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

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 00144)

- Throughput of containers handled reached 135.04 million TEUs, up 12.0% (2020: 120.52 million TEUs)
- Throughput of bulk cargoes handled reached 567 million tonnes, up 38.0% (2020: 411 million tonnes)
- Profit attributable to equity holders of the Company amounted to HK$8,144 million, up 58.1% (2020: HK$5,151 million)
- Recurrent profit attributable to equity holders of the Company
  - √ HK$7,537 million, up 81.3% (2020: HK$4,158 million)
  - √ HK$8,043 million, up 72.1%, from ports operation (2020: HK$4,673 million)
- Basic earnings per share totaled 219.87 HK cents, up 50.3% (2020: 146.25 HK cents)
- Final dividend of 72 HK cents per share (2020: 51 HK cents per share)

2021 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") of China Merchants Port Holdings Company Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	**2021** *HK$'million*	**2020** *HK$'million*
Revenue	2	11,850	8,945
Cost of sales		(6,493)	(5,201)
Gross profit		5,357	3,744
Other income and other gains, net	4	981	1,852
Administrative expenses		(1,551)	(1,371)
Finance income	5	400	298
Finance costs	5	(1,815)	(1,822)
Finance costs, net	5	(1,415)	(1,524)
Share of profits less losses of			
Associates		7,103	4,117
Joint ventures		151	340
		7,254	4,457
Profit before taxation		10,626	7,158
Taxation	6	(1,241)	(1,077)
Profit for the year	7	9,385	6,081
Attributable to:			
Equity holders of the Company		8,144	5,151
Holders of perpetual capital securities		227	52
Non-controlling interests		1,014	878
Profit for the year		9,385	6,081
Dividends	8	3,549	2,516
Earnings per share for profit attributable to equity holders of the Company	9		
Basic (HK cents)		219.87	146.25

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	**2020**
	HK$'million	*HK$'million*
Profit for the year	9,385	6,081
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences from retranslation of investments in subsidiaries, associates and joint ventures	2,690	4,407
Release of reserves upon obtaining control of a non-wholly owned subsidiary	—	(87)
Release of reserves upon deemed disposal of a subsidiary	(3)	—
Release of reserves upon deemed disposal of partial interest in associates	(35)	—
Share of other reserve of a joint venture	5	6
Items that will not be reclassified subsequently to profit or loss:		
Net actuarial (loss)/gain on defined benefit plans of subsidiaries	(36)	29
Surplus on revaluation of an owner occupied property upon change of use to investment property	61	—
Share of other reserves of associates	356	6
Share of net actuarial loss on defined benefit plans of associates	(1)	(35)
Total other comprehensive income for the year, net of tax	3,037	4,326
Total comprehensive income for the year	12,422	10,407
Total comprehensive income attributable to:		
Equity holders of the Company	11,101	8,992
Holders of perpetual capital securities	227	52
Non-controlling interests	1,094	1,363
	12,422	10,407

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	**2021**	**2020**
		HK$'million	*HK$'million*
ASSETS			
Non-current assets			
Goodwill		5,641	5,759
Intangible assets		8,607	9,369
Property, plant and equipment		26,846	26,509
Right-of-use assets		17,650	16,553
Investment properties		9,034	8,918
Interests in associates		75,209	67,426
Interests in joint ventures		8,874	9,091
Other financial assets		10,516	7,258
Other non-current assets		203	1,305
Deferred tax assets		394	420
		162,974	152,608
Current assets			
Inventories		166	179
Other financial assets		3,016	81
Debtors, deposits and prepayments	10	2,134	5,493
Taxation recoverable		3	8
Cash and bank balances		9,980	11,290
		15,299	17,051
Non-current assets held for sale		417	405
		15,716	17,456
Total assets		178,690	170,064

	Note	**2021**	**2020**
		HK$'million	*HK$'million*
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		44,017	42,521
Reserves		51,519	43,501
Proposed dividend	8	2,726	1,867
		98,262	87,889
Perpetual capital securities		6,241	6,237
Non-controlling interests		20,295	19,509
Total equity		124,798	113,635
LIABILITIES			
Non-current liabilities			
Bank and other borrowings		22,231	30,240
Lease liabilities		886	886
Other non-current liabilities		4,735	5,229
Deferred tax liabilities		4,851	4,482
		32,703	40,837
Current liabilities			
Creditors and accruals	11	4,304	4,152
Bank and other borrowings		14,551	8,952
Lease liabilities		40	76
Taxation payable		2,294	2,412
		21,189	15,592
Total liabilities		53,892	56,429
Total equity and liabilities		178,690	170,064
Net current (liabilities)/assets		(5,473)	1,864
Total assets less current liabilities		157,501	154,472

NOTES:

1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the Hong Kong Companies Ordinance ("**HKCO**"). The consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of investment properties, financial assets at fair value through profit or loss ("**FVTPL**"), equity instruments at fair value through other comprehensive income and financial liabilities at FVTPL which are carried at fair value at the end of each reporting period.

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

The financial information relating to the years ended 31 December 2021 and 2020 included in this preliminary announcement of annual results 2021 do not constitute the Company's statutory consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the HKCO is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the HKCO and will deliver the consolidated financial statements for the year ended 31 December 2021 in due course.

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

During the year, the Group has applied the amendments to HKFRSs issued by the HKICPA for the first time. The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in this consolidated financial information.

2 Revenue

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

	2021	**2020**
	HK$'million	*HK$'million*
Terminal handling charge, representing loading of cargos and containers on and off vessels at the Group's port terminals, stevedoring and the auxiliary services	11,069	8,304
Warehousing services income, representing temporary storage of cargos and containers, customs clearance services and the auxiliary services	560	469
Revenue from contracts with customers	11,629	8,773
Gross rental income from investment properties	221	172
	11,850	8,945

3 Segment information

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

Individual operating segments for which discrete financial information is available are identified by the CODM and are operated by their respective management teams. These individual operating segments are aggregated in arriving at the reporting 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 ports operation are presented as follows:

(a) Mainland China, Hong Kong and Taiwan

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

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

(ii) Bonded logistics operation includes 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 logistics operation operated by the Group's associates, property investment operated by the Group and corporate function.

Each of the segments under ports operation includes the operations of a number of ports in various locations within the geographic locations. For the purpose of segment reporting, these individual operating segments have been aggregated into reporting segments on geographic basis as these individual operating segments have similar economic characteristics, and they 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 (2020: one) customer has accounted for over 10% of the Group's total revenue amounting to HK$1,745 million (2020: HK$1,471 million).

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

	Revenue		**Non-current assets**	
	2021	**2020**	**2021**	**2020**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
Mainland China, Hong Kong and Taiwan	7,352	5,009	108,106	98,321
Brazil	1,521	1,388	8,117	8,818
Other locations	2,977	2,548	35,841	37,791
	11,850	8,945	152,064	144,930

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 2021										
	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	4,330	1,152	83	1,052	4,452	11,069	560	221	—	221	11,850
Earnings/(losses) before finance costs, net, taxation and share of profits less losses of associates and joint ventures	1,711	410	462	39	2,120	4,742	126	152	(233)	(81)	4,787
Share of profits less losses of											
– Associates	263	4,961	219	191	479	6,113	(16)	1,006	—	1,006	7,103
– Joint ventures	(2)	—	66	11	74	149	1	1	—	1	151
	1,972	5,371	747	241	2,673	11,004	111	1,159	(233)	926	12,041
Finance costs, net	(12)	2	—	(31)	(166)	(207)	(17)	(36)	(1,155)	(1,191)	(1,415)
Taxation	(405)	(272)	(61)	(46)	(370)	(1,154)	(14)	(73)	—	(73)	(1,241)
Profit/(loss) for the year	1,555	5,101	686	164	2,137	9,643	80	1,050	(1,388)	(338)	9,385
Holders of perpetual capital securities	—	—	—	—	—	—	—	—	(227)	(227)	(227)
Non-controlling interests	(260)	(173)	—	(17)	(547)	(997)	(17)	—	—	—	(1,014)
Profit/(loss) attributable to equity holders of the Company	1,295	4,928	686	147	1,590	8,646	63	1,050	(1,615)	(565)	8,144
Other information:											
Depreciation and amortisation	653	237	1	328	924	2,143	88	2	53	55	2,286
Capital expenditure	1,129	352	—	166	224	1,871	13	29	6	35	1,919

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 2020										
	Ports operation						Bonded logistics operation	Other operations			Total
	Mainland China, Hong Kong and Taiwan				Other locations	Sub-total		Other investments	Corporate function	Sub-total	
	Pearl River Delta	Yangtze River Delta	Bohai Rim	Others							
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Revenue	3,432	83	70	812	3,907	8,304	469	172	—	172	8,945
Earnings/(losses) before finance costs, net, taxation and share of profits less losses of associates and joint ventures	1,184	1,217	133	1,097	345	3,976	135	193	(79)	114	4,225
Share of profits less losses of											
– Associates	136	2,510	216	74	330	3,266	21	830	—	830	4,117
– Joint ventures	1	125	145	(1)	66	336	1	3	—	3	340
	1,321	3,852	494	1,170	741	7,578	157	1,026	(79)	947	8,682
Finance costs, net	(2)	2	3	(32)	(123)	(152)	(21)	(38)	(1,313)	(1,351)	(1,524)
Taxation	(273)	(192)	(69)	(529)	59	(1,004)	(17)	(56)	—	(56)	(1,077)
Profit/(loss) for the year	1,046	3,662	428	609	677	6,422	119	932	(1,392)	(460)	6,081
Holders of perpetual capital securities	—	—	—	—	—	—	—	—	(52)	(52)	(52)
Non-controlling interests	(176)	(15)	—	(516)	(145)	(852)	(25)	(1)	—	(1)	(878)
Profit/(loss) attributable to equity holders of the Company	870	3,647	428	93	532	5,570	94	931	(1,444)	(513)	5,151
Other information:											
Depreciation and amortisation	612	19	2	317	947	1,897	110	2	24	26	2,033
Capital expenditure	1,185	88	—	377	362	2,012	24	15	10	25	2,061

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 reporting segments, and all liabilities other than taxation payable and deferred tax liabilities are allocated to reporting segments.

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

	As at 31 December 2021										
	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)	20,092	6,938	1,040	12,077	35,599	75,746	3,393	8,928	5,726	14,654	93,793
Interests in associates	2,960	36,076	5,186	3,353	9,380	56,955	817	17,437	—	17,437	75,209
Interests in joint ventures	10	—	3,047	378	5,409	8,844	7	23	—	23	8,874
Non-current assets held for sale	—	—	—	417	—	417	—	—	—	—	417
Total segment assets	23,062	43,014	9,273	16,225	50,388	141,962	4,217	26,388	5,726	32,114	178,293
Taxation recoverable											3
Deferred tax assets											394
Total assets											178,690
LIABILITIES											
Segment liabilities	3,945	214	18	1,888	8,676	14,741	648	1,006	30,352	31,358	46,747
Taxation payable											2,294
Deferred tax liabilities											4,851
Total liabilities											53,892

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

	As at 31 December 2020										
	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)	18,158	6,985	1,153	12,114	36,863	75,273	3,061	8,889	5,491	14,380	92,714
Interests in associates	2,581	30,597	4,437	3,108	10,244	50,967	869	15,590	–	15,590	67,426
Interests in joint ventures	6	–	3,020	360	5,677	9,063	6	22	–	22	9,091
Non-current assets held for sale	–	–	–	405	–	405	–	–	–	–	405
Total segment assets	20,745	37,582	8,610	15,987	52,784	135,708	3,936	24,501	5,491	29,992	169,636
Taxation recoverable											8
Deferred tax assets											420
Total assets											170,064
LIABILITIES											
Segment liabilities	3,040	321	38	1,934	10,525	15,858	692	1,445	31,540	32,985	49,535
Taxation payable											2,412
Deferred tax liabilities											4,482
Total liabilities											56,429

4 Other income and other gains, net

	2021	2020
	HK$'million	*HK$'million*
Gain on modification of contract terms for a concession arrangement (Note (a))	944	—
Net gain on deemed disposal of partial interest in associates	454	—
Gain/(loss) on disposal of property, plant and equipment	10	(120)
Gain on resumption of land parcels at Shantou (Note (b))	—	1,722
Gain on deemed disposal of a subsidiary	17	—
Net changes in fair value of financial liabilities at FVTPL	(575)	(765)
Net changes in fair value of financial assets at FVTPL	(30)	256
Net changes in fair value of investment properties	21	149
Net allowance for credit losses of trade debtors and other debtors	(291)	(510)
Impairment loss recognised in respect of goodwill	—	(621)
Gain on discontinuance of equity accounting for a joint venture	—	960
Net exchange gain	8	446
Dividend income from equity investments	88	87
Government grants	268	190
Others	67	58
	981	1,852

Notes:

(a) In September 2021, TCP Participações S.A. ("TCP") has entered into supplemental agreement to the concession agreement by changing the inflation index from General Market Price Index to Extended National Consumer Price Index. It was assessed to be substantial modification and was accounted for as an extinguishment of the existing concession liability and the recognition of a new financial liability, resulting a gain on modification of contract terms amounted to HK$944 million.

(b) The land use rights at Shantou owned by the Group as at 31 December 2019 classified as non-current assets held for sale were resumed by Shantou Land Reserve Center during the year ended 31 December 2020. The total compensation for the resumption of those related assets were RMB2,381 million (equivalent to approximately HK$2,655 million), resulting in a gain on the resumption of HK$1,722 million, net of resumption costs amounting to HK$158 million.

5 Finance income and costs

	2021	2020
	HK$'million	*HK$'million*
Finance income from:		
Interest income from bank and other deposits	123	80
Interest income from advance to a joint venture	77	69
Interest income from advances to associates	200	149
	400	298
Interest expense on:		
Bank loans	(312)	(474)
Notes payable	(1,219)	(1,215)
Loans from:		
– a non-controlling equity holder of a subsidiary	(23)	(21)
– fellow subsidiaries	(16)	(23)
– immediate holding company	(47)	(22)
Lease liabilities	(50)	(54)
Others	(179)	(54)
Total borrowing costs incurred	(1,846)	(1,863)
Less: amount capitalised on qualifying assets (Note)	31	41
Finance costs	(1,815)	(1,822)
Finance costs, net	(1,415)	(1,524)

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 3.87% per annum (2020: 4.21% per annum) was applied, representing the weighted average rate of the costs of borrowings used to finance the qualifying assets.

6 Taxation

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2020: 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:

	2021	**2020**
	HK$'million	*HK$'million*
Current taxation		
Hong Kong Profits Tax	1	4
PRC corporate income tax (Note)	479	841
Overseas profits tax	275	—
Withholding income tax	176	146
Deferred taxation		
Origination and reversal of temporary differences	310	86
	1,241	1,077

Note: Included in the amount for the year ended 31 December 2020 was the PRC corporate income tax of HK$431 million levied on the Group for the gain on resumption of land parcels at Shantou. Further details are set out in note 4.

7 Profit for the year

	2021	2020
	HK$'million	*HK$'million*
Profit for the year has been arrived at after charging:		
Staff costs (including Directors' emoluments)	2,218	1,800
Depreciation of property, plant and equipment	1,511	1,296
Depreciation of right-of-use assets	500	478
Amortisation of intangible assets	275	259
Auditor's remuneration (including fees for non-audit services)	10	11

8 Dividends

	2021	2020
	HK$'million	*HK$'million*
Interim, paid, of 22 HK cents (2020: 18 HK cents) per ordinary share	823	649
Final, proposed, of 72 HK cents (2020: 51 HK cents) per ordinary share	2,726	1,867
	3,549	2,516

At a meeting held on 30 March 2022, the Board proposed a final dividend of 72 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 2021 was based on 3,785,619,729 (2020: 3,661,088,416) shares in issue as at 30 March 2022.

9 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:

	2021	**2020**
Basic		
Profit attributable to equity holders of the Company (HK$'million)	8,144	5,151
Weighted average number of ordinary shares in issue	3,703,860,052	3,522,492,505

No diluted earnings per share for both 2021 and 2020 were presented as there were no potential dilutive ordinary shares in issue for both 2021 and 2020.

10 Debtors, deposits and prepayments

Debtors, deposits and prepayments balance includes trade debtors of HK$1,023 million (2020: HK$1,018 million).

The Group has a credit policy of allowing an average credit period of 90 days (2020: 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:

	2021	**2020**
	HK$'million	*HK$'million*
0 - 90 days	904	996
91 - 180 days	61	8
181 - 365 days	39	4
Over 365 days	19	10
	1,023	1,018

11 Creditors and accruals

Creditors and accruals balance includes trade creditors of HK$546 million (2020: HK$312 million). The ageing analysis of the trade creditors, based on invoice date, is as follows:

	2021	**2020**
	HK$'million	*HK$'million*
0 - 90 days	473	260
91 - 180 days	25	15
181 - 365 days	4	—
Over 365 days	44	37
	546	312

PROPOSED FINAL DIVIDEND AND SCRIP DIVIDEND SCHEME

The Directors have resolved to recommend the payment of a final scrip dividend of 72 HK cents per share, totalling HK$2,726 million for the year ended 31 December 2021 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 (2020: scrip dividend of 51 HK cents per share by way of issue of new shares equivalent with cash alternative), payable on or around 22 July 2022 to Shareholders whose names appear on the register of members of the Company (the "**Register of Members**") on 13 June 2022 (the "**Scrip Dividend Scheme**").

Subject to the approval by the Shareholders at the annual general meeting of the Company (the "**AGM**") to be held on 2 June 2022, a circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to shareholders on or around 16 June 2022. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "**HKSE**") 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 22 July 2022.

CLOSURE OF REGISTER

To ascertain Shareholders' entitlement to attend and vote at the AGM, the Register of Members will be closed from 27 May 2022 to 2 June 2022 (both days inclusive), during which no transfer of shares will be registered. In order to qualify to attend and vote at the AGM, all transfers and the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Thursday, 26 May 2022.

Subject to the approval of the Shareholders at the AGM, the proposed final dividend will be despatched to Shareholders whose names appear on the Register of Members after the close of business at 4:30 p.m. on Monday, 13 June 2022. In order to qualify for the proposed final dividend, all transfers and the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at the above address not later than 4:30 p.m. on Monday, 13 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

GENERAL OVERVIEW

In 2021, the global pandemic situation of the COVID-19 was complex and challenging, with the resurgence of the pandemic and the different national policy options led to a divergence in the economic recovery of different countries. Although the global economy, especially the major economies, showed a recovery in general, uncertainties regarding to the economic recovery increased. According to the "World Economic Outlook" report published by the International Monetary Fund ("**IMF**") in January 2022, the global economy was expected to grow by 5.9% year-on-year in 2021. Developed economies and emerging and developing economies will grow by 5.0% and 6.5% respectively. In the first half of 2021, benefitting from vaccination acceleration, the recovery in the consumption side of global trade was boosted by the easing situation of the outbreak in Europe and the US. In the second half of 2021, however, the pandemic recurred. In addition to the global rebound of the Delta variant of COVID-19, which spread to many countries around the world, a new outbreak of Omicron variant of COVID-19 also occurred in major regions of the world at the end of 2021, posing a serious challenge to the global economic recovery.

Amid the complex external environment, China conducted unified planning of pandemic prevention and control along with economic and social development. Its efforts effectively facilitated the restoration of normal production and everyday life. According to the National Bureau of Statistics of China, China recorded year-on-year GDP growth of 8.1% in 2021 and the growth rate was at the top position among the world's major economies. In the second half of 2021, the foreign trade recorded better-than-expected growth driven by regional cooperation in trade, and the consumption demand gradually picked up and the economy showed positive signs of recovery. Overall, the outlook on China's economy of the upward trend in the long-run hasn't changed. To achieve high-quality economic growth, China will continue to deepen the supply-side structural reform and focus on the management on the demand side. According to the statistics published by the General Administration of Customs, China's total foreign trade of import and export value amounted to RMB39.1 trillion in 2021, representing a year-on-year increase of 21.4%, among which the total export value was RMB21.73 trillion, up by 21.2 % year-on-year, while the total import value was RMB17.37 trillion, up by 21.5% year-on-year. The trade surplus was RMB4.37 trillion, up by 20.2%.

Since the beginning of 2021, the demand for global trade in goods has rebounded continuously, driving the demand in the maritime market. However, while export demand continued to increase, the backflow of empty containers boxes from European and American ports was slow due to the impact of the pandemic and labour shortage, coupled with the effect of multiple “black swan events” such as the Suez Canal blockage and coronavirus outbreak at Yantian Port, resulting in ship delay, port congestion, routes adjustments, etc. from time to time. As a result, the distribution of containers was partially unbalanced, and the effective supply of shipping capacity continued to decline, the freight rate in the international market remained high, and the global maritime logistics supply chain experienced frequent “disruption”.

In the context of global economic recovery, the global container throughput in 2021 recorded an increase compared with that in 2020. According to report published by global shipping consultancy Drewry, global container throughput increased by 6.5% year-on-year in 2021. Benefitted from the good results of the effective pandemic prevention and control measures in Mainland China, the import and export of foreign trade stabilized rapidly and continued to improve, while the overall port production in Mainland China demonstrated a sustained growth. According to the data published by the Ministry of Transport of China, the accumulated container throughput handled by the ports in Mainland China reached 283 million TEUs in 2021, representing an increase of 7.0 % year-on-year.

In 2021, the Group’s ports handled a total container throughput of 135.04 million TEUs, up by 12.0% as compared with last year, and bulk cargo volume of 567 million tonnes, up by 38.0% over the previous year. For the year ended 31 December 2021, the Group’s revenue amounted to HK$11,850 million, representing a year-on-year increase of 32.5%. Profits attributable to equity holders of the Company amounted to HK$8,144 million, representing a year-on-year increase of 58.1%.

BUSINESS REVIEW

Ports operation

In 2021, the Group's ports handled a total container throughput of 135.04 million TEUs, up by 12.0 % year-on-year. Among which, the Group's ports in Mainland China, Hong Kong and Taiwan contributed an aggregate container throughput of 101.47 million TEUs, representing an increase of 10.7% year-on-year, which was mainly benefitted from the increase in container volume in the Pearl River Delta region and the Yangtze River Delta region in Mainland China. A total container throughput handled by the Group's overseas ports grew by 16.3% year-on-year to 33.57 million TEUs, which was mainly benefitted from the rapid growth of terminal throughput of Colombo International Container Terminals Limited ("**CICT**") in Sri Lanka, TCP in Brazil, Lomé Container Terminal S.A. ("**LCT**") in Togo and Terminal Link SAS ("**Terminal Link**"). Bulk cargo volume handled by the Group's ports increased by 38.0% year-on-year to 567 million tonnes, among which the Group's ports in Mainland China handled a total bulk cargo volume of 560 million tonnes, representing an increase of 38.5% year-on-year.

The gross throughput volume handled by the Group's container terminals for the year ended 31 December 2021 is as below:

Container Terminals	**2021** thousand TEUs	**2020** thousand TEUs	**Year-on-year changes**
Mainland China, Hong Kong and Taiwan	**101,470**	**91,647**	**10.7%**
Pearl River Delta region	**18,622**	**17,604**	**5.8%**
West Shenzhen Port Zone	11,482	10,567	8.7%
China Merchants Container Services Limited and Modern Terminals Limited	5,654	5,557	1.7%
Chu Kong River Trade Terminal Co., Limited	1,028	1,055	(2.6%)
Guangdong Yide Port Limited	458	425	7.8%
Yangtze River Delta region	**50,439**	**46,823**	**7.7%**
Shanghai International Port (Group) Co., Ltd.	47,032	43,503	8.1%
Ningbo Daxie China Merchants International Terminals Co., Ltd.	3,407	3,320	2.6%
Bohai Rim region	**27,091**	**22,498**	**20.4%**
Liaoning Port Co., Ltd. (formerly known as Dalian Port (PDA) Company Limited)	9,906	6,535	51.6%
Qingdao Qianwan United Container Terminal Co., Ltd.	8,543	8,097	5.5%
Tianjin Port Container Terminal Co., Ltd.	8,642	7,866	9.9%
Others	**5,318**	**4,722**	**12.6%**
Zhanjiang Port (Group) Co., Ltd.	1,222	1,220	0.2%
Zhangzhou China Merchants Port Co., Ltd.	267	315	(15.2%)
Shantou China Merchants Port Group Co., Ltd.	1,800	1,588	13.4%
Kao Ming Container Terminal Corp.	2,029	1,599	26.9%
Other locations	**33,570**	**28,875**	**16.3%**
Colombo International Container Terminals Limited	3,060	2,930	4.4%
Lomé Container Terminal S.A.	1,626	1,364	19.2%
Tin-Can Island Container Terminal Ltd.	320	303	5.6%
Port de Djibouti S.A.	692	859	(19.4%)
TCP Participações S.A.	1,101	983	12.0%
Kumport Liman Hizmetleri ve Lojistik Sanayi ve Ticaret Anonim Şirketi	1,248	1,217	2.5%
Terminal Link SAS	25,523	21,219	20.3%
Total	**135,040**	**120,522**	**12.0%**

Pearl River Delta region

The Group's terminals in the West Shenzhen Port Zone handled a container throughput of 11.48 million TEUs, up by 8.7% year-on-year, which was driven by better growth of "Trunk Port" under the impact of pandemic. Bulk cargo volume reached 10.56 million tonnes, up by 1.7% year-on-year. Guangdong Yide Port Limited handled a container throughput of 0.46 million TEUs, up by 7.8% year-on-year, which was benefitted from the business expansion strategies such as the major customer strategy, Shenzhen Shekou-Shunde Beijiao Coordinated Port, and direct foreign trade shipping routes; and handled a bulk cargo volume of 5.19 million tonnes, up by 31.4% year-on-year, which was mainly benefitted from the continuous growth in demand for imported coil steels and section materials from hinterland factories, and active exploration of new business which had achieved results. Chu Kong River Trade Terminal Co., Limited handled a total container throughput of 1.03 million TEUs, declined by 2.6% year-on-year, and handled a bulk cargo volume of 3.17 million tonnes, up by 3.1% year-on-year. Modern Terminals Limited and China Merchants Container Services Limited in Hong Kong delivered an aggregate container throughput of 5.65 million TEUs, up by 1.7% year-on-year.

Yangtze River Delta region

Shanghai International Port (Group) Co., Ltd. handled a container throughput of 47.03 million TEUs, up by 8.1% year-on-year, which was mainly benefitted from the growth in container throughput volume due to the strong recovery of the shipping market. Bulk cargo volume handled increased by 8.9% year-on-year to 82.39 million tonnes, mainly due to the adjustment on business structure, the vigorous development of export cargo types and the synchronous enhancement of regional synergy. Ningbo Daxie China Merchants International Terminals Co., Ltd. handled a container throughput of 3.41 million TEUs, representing an increase of 2.6% year-on-year.

Bohai Rim region

During the year, Liaoning Port Company Limited ("**Liaoning Port**") (formerly known as "Dalian Port (PDA) Company Limited"), which successfully completed the merger with Yingkou Port Liability Co., Ltd.. Liaoning Port, handled a container throughput of 9.91 million TEUs, up by 51.6% year-on-year; and its bulk cargo volume handled was 263 million tonnes, up by 100.1% year-on-year. Qingdao Qianwan United Container Terminal Co., Ltd. handled a container throughput of 8.54 million TEUs, representing an increase of 5.5% year-on-year. In an environment of actively exploring new cargo types, Qingdao Qianwan West Port United Terminal Co., Ltd. handled a bulk cargo volume of 17.65 million tonnes, representing an increase of 8.3% year-on-year. Qingdao Port Dongjiakou Ore Terminal Co., Ltd. handled a bulk cargo volume of 65.59 million tonnes, indicating an increase of 3.9% year-on-year. Tianjin Port Container Terminal Co., Ltd. contributed a container throughput of 8.64 million TEUs, representing an increase of 9.9% year-on-year, which was mainly attributable to close business connection with partners.

South-East region of Mainland China

Shantou China Merchants Port Group Co., Ltd. ("**Shantou Port**") handled a container throughput of 1.80 million TEUs, up by 13.4% year-on-year, which was mainly due to the volume growth in domestic containers. Due to the decrease in shipping routes affected by the pandemic, Zhangzhou China Merchants Port Co., Ltd. located in the Xiamen Bay Economic Zone handled a container throughput of 0.27 million TEUs, decreased by 15.2% year-on-year, while benefitted from the development of North-South grain business, its bulk cargo volume increased by 37.2% year-on-year to 8.68 million tonnes. Xia Men Bay China Merchants Terminals Co., Ltd. handled a bulk cargo volume of 5.65 million tonnes for the year, up by 770.3% year-on-year, which was benefitted from business synergies, steady improvement of the grain and sandstone businesses, and the vigorous development of new cargo types such as sugar.

South-West region of Mainland China

Zhanjiang Port (Group) Co., Ltd. handled a container throughput of 1.22 million TEUs, up by 0.2 % year-on-year. It handled a bulk cargo volume of 95.54 million tonnes, up by 5.1% year-on-year.

Taiwan

Kao Ming Container Terminal Corp. in Kaohsiung, handled a total container throughput of 2.03 million TEUs, representing an increase of 26.9% year-on-year, which was mainly driven by additional volume of containers in other regions suffering from severe port congestion due to the pandemic.

Overseas operation

In 2021, a total container throughput handled by the Group's overseas projects increased by 16.3% year-on-year to 33.57 million TEUs. Among which, CICT in Sri Lanka handled a container throughput of 3.06 million TEUs, up by 4.4% year-on-year. Hambantota International Port Group (Private) Limited ("**HIPG**")'s RORO and bulk cargo operations are well developed, and its RORO terminal handled 0.54 million vehicles, up by 38.0% year-on-year. The bulk cargo throughput reached 1.56 million tonnes, up by 25.6% year-on-year, which was mainly benefitted from the growing import throughput volume of raw materials by major customers as the cement market demand was rebounded. Container throughput handled by LCT in Togo increased by 19.2% year-on-year to 1.63 million TEUs, which was mainly attributable to the stable growth in container throughput volume from major customers. Benefitted from the increase in local imported container volume driven by the resumption of work and production of the local enterprises in Brazil, TCP in Brazil handled a container throughput of 1.10 million TEUs for the year, up by 12.0% year-on-year. Container throughput handled by Tin-Can Island Container Terminal Ltd. in Nigeria was 0.32 million TEUs, representing an increase of 5.6% year-on-year. Affected by the economic downturn due to political instability, Port de Djibouti S.A. in Djibouti handled a container throughput of 0.69 million TEUs, down by 19.4% year-on-year, and a bulk cargo volume of 4.55 million tonnes, up by 0.4% year-on-year. Container throughput handled by Kumport Liman Hizmetleri ve

Lojistik Sanayi ve Ticaret Anonim Şirketi in Turkey was 1.25 million TEUs, representing an increase of 2.5% year-on-year; while bulk cargo volume handled was 0.11 million tonnes, up by 62.1% year-on-year, which was mainly due to the increase in export of construction materials. As Terminal Link completed the new acquisition of eight terminals since the end of March 2020, it handled a container throughput of 25.52 million TEUs, up by 20.3% year-on-year.

Strategic deployments in the ports operation

In 2021, by continuing to adhere to the general tone of making progress while remaining stable, embarking on a new development stage, being committed to a new development philosophy, building a new pattern of development as well as insisting on the improvement of quality and efficiency, the Group strived for breakthroughs in seven key aspects, namely the development of homebase port, overseas business, comprehensive development, innovative development, capital operation, operation management, and marketing and commerce. During the year, there were three highlights on the Group's business operation. First of all, the overall volume of the Group, both containers and bulk cargos, recorded a significant increase. With the overall positive trend of the port industry, the volume of the Group's West Shenzhen and overseas homebase port hit record high again. Secondly, the Group has always been highly concerned with pandemic prevention and control, and grasped the bottom line to safeguard China under the severe and complex situation of pandemic. The Group was able to maintain a high standard for the daily pandemic prevention and control, ensuring a stable and safe situation with no infection in Mainland China as well as a situation that the pandemic can be controlled at overseas locations. Meanwhile, the joint prevention and control mechanism was implemented to effectively coordinate with all relevant parties to ensure ports' safety production and operation and maintain the stability of both chains of industrial chain and supply chain. Thirdly, Mawan Smart Port of the Group, which was officially launched and put into operation and became the first green and low-carbon smart port equipped with 5G in the Guangdong, Hong Kong and Macau Greater Bay Area ("**Greater Bay Area**"), formed a replicable and marketable solution for the transformation and upgrading of traditional ports, fully showing the "China Merchants Demonstration".

In respect of the development of homebase ports, the Group adhered to the strategic objective of "building world-class leading ports", further enhanced the comprehensive competitiveness of the West Shenzhen homebase port as a world-class leading port, and strengthened the leading position of the hub in South Asia of overseas homebase port in Sri Lanka, so as to advance the development of leading ports. During the year, Mawan Smart Port was officially launched and put into operation, which became the first 5G smart port in the Greater Bay Area, tremendously enhanced the core competitiveness of the West Shenzhen Port Zone. In addition, the coordinated ports model in the Greater Bay Area had been promoted to other regions, fully enhanced the efficiency of customs clearance in Western Shenzhen, provided customers with high quality and efficient services, and the convenience advantages of the cross-customs areas were gradually being realized. In respect of the overseas homeport, the Group continuously integrated the operation and management of HIPG and CICT in Sri Lanka, promoted the coordinated development of these two ports, strengthened cooperation with various customers and expanded new ideas for development.

With respect to overseas business, the Group kept abreast of changes in the economy and trade landscape, comprehensively deepened business collaboration with internal resources and strategic partners, developed high-quality regional shipping routes, and focused on regional gateway ports. The Group optimized the development of the overseas project management and control system, as well as the overseas project management policy, and promoted the quality and efficiency improvement of overseas terminals.

In pursuit of comprehensive development, the Group was committed to improving the global network layout and business synergies in overseas projects, and deepened the implementation of "Port-Park-City" model in overseas regions. In 2021, under the adverse impact of the continuous spread of the pandemic, the promotion activities of induction of business and investment in overseas logistic parks continued to be steadily progressed. As of the end of 2021, the number of contracted enterprises in the HIPG industrial zone and Djibouti International Free Trade Zone reached 35 and 196 respectively. The comprehensive development made sound progress.

As for innovative development, the Group continued to revise and improve its digitalisation plan in accordance with the requirements of industry development and technological development trends, promoted the construction of the CMCore platform, the CM ePort platform and the Smart Management platform, and improved the relevant implementation plans, enhanced the digitalisation level of the industry and continued to promote the construction of Mawan Smart Port. Since its operations, the Mawan Smart Port had received unanimous praise from the industry and had won a number of awards, including the Gold Award in the 4th "Blossom Cup" 5G Application Competition Benchmarking Competition organized by the Ministry of Industry and Information Technology of China and the Sustainability Award from the International Association of Ports and Harbours. The Group actively explored model innovation, worked with relevant partners to build a demonstration port for the international hydrogen energy industry and set up a smart port technology innovation laboratory. The Group continued to expand the combined ports in the Greater Bay Area to ten feeder terminals such as Shunde and Beijiao in order to continuously boost trade facilitation in the Greater Bay Area.

In terms of capital operation, the Group continued to promote the two-wheel drive model of "asset operation + capital operation" and continue to enhance the efficiency of the assets by improving medium and long-term capital operation plan, starting from optimizing the dual platform structure, market value management and asset restructuring. It promoted the transformation and upgrading of existing terminals and the extension of its industrial chain, further enhanced the Company's influence through its capital and internationalisation platforms.

In respect of operation management, the Group continued to uphold its strategy, following the direction of "empowerment, professionalism and value". The Group developed five core elements, namely "management standard, teams of experts, closed-loop procedure, information system and benchmarking enhancement", so as to promote the development of a global operation and control system, establish an operation management system with sustainable value creation, link the improvement of quality and efficiency with performance appraisal and greatly integrated the improvement of quality and efficiency with strategic goals. The intelligent management platform was put into trial operation. The subsystem of the lifecycle asset management system was put into trial operation to further optimize the overall management system through digitalisation. The Group improved institutional systems and optimized its control model, promoted the construction of a risk management information platform, and improved the internal control system continuously with optimizing risk preference indicators to complete overseas risk quantitative management reports and establish risk warnings to enhance risks control level.

With respect to marketing and commerce, the Group kept cooperating with major shipping companies to improve the port conditions and ensure the stability of shipping routes. In 2021, the Group continuously strengthened its marketing and business promotion in the West Shenzhen Port Zone, a number of intra-Asia and trans-Pacific shipping routes were newly added, and further strengthened its in-depth cooperation with major shipping companies to maintain the existing routes and expand new routes. At the same time, the Group set up a major customer service team and worked with various subordinate units to formulate service strategies, starting with "customized services", focusing on large cargo owners with large cargo volumes, strong representation of product types and strong influence on route connection, and providing "one-stop" services to enhance customer stickiness. The Group promoted the improvement of the collection and transportation system, earnestly consolidated and expanded the hinterland of supply courses, and expanded network of combined seaports and inland dry ports in the Pearl River Delta.

Bonded logistics operation

In 2021, the Group's bonded logistics business continued to pursue the development direction of diversifying integrated services and enhanced the utilisation rate of resources at the existing warehouses and yards so as to respond to market changes and the unstable situation under the pandemic. The average utilisation rate of the warehouses of China Merchants Bonded Logistics Co., Ltd. in Shenzhen was 98%, as a result of active exploration of new clients and business models. China Merchants International Terminal (Qingdao) Co., Ltd. stabilized major customers and reduced the impact of the pandemic, and accordingly, its average utilisation rate of the warehouses reached 80%. Tianjin Haitian Bonded Logistics Co., Ltd., which is an associate of the Group, recorded an average utilisation rate of 85% of its warehouses. In Djibouti International Free Trade Zone, the wholly-owned bonded warehouse recorded an average utilisation rate of 100%, and the average utilisation rate of the bonded warehouse, which the Group invested in, was 100%.

In 2021, the total cargo volume handled at the three major air cargo terminals in Hong Kong amounted to 4.24 million tonnes, up by 11.0% as compared with last year. Asia Airfreight Terminal Company Limited, which is an associate of the Group, handled a total cargo volume of 0.86 million tonnes, representing an increase of 11.3% year-on-year and a market share of 20.3%, up by 0.2 percentage point as compared with last year.

FINANCIAL REVIEW

For the year ended 31 December 2021, the Group recorded revenue of HK$11,850 million, up 32.5% year-on-year, which was mainly due to the high business volume of ports operation. Profits attributable to equity holders of the Company amounted to HK$8,144 million, representing an increase of 58.1% year-on-year, which included a net gain on deemed disposal of partial interest in associates of HK$407 million (net of tax) during the year, while the amount for last year included a net gain of HK$775 million (net of tax) recognised by the Group from the resumption of certain land parcels at Shantou by the government, the gain on discontinuance of equity accounting for a joint venture of HK$912 million (net of tax) and goodwill impairment loss of a subsidiary of HK$621 million. The recurrent profit[Note1] increased by 81.3% year-on-year to HK$7,537 million, which was due to the Group's increase in revenue and share of profits of associates.

Note 1 Profits attributable to equity holders of the Company net of non-recurrent gains after tax. Non-recurrent gains include: for 2021, net change in fair value of financial assets and liabilities at fair value through profit or loss, net change in fair value of investment properties, gain on modification of contract terms for a concession arrangement, net gain on deemed disposal of a subsidiary and partial interest in associates; while for 2020, net change in fair value of financial assets and liabilities at fair value through profit or loss, net change in fair value of investment properties, net gain on resumption of certain land parcels at Shantou, goodwill impairment loss and gain on discontinuance of equity accounting for a joint venture.

Total assets of the Group increased by 5.1% from HK$170,064 million as at 31 December 2020 to HK$178,690 million as at 31 December 2021, which was mainly due to the increase in share of profits in associates. In addition, the total liabilities of the Group decreased by 4.5% from HK$56,429 million as at 31 December 2020 to HK$53,892 million as at 31 December 2021 due to repayment of bank loans. As at 31 December 2021, net assets attributable to equity holders of the Company was HK$98,262 million, up 11.8% as compared to that as at 31 December 2020. This was mainly attributed to the increase in profits attributable to equity holders of the Company.

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 has been recognised in the reserve of the Group. The Group has developed a sound foreign exchange rate risk management mechanism to prevent the impact arising from foreign exchange rate fluctuation on the Group, and has maintained foreign exchange risk at a manageable level.

In general, the Group's ports operation continued to yield stable cash inflow. For the year ended 31 December 2021, the Group's gross net cash inflow from operating activities was HK$8,785 million, an increase of 50.9% as compared with last year, among which, the receipt of cash dividends from associates and joint ventures were HK$3,347 million, an increase of 90.0% as compared with the corresponding period of last year. As the capital expenditure on business acquisitions decreased as compared with the corresponding period of last year, the Group's net cash outflow from investment activities decreased to HK$4,082 million from HK$6,163 million of the same period of last year. As the amounts of issuance of perpetual capital securities and disposal of subsidiaries were received in the same period of last year, and there was no relevant transactions occurred during the year, the cash flow of the Group's financing activities decreased from the net inflow of HK$4,375 million of last year to the net outflow of HK$6,129 million during the year.

LIQUIDITY AND TREASURY POLICIES

As at 31 December 2021, the Group had approximately HK$9,980 million in cash, 19.0% of which was denominated in Hong Kong dollar, 18.1% in United States dollar, 50.5% in Renminbi, 8.7% in Euro, 3.4% in Brazilian Real and 0.3% 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$8,785 million in total.

During the year, the Group incurred capital expenditure amounting to HK$1,919 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 of HK$17,215 million, does not anticipate any difficulty in refinancing its short-term loans while the pressure for repaying the short-term loans is limited.

SHARE CAPITAL AND FINANCIAL RESOURCES

As at 31 December 2021, the Company had 3,785,619,729 shares in issue. During the year, the Company issued 124,531,313 shares under the Company's scrip dividend scheme.

As at 31 December 2021, the Group's net gearing ratio[Note2] was approximately 22.2%.

The Group had aggregate bank loans and listed notes payable of a total of HK$23,311 million as at 31 December 2021 that contain customary cross default provisions.

Note2 Net interest-bearing debts and lease liabilities divided by total equity.

As at 31 December 2021, the Group's outstanding interest-bearing loans and notes are analysed as below:

	2021	2020
	HK$'million	*HK$'million*
Floating-rate bank loans which are repayable as follows (Note):		
Within 1 year	5,730	6,916
Between 1 and 2 years	1,169	1,123
Between 2 and 5 years	2,866	3,793
More than 5 years	938	987
	10,703	12,819
Fixed-rate bank loans which are repayable as follows:		
Within 1 year	61	772
Between 1 and 2 years	820	—
Between 2 and 5 years	31	796
More than 5 years	—	30
	912	1,598

	2021	2020
	HK$'million	*HK$'million*
Floating-rate listed notes payable which are repayable:		
In 2021	—	182
In 2022	411	439
	411	621
Fixed-rate listed notes payable which are repayable:		
In 2022	3,896	3,865
In 2023	6,998	6,944
In 2025	3,888	3,863
In 2028	4,633	4,602
	19,415	19,274
Fixed-rate unlisted notes payable which are repayable:		
In 2022	3,062	2,971

	2021	2020
	HK$'million	*HK$'million*
Loans from a fellow subsidiary which are repayable as follows:		
Within 1 year	77	148
Between 2 and 5 years	239	152
More than 5 years	145	155
	461	455
Loan from immediate holding company		
Repayable within 1 year	1,314	934
Loan from a non-controlling equity holder of a subsidiary		
Repayable more than 5 years	504	520

Note: All loans are unsecured except for the secured bank loans of HK$2,307 million (2020: HK$2,941 million).

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

	Bank loans	Notes payable	Loans from a fellow subsidiary	Loan from immediate holding company	Loan from a non-controlling equity holder of a subsidiary	Total
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
As at 31 December 2021						
HKD & USD	6,978	19,415	—	—	—	26,393
RMB	3,605	3,062	461	1,314	—	8,442
EURO	780	—	—	—	504	1,284
Brazilian Real	252	411	—	—	—	663
	11,615	22,888	461	1,314	504	36,782
As at 31 December 2020						
HKD & USD	7,645	19,274	—	—	—	26,919
RMB	5,082	2,971	455	934	—	9,442
EURO	1,191	—	—	—	520	1,711
Brazilian Real	499	621	—	—	—	1,120
	14,417	22,866	455	934	520	39,192

ASSETS CHARGE

As at 31 December 2021, bank loans of HK$619 million (2020: HK$536 million) borrowed by subsidiaries of the Company were secured by property, plant and equipment with carrying value of HK$356 million (2020: HK$458 million) and right-of-use assets with carrying value of HK$230 million (2020: HK$230 million). In addition, the entire shareholdings in two subsidiaries respectively owned by the Company and its subsidiary were pledged to various banks for bank loans of HK$1,688 million (2020: HK$2,405 million).

EMPLOYEES AND REMUNERATION

As at 31 December 2021, the Group employed 8,495 fulltime staff, of which 195 worked in Hong Kong, 5,486 worked in Mainland China, and the remaining 2,814 worked overseas. The remuneration paid by the Group during the year amounted to HK$2,218 million, representing 27.6% of the total operating expenses of the Group.

The Group's remuneration management followed the principle of first priority in efficiency and due consideration to fair and sustainable development. The Group paid continuous attention to global economy growth trend, took into account market changes and corporate benefits and implemented dynamic remuneration management strategy to ensure the market competitiveness of compensation. During the year, the Group constantly promoted the incentive mechanism building featuring the combination of short-term incentives and medium- and-long term incentives as well as the mutual complementation between cash incentives and equity incentives. By virtue of promotion and application of intellectual human resources management platform HR-MAX, the Group improved the appraisal incentive mechanism, strengthened the linkage between performance assessment and incentives, and reasonably applied the appraisal results. The Group insisted on the concept of performance-oriented marketisation of revenue distribution, in order to stimulate potential and creativeness of employees and further improve the efficiency of resource allocation. The employees' remuneration adjustment and their bonus distribution are linked with the Company's profitability and individual performance. The Group's performance will be improved through increasing the effectiveness and accuracy of remuneration incentives. During the year, the

Group launched a scheme of strategic appraisal performance's linkage with remuneration, in particular, deferred bonus of middle and senior managers will be granted based on their strategic appraisal results, to guide and focus on medium and long-term development of the Company and facilitate to achieve the strategic goal of the Company. Directors' remuneration is determined with reference to their position and responsibilities in the Company, experience and current market conditions.

In 2021, there were repeated outbreaks of the COVID-19 pandemic, and the relevant control and prevention was still under severe and stringent condition. The Group attached equal importance to normalisation of pandemic prevention and control and its operation. The Group also took good care of employees and fulfilled corporate social responsibility while achieving production and operation goal, to minimize the impact of the pandemic. The Group provided consulting service for employees through online and offline professional medical teams to take care of and guarantee the physical and mental health of front-line employees in all-round and multi-channel manner. The Group used the special funds as related subsidies for staff working overtime due to the pandemic prevention and control, formulated pandemic prevention grant scheme for employees who are assigned to engage in overseas pandemic prevention, increased reward and incentive level of front-line employees of pandemic prevention and control and recognized the prominent example of pandemic prevention. In addition, the Group conducted construction of health management platform for overseas employees, to provide all-round guarantee for physical and mental health of overseas employees through systematic management involving online enquiry, evaluation reminder, file storage and information searching.

CORPORATE SOCIAL RESPONSIBILITY

While being committed to improving its operating results and generating returns for shareholders, the Group also actively undertook its responsibilities for employees, the environment and society to facilitate sustainable development of the enterprise and society.

The Group strived to pursue the vision of building ecological green ports, strictly abided by the relevant local laws and regulations regarding environmental protection in the region where the operation was located in, strengthened pollution prevention and control efforts. In order to improve the results of energy conservation and emission reduction, as well as environmental management capabilities, the Group further improved its environmental management system and revised the related articles regarding corporation energy conservation and environmental protection, determined the assessment indicators for energy conservation and environmental protection and fulfilled environmental protection responsibilities, and urged its terminals to establish an effective energy conservation and environmental protection mechanism. During the construction of the project, the Group's terminals actively carried out environmental assessments and formulated contingency plans to protect biodiversity through various channels. In addition, in order to promote the concept of energy conservation and emission reduction, the Group has encouraged green office and organized green social welfare activities to promote the Group's green and low carbon development in various aspects.

The Group actively responded to the national strategies of "carbon peaking" and "carbon neutrality", and actively participated in the construction of dual-carbon demonstration projects and carbon verification compliance work. In 2021, the Group focused on the development and application of new energy conservation technologies, continued to expand the applied range of new energy conservation technologies and products such as "Substitution of Fuel Powered Equipment with Electricity-Powered Equipment" (油改電), "Shore-Powered Supply for Vessels" (船舶岸基供電), "Engine Upgrade Replacement" (發動機升級置換) and "Belt Conveyor Reformation" (皮帶輸送機改造). The shore-powered system was officially put into operation in Guang'ao Port Zone in Shantou Port. The Group prioritized the use of environmentally friendly and efficient equipment, increased the application of electric machinery, promoted energy substitution and diversification, including the use of low-sulphur oil, "hydrogen" fuel trailers test, and the exploring of the application of renewable energy in the ports and parks, etc., so as to further enhance the operational efficiency of the terminals by improving the energy efficiency of the facilities. Moreover, the Group continued to conduct climate risk assessment and strengthened climate risk response measures to minimize the impact of climate change on the Group's operations.

During the pandemic, the Group did its best to prevent and control the pandemic and ensure the safe operation of its ports. The Group arranged for its staff to take nucleic acid tests and vaccinations, and also required foreign vessels to make advance notifications and file information before approaching the port, so as to build a solid barrier against the pandemic. At the same time, the Group actively supported the prevention and control of the pandemic in overseas terminals by donating pandemic prevention materials and equipment to Sri Lanka and providing financial assistance to help build isolation centers and nucleic acid testing laboratories in the region to combat the pandemic.

Adhering to the concept of integration win-win as always, the Group actively built a relationship of mutual trust and support with the local community where operation is located in during the process of steady business development. The Group gave back to the local communities by engaging in expansion of charity fields, such as the construction of infrastructure, cultivation of talents, community care, assistance in education and health care etc. In 2021, the Group continued to promote "China Merchant Silk Road Hope Village" project in Sri Lanka, the second 'Caring Village' at HIPG was launched and a number of community facilities were planned to improve the living conditions of the local residents. In the meatime, the Group organized a Ramadan living materials donation campaign in Djibouti to relieve the pressure of living on local disadvantaged groups.

The Group focused on the charity theme of "Shaping Blue Dreams Together (C-Blue)", committed to making a positive impact on the society by continuously carrying out a series of charity projects and extending its charity journey. In 2021, the Group brought together the C-Blue volunteer team to share knowledge, love and care to children from villages. In May 2021, the Group successfully hosted the student development camp named "Growing with Love and Companion of CMPort" (招有愛，伴成長) for teachers and students in Weining County, Guizhou Province, and the children development camp named "Accompanying with

Volunteer Blue" (志願藍、伴同行) for the primary school in Qilin Town, Wuhua County in December 2021. The Group persisted to its corporate mission of "Be with each other though far apart" (天涯若比鄰). The 9th global transport young talent training programme of "21st Century Maritime Silk Road Talents Programme" (21世紀海上絲綢之路優才計劃) was accomplished during the year. The programme provided a sustainable development of transportation training courses for about 80 international students in China from 34 countries, and helped building a professional talent communication platform for the young that come from the countries along the Initiative of "Belt and Road" and who involved in the shipping industry.

FUTURE PROSPECTS

Looking into 2022, the global economy will continue to show a general tone of recovery, but the COVID-19 pandemic will continue to disrupt the normal economic order, leading to an uncertain outlook of global economic recovery. Emerging markets and developing economies will face uncertainties in economic development subject to vaccination progress against COVID-19. The social and political turmoil in certain emerging economies will drag down economic growth, notably in regions such as the Middle East and North Africa. In January 2022, the IMF predicted the global economy to grow by 4.4% in 2022, representing a decrease of 1.5 percentage points as compared to that of 2021. The developed economies will grow at 3.9%, down 1.1 percentage points as compared to that of 2021; and the emerging markets and developing economies will grow at 4.8%, down 1.7 percentage points as compared to that of 2021. Global trade volume (including goods and services) will grow by 6.0%, down 3.3 percentage points as compared to that of 2021. In 2022, China will continue to implement the new development concept, accelerate the construction of new development patterns, promote high-quality development, continue to maintain the strength and resilience of its economic development, stimulate the huge potential of economic growth, and continue to make outstanding contributions to the recovery of the global economy. According to the IMF's latest report, China's economy growth rate will be 4.8% in 2022.

Looking into 2022, although shipping routes, shipping capacity and supply of containers are expected to gradually return to normal, and the divergence between supply and demand of shipping capacity in the global container shipping market will be reduced, the container shortage and port congestion will still need to be improved in the short term. Therefore, container freight rates will fluctuate at a medium to high level with high volatility, with a low probability of falling back to the low level before the pandemic. In the future, positive factors such as the sustained recovery of the global economy and trade are expected to have a positive impact on the port industry.

In 2022, China will continue to strengthen its economic base, enhance its ability to innovate in science and technology, adhere to multilateralism, take the initiative to align itself with high-standard international economic and trade rules, help to stabilize the industrial and supply chains, and also increase its efforts to attract foreign investment so as to promote deepen reform and high-quality development with a high level of opening up. With the implementation of various trade agreements, it is expected that the level of trade and investment facilitation will be further improved, and the cooperation between China and its partners will be further strengthened, and then the momentum of import and export of commodities will be further strengthened, which will benefit for the port industry. In addition, ongoing progress in the construction of intelligent ports and green ports will also rejuvenate the development of the port industry.

Based on the above analysis and judgements, the Group will adhere to the existing strategic principle in 2022, and strive to realize its strategic goal of "to be a world's leading comprehensive port service provider" thru implementing the high-quality development concept, focusing on endogenous growth, driving a new development journey, and improving digitalisation, marketisation, internationalisation, platformisation and intellectualisation.

With respect to the construction of homebase ports, the West Shenzhen Port Zone will closely follow the strategic goal of making China as a strong construction and transportation country. The Group will continuously improve service quality, keep infrastructure construction, strengthen the operation of the blockchain platform for logistics and trade facilitation to improve competitiveness. For overseas homebase ports, the Group will strive to build a strong reginal port, leverage the advantages of port area linkage with enhancing the integrated service port services and strengthening cooperation with all parties such as shipping companies, so as to continue to build a world-class shipping centre in South Asia.

In respect of overseas business, the Group will continue to optimize its overseas presence. Leveraging the regional influence of overseas terminals, the Group will strengthen regional market expansion, and continue to promote port-vicinity industry projects. Through improving overseas management systems to enhance the management efficiency for overseas projects, the Group will strive to strengthen the risk prevention and control, quality and efficiency of overseas terminals, and improve the income stream of overseas business.

In terms of comprehensive development, the Group will closely adapt to the changes in the global trade environment, strive to become an important link between domestic and foreign economic cycles, and a cornerstone for the security and stability of the industrial supply chain. The Group will accelerate the building of a mature model of integrated development business of "Port-Park-City" to realize the long-term benefits for "land economy" of the ports. Apart from improving quality of services to existing customers and increasing customer stickiness, the Group will enhance the capability to cultivate and support hinterland industries.

Regarding innovative development, the Group will focus on industrial transformation and upgrade driven by innovation and technology empowerment. Leveraging on the "Research Institute of CMPort for Technological Innovation and Development", the Group will develop the ecosystem for technology and innovation, and generate innovative solutions with technology for ports to build the integrated platform for industry, education and research. Through "CMCore" platform, the Group will develop three major leading products for the industry, including Container Terminal Operation System (CTOS), Bulk Cargo Terminal Operation System (BTOS) and Logistic Park Operation System (LPOS), striving to intelligentise the operation within the terminals. The "CM ePort" platform will innovate the service models by improving the information service system and adopting the "Port + Internet" approach for the port, so as to explore and develop an open platform for intelligent ports.

As for capital operation, the Group constantly strives to explore solutions to optimize asset structures in order to reduce the investment risks. In line with the strategies of the Group and promotion of dual-wheel drive model of "asset management + capital operation", starting from the direction of "asset-heavy to asset-light" and "quantity-oriented to quality-oriented", the Group will strive to improve capital operation plans, asset allocation and endogenous growth in order to enhance returns of each assets.

In respect of operation management, the Group will continuously reach the world's first-class standards as its benchmarks and enhance overall operation and management. Focusing on the Group's strategies, the Group will strengthen management and control optimisation for improvement of management efficiency. By continuously deepening the smart operation management platform system to push the construction of management standards for operations, the Group will accelerate the development of an international operation and management system that sustainably creates value, as well as a value-oriented management headquarters.

In terms of marketing and commerce, the Group will continue to strengthen the cooperation with major shipping companies and enhance the interaction with end-customers. Simultaneously, the Group will improve the construction of the market commerce system, building up a collaboration platform of integration, platformisation and digitalisation, and expanding the coverage of the logistics supply chain through both internal and external development.

In 2022, due to the COVID-19 pandemic and supply chain disruptions, uncertainties in foreign trade and imports and exports still remain, but the gradual recovery of the global economy is expected to continue to drive demand for maritime transport. China has been driving for a higher level of opening up and strengthening momentum in the commodity import and export, and it is expected to energize and provide opportunities for port business development. Meanwhile, the new digitalisation technology will also continue to be a new driver for the Group to build world-class ports. The Group will proactively grasp the opportunities of the times, enhance its core capability and maintain strategic focus. The Group will strive to maximize the interests of shareholders as always, and create more returns for shareholders while generate higher value for all stakeholders.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company (the "**Audit Committee**") comprises all of the four independent non-executive directors. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial report matters including the review of the audited financial statements for the year ended 31 December 2021 and the 2021 annual results.

CORPORATE GOVERNANCE

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

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

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code ("**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules which set out the corporate governance principles and the code provisions with which the listed issuers are expected to follow and comply throughout the year ended 31 December 2021, except the following:-

In respect of the then Code Provision E.1.2 under the Corporate Governance Code. Mr. Deng Renjie, the Chairman of the Board, did not attend the annual general meeting of the Company held on 1 June 2021 due to business trip. Mr. Zheng Shaoping, the then Executive Director and Deputy General Manager of the Company, took chair of the annual general meeting according to the Company's Articles of Association.

In order to ensure effective communication with the shareholders, chairmen of the Audit and Remuneration Committees and other board members and the external auditor were present at the annual general meeting of the Company held on 1 June 2021 to answer shareholders' questions.

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

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

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

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE HKSE

The 2021 annual report will be despatched to Shareholders and published on the website of the HKSE at www.hkexnews.hk and the website of the Company at www.cmport.com.hk in due course.

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

Hong Kong, 30 March 2022

As at the date of this announcement, the Board comprises Mr. Deng Renjie, Mr. Wang Xiufeng, Mr. Liu Weiwu, Mr. Deng Weidong, Mr. Yim Kong and Mr. Wang Zhixian 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.