	396
Put Option Liability (note 35)	**818**	—
Amounts due to fellow subsidiaries (Note (b))	**253**	183
Amounts due to associates (Note (b))	**101**	60
Other payables and accruals	**3,197**	3,045
	4,707	3,684

Notes:

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

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

(b) The balances are unsecured, interest-free and repayable on demand.

38. INFORMATION OF THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to net cash inflow from operations:

	2019 HK$'million	2018 HK$'million
Earnings before finance costs, net, taxation and share of profits less losses of associates and joint ventures	**9,243**	6,014
Adjustments for:		
Depreciation and amortisation	**1,996**	1,970
Increase in fair value of investment properties	**(105)**	(376)
(Increase)/decrease in fair value of financial assets at FVTPL	**(513)**	1,113
Increase in fair value of financial liabilities at FVTPL	**414**	149
Net allowance for credit losses of trade debtors and other debtors	**38**	8
Gain on resumption of land parcels at Qianhai	**(4,820)**	—
Gain on resumption of land parcels at Shantou	**(688)**	—
Gain on disposal of property, plant and equipment	**(17)**	(15)
Gain on deemed disposal of interest in a joint venture	**(440)**	—
Gain on disposal of subsidiaries	**—**	(4,400)
Operating profit before working capital changes	**5,108**	4,463
Increase in inventories	**(15)**	(27)
Increase in debtors, deposits and prepayments	**(490)**	(33)
Increase in creditors and accruals	**351**	144
Net cash inflow from operations	**4,954**	4,547

38. INFORMATION OF THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows used in financing activities.

	Bank and other borrowings											
	Bank loans HK$'million	Loans from the ultimate holding company and an intermediate holding company HK$'million	Loans from a non-controlling equity holder of a subsidiary HK$'million	Loans from fellow subsidiaries HK$'million	Loan from an associate HK$'million	Loan from immediate holding company HK$'million	Notes payable HK$'million	Lease liabilities HK$'million	Interest payable (included in creditors and accruals) HK$'million	Dividend payable to non-controlling equity holders of subsidiaries (included in creditors and accruals) HK$'million	Dividend payable to equity holders of the Company HK$'million	Total HK$'million
At 31 December 2018	12,280	–	446	634	276	–	25,220	–	618	51	–	39,525
Adjustment upon application of HKFRS 16	–	–	–	–	–	–	–	1,098	–	–	–	1,098
At 1 January 2019 (restated)	12,280	–	446	634	276	–	25,220	1,098	618	51	–	40,623
Financing cash flows	10	–	–	413	(276)	371	(617)	(170)	(1,944)	(213)	(1,639)	(4,065)
Non-cash changes												
Exchange adjustments	(199)	–	8	(20)	–	(5)	(168)	(23)	–	38	–	(369)
Interest capitalised	–	–	–	–	–	–	–	–	22	–	–	22
Issue of shares in lieu of dividends	–	–	–	–	–	–	–	–	–	–	(1,544)	(1,544)
Interest expense	–	–	–	–	–	–	41	54	1,901	–	–	1,996
Declaration of dividend	–	–	–	–	–	–	–	–	–	269	3,183	3,452
New leases entered into (net) and lease modification	–	–	–	–	–	–	–	43	–	–	–	43
At 31 December 2019	12,091	–	454	1,027	–	366	24,476	1,002	597	145	–	40,158
At 1 January 2018	10,747	179	445	2,261	276	–	14,652	–	292	248	–	29,100
Financing cash flows	943	(178)	–	(1,085)	–	–	10,126	–	(1,685)	(1,016)	(1,802)	5,303
Non-cash changes												
Acquisition of subsidiaries	1,349	–	–	–	–	–	1,365	–	–	–	–	2,714
Disposal of subsidiaries	(178)	–	–	(515)	–	–	(611)	–	(9)	(105)	–	(1,418)
Exchange adjustments	(581)	(1)	1	(27)	–	–	(361)	–	115	50	–	(804)
Interest capitalised	–	–	–	–	–	–	–	–	45	–	–	45
Issue of shares in lieu of dividends	–	–	–	–	–	–	–	–	–	–	(863)	(863)
Interest expense	–	–	–	–	–	–	49	–	1,860	–	–	1,909
Declaration of dividend	–	–	–	–	–	–	–	–	–	874	2,665	3,539
At 31 December 2018	12,280	–	446	634	276	–	25,220	–	618	51	–	39,525

39. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2018

In June 2018, the Company completed the disposal of its entire approximately 34% equity interest in CMPG (formerly known as Chiwan Wharf Holdings Limited), a non-wholly-owned subsidiary of the Company whose A shares and B shares are listed on the Shenzhen Stock Exchange, to subsidiaries of CMG, for a total cash consideration of HK$5,410 million.

During the year ended 31 December 2018, China Nanshan Development (Group) Incorporation ("China Nanshan"), an associate of the Company also completed the disposal of its entire approximately 33% equity interest in CMPG for a consideration of HK$6,510 million to another subsidiary of CMG. This transaction, together with the above disposal of the CMPG Group by the Group, are collectively referred to as the "Disposal".

The Company was entitled to exercise the management rights and has the power to direct the voting rights of the approximately 33% equity interest of CMPG held by China Nanshan pursuant to an entrustment agreement entered into with China Nanshan in previous years, which had been terminated upon the completion of the Disposal during the year ended 31 December 2018 pursuant to an agreement to terminate the said entrustment agreement. Accordingly, upon completion of the Disposal, CMPG Group ceased to be subsidiaries of the Company.

	HK$'million
Analysis of the aggregate assets and liabilities of CMPG Group over which control was lost:	
Goodwill (note 16)	473
Intangible assets (note 16)	141
Property, plant and equipment (note 17)	3,950
Investment properties (note 19)	73
Land use rights (note 20)	1,023
Interests in associates	897
Other financial assets	180
Other non-current assets	345
Deferred tax assets	13
Inventories	21
Debtors, deposits and prepayments	548
Taxation recoverable	29
Cash and bank balances	584
Bank and other borrowings	(1,304)
Other non-current liabilities	(223)
Deferred tax liabilities	(48)
Creditors and accruals	(432)
Taxation payable	(94)
Net assets disposed of	6,176
Gain on the Disposal:	
Cash consideration	5,410
Interests in associates (Note)	2,595
Net assets disposed of	(6,176)
Non-controlling interests	2,677
Cumulative reserves reclassified from equity to profit or loss upon disposal	98
Costs directly attributable to the disposal	(204)
Gain on the Disposal	4,400

39. DISPOSAL OF SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2018 (Continued)

Note: Upon completion of the Disposal, an entity previously accounted for as a subsidiary of the Company had been reclassified as interest in an associate since the Group ceased to control thereof. Included in the amount is the fair value of Group's share of business value of the relevant entity as of the date of the completion of the Disposal. Included in the amount is also the Group's share of China Nanshan's gain of disposal of its entire approximately 33% equity interest in CMPG.

	HK$'million
Net cash inflow arose on disposal:	
Cash consideration received	**5,410**
Less: Cash and cash equivalents disposed of	**(584)**
Payment of tax arising on disposal	**(667)**
	4,159

The cash flows arose from the CMPG Group in the year ended 31 December 2018 prior to the Disposal is set out below:

	HK$'million
Net cash inflow from operating activities	347
Net cash outflow from investing activities	(228)
Net cash outflow from financing activities	(277)
Net cash outflow	(158)

40. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2018

On 4 September 2017, the Group (as the purchaser) entered into a share purchase agreement with TCP (as the intervening party) and several independent third parties who were the original shareholders of TCP (as the seller) (the "Selling Shareholders"), pursuant to which, the Selling Shareholders agreed to sell and the Group agreed to purchase 7,271,233 issued shares of TCP (the "Initial Sale Shares") which were originally owned by the Selling Shareholders. The sale of the Initial Sale Shares to the Group would accelerate the vesting of the stock options granted by TCP (the "TCP Stock Option Plan"). The Selling Shareholders agreed to cause the beneficiaries of the TCP Stock Option Plan to exercise their rights to subscribe for 340,100 shares of TCP under the TCP Stock Option Plan (the "Individual Seller Shares") and to sell all the Individual Seller Shares to the Group (the "TCP Acquisition"). The Initial Sale Shares and the Individual Sellers Shares collectively represent 90% of the issued share capital of TCP. The cash consideration for the acquisition of the Initial Sale Shares and the Individual Sellers Shares was Brazilian Real 2,812 million (equivalent to approximately HK$6,731 million).

40. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2018 (Continued)

Pursuant to the shareholders' agreement, a put option was granted by the Group to the non-controlling equity holders of TCP Group (the "Option Holders") exercisable 2 years after 23 February 2018. The Option Holders have the right to sell to, and require the Group to acquire all of the Option Holders' remaining equity interest of TCP Group after 23 February 2018 at a cash consideration. At initial recognition, the fair value of the put option as at acquisition date amounted to HK$189 million. The Group was also granted with a call option to acquire all of the Option Holders' remaining equity interest of TCP Group, where the fair value of the call option was determined as negligible at initial recognition.

TCP Group is principally engaged in operation of port facilities in Brazil.

The transaction was completed on 23 February 2018. Since then, the Group has the right to appoint the majority of board members to the Board of Directors of TCP, which is the authority of the power to direct the relevant activities of TCP. Accordingly, TCP Group is accounted for as subsidiaries of the Group.

Further details of the TCP Acquisition are set out below:

	HK$'million
Consideration	
Cash	6,731
Fair value of identifiable assets acquired and liabilities assumed:	
Intangible assets (note 16)	6,485
Property, plant and equipment (note 17)	2,453
Deferred tax assets	39
Inventories	1
Debtors, deposits and prepayments	255
Taxation recoverable	40
Cash and bank balances	1,103
Bank and other borrowings	(2,714)
Other non-current liabilities	(4,349)
Deferred tax liabilities	(722)
Creditors and accruals	(274)
Taxation payable	(57)
Total identifiable net assets	2,260

The fair values of the above intangible assets acquired in the TCP Acquisition and the value of put option had been determined by a group of professional valuers, Greater China Appraisal Limited. Fair values of the identifiable assets acquired and liabilities assumed were determined by reference to valuations performed by Greater China Appraisal Limited based on asset-based approach. Significant assumptions of the valuations include the growth rates, discount rates and expected future cash inflows/outflows of TCP Group.

40. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2018 (Continued)

	HK$'million
Net cash outflow arising in the TCP Acquisition:	
Cash consideration	6,731
Less: Cash and bank balances acquired	(1,103)
Net cash outflow during the year ended 31 December 2018	5,628

Trade debtors acquired with a fair value of HK$134 million at the date of acquisition had gross contractual amounts of HK$138 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to HK$4 million.

The non-controlling interests in TCP Group recognised were measured by reference to the fair values of the identifiable assets acquired and liabilities assumed at the acquisition date.

Acquisition-related costs amounting to HK$4 million had been excluded from the consideration transferred and recognised as an administrative expense in the consolidated statement of profit or loss for the year ended 31 December 2018.

Goodwill arose on the TCP Acquisition during the year ended 31 December 2018:

	HK$'million
Cash consideration	6,731
Add: Put option derivative	189
Add: Non-controlling interests	226
Less: Fair values of identifiable net assets acquired	(2,260)
Goodwill arose on acquisition	4,886

Goodwill arose in the acquisition of TCP Group because the cost of the acquisition included a control premium. In addition, the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies as a result of the new presence in Latin America region which would further strengthen the Group's global port network. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

Included in the profit and revenue of the Group for the year ended 31 December 2018 were net profit of HK$107 million and revenue of HK$1,373 million generated by TCP Group.

40. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2018 (Continued)

Had the TCP Acquisition been completed on 1 January 2018, total group revenue for the year ended 31 December 2018 would have been HK$10,287 million, and profit for the year ended 31 December 2018 would have been HK$7,976 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the TCP Acquisition been completed on 1 January 2018, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had the TCP Acquisition been completed at the beginning of 2018, the directors of the Company had:

- calculated depreciation of property, plant and equipment and amortisation of intangible assets acquired on the basis of the fair values arising in the accounting for the acquisition rather than the carrying amounts recognised in the pre-acquisition financial statements; and

- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the acquisition.

41. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

For the year ended 31 December 2018

In September 2018, a non-wholly-owned subsidiary of the Company completed the acquisition of an additional 80% equity interest in Shenzhen Haixing Xiaoyetian Logistics Development Company Limited ("Shenzhen Xiaoyetian") from an independent third party (the "Xiaoyetian Acquisition"). After the Xiaoyetian Acquisition, the Group's equity interest in Shenzhen Xiaoyetian had increased from 20% to 100%. Shenzhen Xiaoyetian was previously recognised as a financial asset at FVTPL. The total cash consideration was RMB133 million (equivalent to approximately HK$153 million).

The transaction was accounted for as acquisition of assets during the year ended 31 December 2018 as the acquisition did not meet the definition of business combination.

	HK$'million
Consideration	
Cash	153
Fair value of previously held equity interest in Shenzhen Xiaoyetian	49
Total consideration	202

41. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY (CONTINUED)

For the year ended 31 December 2018 (Continued)

	HK$'million
The net assets acquired in the Xiaoyetian Acquisition were as follows:	
Investment properties (note 19)	13
Land use right (note 20)	45
Cash and bank balances	143
Debtors, deposits and prepayments	1
Total identifiable net assets	202
Net cash outflow arose in the Xiaoyetian Acquisition:	
Cash consideration	153
Less: Cash and bank balances acquired	(143)
Net cash outflow during the year ended 31 December 2018	10

The fair value of other receivables at the date of acquisition amounted to HK$1 million which was also the gross contractual amount and best estimate contractual cash flow at the date of acquisition.

42. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments for property, plant and equipment and intangible assets that are contracted but not provided for

	2019 HK$'million	2018 HK$'million
Group:		
Property, plant and equipment and intangible assets	3,312	4,105
Joint ventures:		
Property, plant and equipment	54	523
	3,366	4,628

(b) Capital commitments for investments that are contracted but not provided for

	2019 HK$'million	2018 HK$'million
Group:		
Ports projects	7,545	6

42. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(c) Commitments under operating leases where the Group as lessee

As at 31 December 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases for property, plant and equipment and land use rights as follows:

	2018 HK$'million
Within one year	136
In the second to fifth year inclusive	202
After the fifth year	1,655
	1,993

(d) Future operating lease receivables where the Group as lessor

As at 31 December 2019, the Group has future aggregate lease receivables under non-cancellable operating leases for investment properties and property, plant and equipment as follows:

	2019 HK$'million
Within one year	**279**
In the second year	**174**
In the third year	**127**
In the fourth year	**91**
In the fifth year	**82**
After the fifth year	**270**
	1,023

	2018 HK$'million
Within one year	290
In the second to fifth year inclusive	492
After the fifth year	296
	1,078

42. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(e) Contingent liabilities

(i) As at 31 December 2019, TCP Group has significant contingent liabilities arising from pending legal proceedings in Brazil in respect of disputes with local tax authorities, employees or former employees of TCP Group and other parties, amounting to HK$306 million (2018: HK$369 million), which, based on the latest estimates of the management of the Group, is not probable that outflows of resources embodying economic benefits will be required to settle these obligations. Accordingly, no provision for litigation claims in respect of the above cases has been made in the consolidated financial statements. A counter indemnity in favour of the Group is executed by the Selling Shareholders pursuant to which the latter indemnify to the Group for the above contingent liabilities for and up to predetermined amounts and specified length of time.

(ii) As at 31 December 2019 and 2018, the other shareholder of an associate of which the Group held as to 49% of its issued share capital provided corporate guarantees to the full amount for certain loan facilities granted by banks to and other obligations borne by the relevant associate. A counter indemnity in favour of the other shareholder of the associate is executed pursuant to which the Group undertakes to indemnify the other shareholder 49% of the liabilities in the aggregate amount of HK$90 million (2018: HK$108 million) arising from the above loan facilities and other obligations.

In addition to above, the Group also provides guarantees for banking facilities granted to and other obligations borne by an associate of CMG. The total amount guaranteed by the Group is HK$224 million (2018: nil) and the aggregate amount utilised by the relevant related party amounted to HK$132 million (2018: nil).

As at 31 December 2018, the Group has also provided guarantees for banking facilities granted to and other obligations borne by an associate of the Group. The total amount guaranteed by the Group was HK$392 million and the aggregate amount utilised by the relevant associate amounted to HK$28 million. The Group has been released from the guarantee upon expiring by the relevant deed of guarantee during the current year.

The directors of the Company assessed the risk of default of the related party and the associates in serving the aforesaid loan facilities and other obligations at the end of the reporting period and considered the risk to be insignificant and it is not likely that any guaranteed amount will be claimed.

(iii) As at 31 December 2019 and 2018, the Company was involved in a legal action involving dispute over the Group's overseas investment. Based on advice of legal counsel and information available to the Group, the directors of the Company are of the opinion that it is pre-mature to assess the possible outcome of the case and the Company is unable to ascertain the likelihood and estimate a reliable amount of the claim at the current stage.

43. RELATED PARTY TRANSACTIONS

The directors of the Company regard CMG, a stated-owned enterprise registered in the PRC and is controlled by the PRC government, as being the ultimate holding company of the Company.

Related parties refer to entities in which CMG has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Company and its subsidiaries. Other than as disclosed elsewhere in these consolidated financial statements, a summary of significant related party transactions entered into in the normal course of business between the Group and its related parties during the year and balances arising from related transactions as at 31 December 2019 are as follows:

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Balances and transactions with associates and joint ventures of the Group and with CMG, its subsidiaries, associates and joint ventures (collectively referred to as the "CMG Group")

	Note	**2019 HK$'million**	2018 HK$'million
Rental income from	(i)		
– immediate holding company		**3**	3
– fellow subsidiaries		**49**	26
– joint ventures		**6**	—
Interest expenses on lease liabilities	(i)		
– fellow subsidiaries		**3**	—
Expenses relating to short-term leases	(i)		
– fellow subsidiaries		**3**	—
Operating lease expenses made to	(i)		
– fellow subsidiaries		**N/A**	105
– associates		**N/A**	33
– a joint venture		**N/A**	1
Service income from	(ii)		
– an intermediate holding company		**2**	2
– fellow subsidiaries		**69**	95
– associates		**33**	43
– joint ventures		**85**	105
– related parties		**18**	27
Service fees paid to	(iii)		
– fellow subsidiaries		**68**	81
– associates		**19**	23
– joint ventures		**21**	18
– a related party		**1**	—
Interest income from			
– a fellow subsidiary	(iv)	**8**	17
– associates	(v)	**2**	3
– a joint venture	(v)	**71**	41
– a related party	(v)	**21**	61
Interest expenses and upfront fees paid to			
– an intermediate holding company	(vi)	**—**	5
– immediate holding company	(vi)	**1**	—
– a fellow subsidiary	(vi)	**33**	52
– an associate	(vi)	**8**	29

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Balances and transactions with associates and joint ventures of the Group and with CMG, its subsidiaries, associates and joint ventures (collectively referred to as the "CMG Group") (Continued)

Notes:

(i) The Group rented certain vessels and properties from and leased office premises and residential units to the CMG Group. Lease payments were received or charged at a fixed amount per month in accordance with respective tenancy agreements.

As at 31 December 2019, the Group has additional right-of-use-assets of HK$17 million and lease liabilities of HK$17 million in relation to these leases (2018: N/A).

(ii) The ports, logistics and information technology service fees were charged with reference to market rates.

(iii) These related parties provided barges to bring cargos into terminals operated by the Group and provided cargo management services to the Group. The service fees were charged with reference to market rates.

(iv) As at 31 December 2019, the Group placed deposits of HK$644 million (2018: HK$494 million) with China Merchants Group Finance Co., Ltd., a subsidiary of CMG, which is a financial institution approved and regulated by the People's Bank of China and the China Banking Regulatory Commission. The amounts are included in cash and bank balances.

Interest income was charged at interest rates ranging from 1.61% to 3.30% (2018: 1.61% to 3.12%) per annum.

(v) Interest income was charged at interest rates as specified in notes 24 and 27 on the outstanding advance to associates of the Group and a joint venture, and amount due from a related party.

(vi) Interest expenses were charged at interest rates as specified in note 33 on the outstanding amounts due to these related parties.

(vii) During the year ended 31 December 2019, a subsidiary of the Company entered into a transaction with a related party for leasing of a parcel of land located in Djibouti. At inception of the relevant lease, the Group recognised right-of-use assets of HK$217 million. Lease payment of HK$217 million has been made by the Group during the year. As at 31 December 2019, the corresponding carrying amount of the right-of-use asset is HK$214 million.

(viii) During the year ended 31 December 2019, the Group acquired property, plant and equipment of HK$5 million (2018: nil) from fellow subsidiaries.

(ix) Pursuant to the relevant agreements entered into between the Group, QHSH and the CMG Group, the Group's participation in the development of the Qianhai-Shekou Free Trade Zone includes:

(1) resumption of certain land parcels held by two subsidiaries of the Group in Qianhai, Shenzhen, the PRC, by QHSH. The compensation for the resumption includes cash of RMB5,693 million (equivalent to approximately HK$6,457 million) and a piece of land located in Dachan Bay Port Phase II, Shenzhen, the PRC;

(2) the establishment of a joint venture company (the "Joint Venture Company") by (i) an entity established in the PRC in which the Group holds 14% equity interest ("A1 Company", with the other 86% equity interest being held by certain members of the CMG Group) and (ii) a subsidiary of QHSH; and

(3) the injection into the Joint Venture Company of certain land parcels by A1 Company and injection of cash of RMB1,407 million (equivalent to approximately HK$1,596 million) into A1 Company by the Group, of which RMB1,190 million (equivalent to approximately HK$1,350 million) was injected into the Joint Venture Company.

During the year ended 31 December 2019, QHSH has assigned the land and related debt to a subsidiary of A1 Company ("A2 Company") and the Group has received the compensation in cash of RMB5,693 million (equivalent to approximately HK$6,457 million) from A2 Company. As at 31 December 2019, the Group has not received the said piece of land in Dachan Bay.

Other parties' participation in the Qianhai-Shekou Free Trade Zone include, among others:

(1) the injection into the Joint Venture Company of certain land parcels and injection of cash of RMB8,643 million (equivalent to approximately HK$9,803 million) into A1 Company by certain members of the CMG Group, of which RMB7,310 million (equivalent to approximately HK$8,291 million) has been injected into the Joint Venture Company; and

(2) the injection into the Joint Venture Company of certain land parcels by QHSH.

(x) During the year ended 31 December 2018, the Company disposed of its entire interest in CMPG Group to certain subsidiaries of CMG for an aggregate cash consideration of HK$5,410 million. Further details are set out in note 39.

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Balances and transactions with associates and joint ventures of the Group and with CMG, its subsidiaries, associates and joint ventures (collectively referred to as the "CMG Group") (Continued)

Notes: (Continued)

(xi) During the year ended 31 December 2018, the Company acquired 50% of the total equity interests in the Port of Newcastle from CMU and its subsidiary, including the interest-bearing shareholder's loan from CMU to the Port of Newcastle, for a total cash consideration of HK$3,488 million. Further details are set out in note 23.

(xii) During the year ended 31 December 2013, a wholly-owned subsidiary of the Company entered into a transaction with a fellow subsidiary for acquisition of a land use right located in Shenzhen, the PRC, at a consideration of HK$17 million. The transaction has not yet completed as at 31 December 2018 and the amount paid by the Group amounting to HK$17 million was accounted for as a prepayment for purchase of non-current assets set out in note 25. The above transaction has been completed during the current year together with the resumption of the land parcels at Qianhai as set out in note (ix) above.

(xiii) As at 31 December 2019, the Group placed deposits of HK$886 million (2018: HK$963 million) with China Merchants Bank Co., Ltd. ("CMB"), an associate of CMG.

During the year, interest income from CMB amounted to HK$18 million (2018: HK$40 million).

During the year ended 31 December 2018, interest expense paid and payable to CMB amounted to HK$1 million.

The balances with entities within CMG Group as at 31 December 2019 and 31 December 2018 are disclosed in notes 24, 27, 33 and 37.

Save and except for those connected transactions or continuing connected transactions under the Listing Rules set out under "Connected Transactions" in the section "Report of the Directors" in this annual report, the other transactions as set out in this note 43(a) were not regarded as connected transactions or continuing connected transactions under the Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

(b) Transactions with other PRC state-controlled entities

A number of subsidiaries of the Company operate in Mainland China, an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government. These PRC subsidiaries therefore have substantial volumes of transactions with other PRC state-controlled entities during their ordinary course of businesses including but not limited to the purchases of assets, construction of ports and related facilities, bank deposits and borrowings, among others.

(c) Balance and transaction with a non-controlling equity holder of a subsidiary:

	2019 HK$'million	2018 HK$'million
Interest expense paid (Note)	**20**	20

Note: Interest expense was charged at interest rate as set out in note 33 on the outstanding loans from a non-controlling equity holder of a subsidiary.

The balance with a non-controlling equity holder of a subsidiary as at 31 December 2019 and 2018 are disclosed in note 33.

(d) Key management compensation

	2019 HK$'million	2018 HK$'million
Salaries and other short-term employee benefits	**35**	20

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The table below lists only those subsidiaries of the Company which, in the opinion of the directors, principally affect the results for the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Particulars of the Company's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Issued share capital/ registered capital	Proportion of effective ownership interest held by the Company				Principal activities
			Directly		Indirectly		
			2019 %	2018 %	2019 %	2018 %	
China Merchants Container Services Limited	Hong Kong	HK$500,000	—	—	100.00	100.00	Provision of container terminal services and ports transportation
China Merchants Holding (International) Information on Technology Co., Ltd. (Note (b))	PRC	RMB50,000,000	76.84	76.84	—	—	Provision of computer network services
China Merchants International Terminals (Ningbo) Limited	British Virgin Islands	US$1	100.00	100.00	—	—	Investment holding
China Merchants International Container Terminal (Qingdao) Co., Ltd. (Note (a))	PRC	US$206,300,000	—	—	100.00	100.00	Provision of container terminal services and ports transportation
China Merchants International Terminal (Qingdao) Company Ltd. (Note (b))	PRC	US$44,000,000	—	—	90.10	90.10	Port, container terminal and logistics business
China Merchants Bonded Logistics Co., Limited (Note (b))	PRC	RMB700,000,000	—	—	60.00	60.00	Provision of container related logistics services
China Merchants Port Services (Shenzhen) Company Limited (Note (a))	PRC	RMB550,000,000	—	—	100.00	100.00	Provision of terminal services and ports transportation
CMH International (China) Investment Co., Ltd. (Note (a))	PRC	US$30,000,000	100.00	100.00	—	—	Investment holding

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration and operation	Issued share capital/ registered capital	Proportion of effective ownership interest held by the Company Directly 2019 %	Directly 2018 %	Indirectly 2019 %	Indirectly 2018 %	Principal activities
Colombo International Container Terminals Limited	Republic of Sri Lanka	US$150,000,088	**85.00**	85.00	—	—	Provision of container terminal services
Guangdong Yide Port Limited (Note (b))	PRC	RMB216,000,000	—	—	**51.00**	51.00	Port operations
Hambantota International Port Group (Private) Limited	Republic of Sri Lanka	US$794,000,000	—	—	**85.00**	85.00	Port development, management and operation
Hambantota International Port Services Company (Private) Limited (Note (d))	Republic of Sri Lanka	US$606,000,000	—	—	**49.30**	49.30	Port management
Lomé Container Terminal S.A. (Note (c))	Togolese Republic	XOF200,000,000	—	—	**35.00**	35.00	Provision of container terminal services
Mega Shekou Container Terminals Limited	British Virgin Islands	US$120	—	—	**80.00**	80.00	Investment holding
Shantou China Merchants Port Group Co., Ltd.	PRC	RMB125,000,000	—	—	**60.00**	60.00	Port operations
Shekou Container Terminals Ltd. (Note (a))	PRC	HK$618,201,150	—	—	**80.00**	80.00	Operation of berths No. 1 & 2 in Shekou, the PRC
Shekou Container Terminals (Phase II) Company Limited (Note (a))	PRC	RMB608,549,000	—	—	**80.00**	80.00	Operation of berths No. 3 & 4 in Shekou, the PRC
Shekou Container Terminals (Phase III) Company Limited (Note (a))	PRC	RMB1,276,000,000	—	—	**80.00**	80.00	Operation of berths No. 5 to 9 in Shekou, the PRC

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration and operation	Issued share capital/ registered capital	Proportion of effective ownership interest held by the Company				Principal activities
			Directly		Indirectly		
			2019	2018	**2019**	2018	
			%	%	**%**	%	
Shenzhen China Merchants Qianhaiwan Property Company Limited	PRC	RMB200,000,000	**—**	—	**100.00**	100.00	Property holding
Shenzhen Haiqin Engineering Supervision & Management Co., Ltd. (Note (a))	PRC	RMB3,000,000	**—**	—	**100.00**	100.00	Provision of services on ports construction
Shenzhen Haixing Harbour Development Company Ltd. (Note (b))	PRC	RMB530,729,167	**—**	—	**67.00**	67.00	Provision of container terminal services
Shenzhen Jinyu Rongtai Investment Development Company Limited	PRC	RMB800,000,000	**—**	—	**100.00**	100.00	Property holding
Shenzhen Mawan Port Service Co., Ltd. (Note (b))	PRC	RMB200,000,000	**—**	—	**70.00**	70.00	Operation of berth No. 5 in Mawan, Shenzhen, the PRC
Shenzhen Mawan Terminals Co., Ltd. (Note (b))	PRC	RMB335,000,000	**—**	—	**70.00**	70.00	Operation of berths No. 6 & No. 7 in Mawan, Shenzhen, the PRC
Shenzhen Mawan Wharf Co., Ltd. (Note (b))	PRC	RMB200,000,000	**—**	—	**70.00**	70.00	Operation of berth No. 0 in Mawan, Shenzhen, the PRC
TCP Participações S.A.	Federative Republic of Brazil	Brazilian Real 68,851,561	**—**	—	**67.45**	90.00	Provision of container terminal services
Xia Men Bay China Merchants Terminals Co., Ltd. (Notes (b) and (d))	PRC	RMB354,050,000	**—**	—	**31.00**	31.00	Provision of terminal services and ports transportation
Zhangzhou China Merchants Port Co., Ltd. (Note (b))	PRC	RMB1,000,000,000	**—**	—	**60.00**	60.00	Operation of berths No. 3 to 6 in the Zhangzhou Economic Development Zone Fujian Province, the PRC

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration and operation	Issued share capital/ registered capital	Proportion of effective ownership interest held by the Company				Principal activities
			Directly		Indirectly		
			2019 %	2018 %	2019 %	2018 %	
Zhangzhou China Merchants Tugboat Company Limited (Note (b))	PRC	RMB15,000,000	—	—	70.00	70.00	Operation of tugboats in the Zhangzhou Economic Development Zone, Fujian Province, the PRC
安運捷碼頭倉儲服務（深圳）有限公司 (Note (a))	PRC	RMB60,600,000	—	—	80.00	80.00	Holding of certain pieces of land in Shekou, the PRC

Notes:

(a) Foreign investment enterprises.

(b) Sino-foreign joint ventures.

(c) This entity is considered to be a subsidiary of the Company despite that the Group holds effective equity interest of 35% therein as the Group has the power to appoint and remove the majority of the executive committee of the entity, which is empowered to direct the relevant activities of control of the investee by virtue of the shareholders' agreement.

(d) These entities are considered to be subsidiaries of the Company despite that the Group holds less than half of the equity interest therein as the Group has the power to appoint and remove the majority of the Board of Directors of the relevant entities and holds more than half of the voting rights at the relevant Board of Director's and shareholders' meetings of the respective entities by virtue of agreements with other investors.

45. PARTICULARS OF PRINCIPAL ASSOCIATES

Name of associate	Place of incorporation/ registration and operation	Proportion of effective ownership interest indirectly held by the Company 2019 %	2018 %	Principal activities
Asia Airfreight Terminal Company Limited	Hong Kong	**20.00**	20.00	Airfreight services
China Nanshan Development (Group) Incorporation (Note (a))	PRC	**37.01**	37.01	Investment holding
Chiwan Container Terminal Co., Ltd. (Note (a))	PRC	**14.16**	14.16	Ports and container terminal business
Chu Kong River Trade Terminal Co., Limited	British Virgin Islands	**20.00**	20.00	Provision of shuttle-barge ports services
Dalian Port (PDA) Company Limited (shares listed on the HKSE and the Shanghai Stock Exchange) (Note (a))	PRC	**21.05**	21.05	Provision of terminal business and logistics services
Modern Terminals Limited	Hong Kong	**27.01**	27.01	Provision of container terminal services and warehouse services
Port de Djibouti S.A.	Republic of Djibouti	**23.50**	23.50	Operations of seaports and terminals and port related business in Djibouti
Shanghai International Port (Group) Co., Ltd. (A shares listed on the Shanghai Stock Exchange) (Note (a))	PRC	**26.77**	26.77	Ports and container terminal business and related services

45. PARTICULARS OF PRINCIPAL ASSOCIATES (CONTINUED)

Name of associate	Place of incorporation/ registration and operation	Proportion of effective ownership interest indirectly held by the Company 2019 %	2018 %	Principal activities
Shenzhen China Merchants Qianhai Assets Development Co., Ltd.	PRC	**14.00**	14.00	Property development and management in Qianhai trade zone
Terminal Link SAS	French Republic	**49.00**	49.00	Operations of container terminals in Europe, Mediterranean, Africa, Americas and Asia
Tianjin Haitian Bonded Logistics Co., Ltd. (Note (a))	PRC	**49.00**	49.00	Provision of container terminal services and warehouse services
Tianjin Port Container Terminal Co., Ltd. (Note (b))	PRC	**7.31**	N/A	Ports and container terminal business
Tin-Can Island Container Terminal Ltd.	Federal Republic of Nigeria	**28.50**	28.50	Provision of container terminal services
Zhanjiang Port (Group) Co., Ltd. (Note (a) and (c))	PRC	**27.58**	N/A	Ports and container terminal business

Notes:

(a) Sino-foreign joint ventures.

(b) During the year ended 31 December 2019, Tianjin Five Continents International Container Terminal Co., Ltd. ("Tianjin Five Continents") which previously was accounted as an equity investment at FVTOCI of the Company, entered into a merger agreement with 2 external container companies and their shareholders, pursuant to which Tianjin Five Continents would be absorbed and merged into Tianjin Port Container Terminal Co., Ltd. ("Tianjin Port Container").The relevant shareholders will hold equity interest in Tianjin Port Container, and the shareholding proportion is determined based on their respective shareholding proportion calculation amount in the original companies. After the completion of the merger, Tianjin Port Container is considered to be an associate of the Company despite that the Group holds less than 20% of the equity interest therein, as the Group has significant influence to appoint and remove the executive committee of the entity, which is empowered to direct the relevant activities of influence of the investee by virtue of the new shareholders' agreement.

(c) During the year ended 31 December 2019, 1,853,518,190 shares of ZJG were issued to a fellow subsidiary and another party. Following the subscription of new shares by the subscribers, the Group's interest in ZJG has been diluted from 40.29% to 27.58%. Under the new shareholders' agreement, decisions of relevant activities of ZJG do not require unanimous consent from all of its shareholders, including the Group.

Upon completion of the transaction, this entity previously accounted for as a joint venture of the Company has been classified as interest in an associate as the directors considered the Group had significant influence over the investee.

46. PARTICULARS OF PRINCIPAL JOINT VENTURES

Name of joint venture	Issued capital/ registered capital	Proportion of effective ownership interest held by the Company indirectly 2019 %	2018 %	Principal activities
Euro-Asia Oceangate S.àr.l.	US$940,141,587.60	**40.00**	40.00	Ports and container terminal business
Ningbo Daxie China Merchants International Terminals Co., Ltd. (Note (a))	RMB1,209,090,000	**45.00**	45.00	Ports and container terminal business
PONI Corporate Trust Group	AUD118,087,000	**50.00**	50.00	Management of port operation and port development
PONI Property Trust Group	AUD550,103,000	**50.00**	50.00	Provision of finance for port operation and property investment
Qingdao Port Dongjiakou Ore Terminal Co., Ltd. (Note (a))	RMB1,400,000,000	**25.00**	25.00	Ports and bulk cargo terminal business
Qingdao Qianwan United Container Terminal Co., Ltd.	RMB2,000,000,000	**50.00**	50.00	Ports and container terminal business
Qingdao Qianwan West Port United Terminal Co., Ltd.	RMB500,000,000	**49.00**	49.00	Ports and bulk cargo terminal business
Zhanjiang Port (Group) Co., Ltd. (Note (a) and (b))	RMB4,020,690,955	**N/A**	40.29	Ports and container terminal business

Notes:

(a) Sino-foreign joint ventures.

(b) Further details are set out in notes 23 and 45.

Under the relevant shareholders' agreement, decisions of relevant activities of the entities above require unanimous consent from relevant joint venture partner(s). Accordingly, neither the Group nor the other venture partners(s) has the ability to control the relevant entities unilaterally and each of the entity above is considered as jointly controlled by the Group and the relevant joint venture partner(s).

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 HK$'million	2018 HK$'million
ASSETS		
Non-current assets		
Property, plant and equipment	418	433
Interests in subsidiaries	69,528	67,110
Interests in associates	588	131
Other financial assets	—	97
Prepayment	6	6
	70,540	67,777
Current assets		
Debtors, deposits and prepayments	11	1,190
Advances to subsidiaries	2,071	2,296
Advances to an associate	69	68
Cash and bank balances	1,650	1,441
	3,801	4,995
Total assets	74,341	72,772
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	40,614	39,070
Reserves (Note)	3,119	3,044
Proposed dividend (Note)	2,000	2,431
Total equity	45,733	44,545

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

	2019 HK$'million	2018 HK$'million
LIABILITIES		
Non-current liabilities		
Advances from subsidiaries	—	20,949
Bank and other borrowings	3,101	4,207
	3,101	25,156
Current liabilities		
Advances from subsidiaries	20,993	932
Creditors and accruals	391	386
Bank and other borrowings	4,123	1,753
	25,507	3,071
Total liabilities	28,608	28,227
Total equity and liabilities	74,341	72,772
Net current (liabilities)/assets	(21,706)	1,924
Total assets less current liabilities	48,834	69,701

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors on 15 April 2020 and are signed on its behalf by:

Mr. Deng Renjie
DIRECTOR

Mr. Bai Jingtao
DIRECTOR

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Note: The reserves of the Company at 31 December 2019 and 2018 are as follows:

	Capital reserve HK$'million (Note (i))	Retained earnings HK$'million	Total HK$'million
As at 1 January 2019	**2,340**	**3,135**	**5,475**
Profit and total comprehensive income for the year	**—**	**2,827**	**2,827**
Dividends (Note (ii))	**—**	**(3,183)**	**(3,183)**
As at 31 December 2019	**2,340**	**2,779**	**5,119**
Retained earnings as at 31 December 2019 representing:			
Reserves		**779**	
Proposed dividend		**2,000**	
		2,779	
As at 1 January 2018	2,340	4,088	6,428
Profit and total comprehensive income for the year	—	1,712	1,712
Dividends (Note (ii))	—	(2,665)	(2,665)
As at 31 December 2018	2,340	3,135	5,475
Retained earnings as at 31 December 2018 representing:			
Reserves		704	
Proposed dividend		2,431	
		3,135	

Notes:

(i) The Company's capital reserve, which arose in 1998 upon reduction of share premium as confirmed by the order of the High Court of the Hong Kong Special Administrative Region, is a non-distributable reserve and may be applied by the Company in paying up its unissued shares to be allotted to members of the company as fully paid bonus shares.

(ii) Dividends recognised as distribution in the years are as follows:

	2019 HK$'million	2018 HK$'million
Interim dividend of 22 HK cents (2018: 22 HK cents) per ordinary share	**752**	731
2018 final dividend of 73 HK cents (2018: 2017 final dividend of 59 HK cents) per ordinary share	**2,431**	1,934
	3,183	2,665

48. EVENTS AFTER THE REPORTING PERIOD

(i) Outbreak of a respiratory illness caused by COVID-19

Since January 2020, the outbreak of respiratory illness caused by Novel Coronavirus, or known as the COVID-19, has spread globally. It is expected that the COVID-19 will have certain temporary financial impacts on the Group's operation operated by the subsidiaries, associates and joint ventures of the Group in Mainland China and overseas countries. The degree of such impacts will depend on the effects of pandemic prevention and control, the duration of the pandemic and the implementation of prevention and control policies in various regions.

The Group will closely monitor the development of COVID-19 and assess its impact on, among others, the Group's operation and financial performance, and will closely monitor the Group's exposure to the risks and uncertainties in connection with the pandemic.

(ii) Exercise of put option issued to non-controlling equity holders of TCP

On 23 February 2020, certain non-controlling equity holders of TCP (the "Sellers") exercised put option as set out in note 35(b), pursuant to which the Sellers have the right to sell to, and require the Group to acquire all of the Sellers' remaining equity interest of the TCP Group in total of 8,457,036 shares at a cash consideration.

On 24 March 2020, the Group made advance partial payment amounting to US$64 million (equivalent to approximately HK$496 million) to the Sellers and the Sellers simultaneously completed the transfer of the shares to the Group, free and clear of any liens. Pursuant the shareholders' agreement signed on 8 April 2020, the Group and the Sellers agreed that the remaining balance of the purchase price shall be payable by the Group to the Sellers by 20 April 2020.

Up to the date these consolidated financial statements were authorised for issuance, this transaction has not yet been completed.

(iii) Subscription of mandatory convertible bonds issued by, and provision of loan to, an associate

On 25 November 2019, the Company entered into a memorandum of agreement with a third party who indirectly holds 51% of Terminal Link SAS, pursuant to which the Company proposes to subscribe for the mandatory convertible bonds ("Mandatory Convertible Bonds") issued by, and to grant loan to, Terminal Link SAS for a total amount of US$468 million and US$500 million, respectively (equivalent to approximately HK$3,644 million and HK$3,894 million, respectively) to finance the proposed acquisition by Terminal Link SAS of interests in a portfolio of ten terminals owned by the third party and its affiliates ("Proposed Acquisition").

On 26 March 2020, the initial closing of the Proposed Acquisition with respect to eight of these target terminals was completed. The Group also completed the subscription of the corresponding amount of the Mandatory Convertible Bonds and advanced the corresponding amount of the loan in an aggregate amount of approximately US$815 million (equivalent to approximately HK$6,345 million).

Details of the transaction are set out in the announcement of the Company dated 25 November 2019, 22 December 2019 and 26 March 2020.

Up to the date these consolidated financial statements were authorised for issuance, the negotiations relating to the remaining two terminals included in the Proposed Acquisition have not been completed.

Corporate Information

BOARD OF DIRECTORS

Mr. Fu Gangfeng *(Chairman)*
(resigned on 13 February 2020)

Mr. Deng Renjie *(Chairman)*
(appointed on 13 February 2020)

Mr. Su Jian

Mr. Xiong Xianliang

Mr. Bai Jingtao *(Managing Director)*

Mr. Ge Lefu
(appointed on 5 June 2019)

Mr. Wang Zhixian

Mr. Zheng Shaoping

Mr. Kut Ying Hay*

Mr. Lee Yip Wah Peter*

Mr. Li Kwok Heem John*
(resigned on 5 June 2019)

Mr. Li Ka Fai David*

Mr. Bong Shu Ying Francis*

* independent non-executive director

REGISTERED OFFICE

38th Floor, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

COMPANY SECRETARY

Mr. Leung Chong Shun, Practising Solicitor

PRINCIPAL BANKERS

China Development Bank

Bank of China

China Construction Bank

China Merchants Bank

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

AUDITOR

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors

LEGAL ADVISER

Linklaters

STOCK CODE

00144

REGISTRARS

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong

WEBSITE

http://www.cmport.com.hk

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the "**AGM**") of China Merchants Port Holdings Company Limited (the "**Company**") will be held at Granville & Nathan Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 15 June 2020 at 9:30 a.m. for the following purposes:

1 To receive and consider the Audited Consolidated Financial Statements for the year ended 31 December 2019 together with the Report of the Directors and the Independent Auditor's Report.

2 To declare a final dividend of 58 HK cents per share for the year ended 31 December 2019 in scrip form with cash option.

3 A. Each as a separate resolution, to re-elect the following retiring directors of the Company (the "**Directors**"):

(a) To re-elect Mr. Deng Renjie as a Director;

(b) To re-elect Mr. Su Jian as a Director;

(c) To re-elect Mr. Bai Jingtao as a Director;

(d) To re-elect Mr. Kut Ying Hay as a Director; and

(e) To re-elect Mr. Li Ka Fai David as a Director;

B. To authorise the board of Directors (the "**Board**") to fix the remuneration of the Directors.

4 To re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company and to authorise the Board to fix its remuneration.

5 To consider and, if thought fit, to pass with or without modifications the following resolutions as ordinary resolutions:

Ordinary Resolutions

A. "**THAT:**

(a) subject to the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "**Companies Ordinance**"), The Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the terms and conditions of the share option scheme adopted by the shareholders of the Company on 9 December 2011 (the "**Share Option Scheme**"), a mandate be and is hereby unconditionally given to the Directors to exercise during the Relevant Period (as defined in paragraph (c) below) all the powers of the Company to grant options to subscribe for shares of the Company and/or to make or grant offers of options under the Share Option Scheme that would or might require shares of the Company to be allotted and/or options to be granted under the Share Option Scheme;

(b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to grant options and/or to make offers of options under the Share Option Scheme which would or might require the exercise of such power after the end of the Relevant Period;

(c) for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Company's articles of association (the "**Articles of Association**") or any applicable laws to be held; and

(iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting."

B. "**THAT:**

(a) subject to paragraph (c) of this Resolution and pursuant to Sections 140 and 141 of the Companies Ordinance, the exercise by the Directors during the Relevant Period (as defined in paragraph (d) below) of all the powers of the Company to allot, issue and deal with additional shares of the Company or securities convertible into such shares or options, warrants or similar rights to subscribe for any shares in the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such power after the end of the Relevant Period;

(c) the total number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as defined below); (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company; (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue of shares or rights to acquire shares of the Company; or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association, shall not exceed 20 per cent. of the total number of shares of the Company in issue as at the date of the passing of this Resolution (such total number to be subject to adjustment in the case of any conversion of any or all of the shares of the Company into a larger or smaller number of shares of the Company after the passing of this Resolution) and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable law to be held; and

(iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares of the Company open for a period fixed by the Directors to holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong)."

C. "**THAT:**

(a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) below) of all the powers of the Company to buy back its own shares on the Stock Exchange or any other stock exchange on which the securities of the Company may be listed and recognised by Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Listing Rules or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the total number of shares of the Company which may be bought back by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10 per cent. of the total number of the shares of the Company in issue on the date of the passing of this Resolution (such total number to be subject to adjustment in the case of any conversion of any or all of the shares of the Company into a larger or smaller number of shares of the Company after the passing of this Resolution) and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable law to be held; and

(iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting."

D. "**THAT** conditional upon Resolutions numbered 5B and 5C set out in the notice convening this meeting being passed, the total number of shares of the Company which are bought back by the Company under the authority granted to the Directors as mentioned in Resolution numbered 5C set out in the notice convening this meeting shall be added to the total number of shares of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to Resolution numbered 5B set out in the notice convening this meeting, provided that the number of shares bought back by the Company shall not exceed 10 per cent. of the total number of shares of the Company in issue on the date of the passing of this Resolution (such total number to be subject to adjustment in the case of any conversion of any or all of the shares of the Company into a larger or smaller number of shares of the Company after the passing of this Resolution)."

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

Hong Kong, 29 April 2020

Registered Office:
38th Floor, China Merchants Tower,
Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened pursuant to the above notice is entitled to appoint one or more proxies to attend, speak and vote in his place. A proxy need not be a member of the Company.

2. In order to be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of attorney or authority, must be deposited at the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than 48 hours before the time appointed for the meeting or at any adjournment thereof.

3. To ascertain the shareholders' entitlement to attend and vote at the meeting, the register of members of the Company will be closed from 9 June 2020 to 15 June 2020, both days inclusive, during which period no transfer of shares will be effected. In order to qualify to attend and vote at the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, 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.

   Subject to the approval of the shareholders at the meeting, the proposed final dividend will be despatched to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Friday, 19 June 2020. In order to qualify for the proposed final dividend, all transfers and the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, at the above address not later than 4:30 p.m. on Friday, 19 June 2020.

4. Concerning resolutions numbered 5B and 5D above, the Board wishes to state that it has no immediate plans to issue any new shares in the Company. The ordinary resolution is being sought from members as a general mandate in compliance with sections 140 and 141 of the Companies Ordinance and the Listing Rules.

5. Concerning resolution numbered 5C above, the Board wishes to state that it has no immediate plans to buy back any existing shares pursuant to the relevant mandate. Approval is being sought from members as a general mandate to be given to the Directors to buy back shares. The Explanatory Statement required by the Listing Rules in connection with the proposed buy-back mandate will be despatched to members together with the notice of the meeting.

6. Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the Annual General Meeting will be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules. The Chairman of the meeting will therefore demand a poll for every resolution put to the vote at the Annual General Meeting pursuant to Article 54 of the Articles of Association.

7. Taking into account the recent development in relation to the COVID-19 outbreak, the Company will implement the preventive and control measures at the meeting venue of the AGM. Reference should be made to the shareholder circular issued on 29 April 2020 for details. Any person who does not comply with the precautionary measures may be denied entry into the meeting venue. The Company will keep monitoring the evolvement of the COVID-19 outbreak and may implement additional measures as and when appropriate.

8. As at the date of this notice, 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.

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